EMPIRE COMPANY LIMITED

SECOND QUARTER REPORT | SIX MONTHS ENDED OCTOBER 31, 2003

EMPIRE

Quarterly Report to Shareholders

Empire Company Limited (“Empire” or the “Company”) is a diversified Canadian company whose key businesses include food distribution, real estate, and corporate investment activities. Guided by conservative business principles, our primary goal is to grow long-term shareholder value through income and cash flow growth and equity appreciation. We accomplish this through direct ownership and equity participation in businesses that have the potential for long-term growth and profitability.

Contents

Copies of this report are available on the Company’s website (www.empireco.ca) or by contacting the Vice-President, Investor Relations at (902) 928–1725. A copy has also been filed on SEDAR.

Forward-looking Statements

Certain forward-looking statements may be included in this quarterly report. Such statements are based on management’s assumptions and beliefs in light of information currently available. These forward-looking statements are subject to inherent uncertainties and risks, including but not limited to: business and economic conditions generally in the Company’s operating regions; pricing pressures and other competitive factors; results of the Company’s ongoing efforts to reduce costs; equity price risk; and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in or contemplated or implied by such statements.

Letter to Shareholders

On December 10, 2003, Empire Company Limited announced its financial results for the second quarter ended October 31, 2003.

Second Quarter Highlights

- *Revenue of $2.79 billion, up $129.5 million or 4.9 percent.*
- *Earnings before net capital gains and other items of $39.0 million, unchanged from last year.*
- *Earnings per share (before net capital gains and other items) of $0.59, unchanged from last year.*
- *Capital losses, net of tax, of $2.2 million in the quarter versus net capital losses of $0.2 million in the second quarter last year.*
- *Net earnings of $36.8 million, down $2.0 million from $38.8 million last year.*

Financial Overview

The Company recorded operating earnings (net earnings before net capital gains and other items) for its second quarter ended October 31, 2003, of $39.0 million or $0.59 per share, consistent with the second quarter last year. Capital losses and other items, net of tax, equaled $2.2 million in the second quarter resulting in net earnings of $36.8 million versus $38.8 million in the second quarter last year. Capital losses and other items, net of tax, in the second quarter last year totaled $0.2 million.

Revenue

Revenue for the second quarter increased 4.9 percent to $2.79 billion, from $2.66 billion last year. Food distribution operations, through 64.4 percent owned Sobeys Inc., reported revenue of $2.74 billion, an increase of 4.9 percent over the second quarter last year. The increase in food division revenue is primarily attributed to same-store sales growth of 1.2 percent and from additional sales generated by new retail square footage. Food price inflation remained low in the second quarter with continued price deflation experienced in key fresh categories.

Real estate operations reported revenue growth of 4.6 percent over the second quarter last year. The growth in real estate revenues primarily reflects same property revenue growth as a result of increased occupancy levels and generally higher rental renewal rates, along with the acquisition of a community shopping centre property in Hamilton, Ontario during the first quarter.

Operating Income

Operating income (operating earnings before interest and income taxes) in the second quarter totaled $104.9 million, a decrease of $6.8 million or 6.1 percent compared to the second quarter last year.

The food division contributed operating income of $76.0 million, a decrease of $6.7 million or 8.1 percent compared to the second quarter last year. The decrease in food division operating income is largely attributed to a more difficult selling environment, along with expenses incurred totaling $10.1 million in connection with: the uninsured portion of the Ontario power failure; closure costs of two redundant distribution facilities in Alberta; and costs relating to an adverse legal decision on a lawsuit dating back twelve years, which is under appeal.

The real estate division contributed operating income of $26.7 million, relatively unchanged from the second quarter last year. Real estate funds from operations amounted to $14.0 million in the second quarter, an increase of 6.9 percent over the second quarter last year. Trailing (last four quarters) funds from operations for the real estate division now equals $56.3 million.

Interest Expense

Interest expense for the second quarter of fiscal 2004 decreased $0.5 million, or 2.1 percent, to $22.9 million largely as a result of a decrease in average borrowing levels.

Income Taxes

The Company's effective income tax rate in the second quarter decreased to 33.7 percent compared to 36.1 percent last year, reflecting a decline in Canadian federal and provincial income tax rates.

Capital Gains (Losses) and Other Items

The Company realized net capital losses of $2.2 million in the second quarter, primarily as a result of selling 802,868 Delhaize Le Lion common shares.

Net Earnings

Net earnings for the second quarter were $36.8 million, a decrease of $2.0 million from the $38.8 million reported in the second quarter last year. Operating earnings were unchanged, while realized net capital losses, primarily from the sale of investments, increased by $2.0 million from the same quarter last year.

Consolidated Financial Condition

The financial condition of the Company continues to improve. The ratio of debt to capital at the end of the second quarter equaled 43.8 percent versus 46.7 percent a year earlier. Operating income in the second quarter provided 4.6 times coverage of interest expense.

At October 31, 2003, Empire's investment portfolio carried a market value of $403.9 million on a cost base of $378.3 million, resulting in an unrealized gain of $25.6 million. The market value of investments compared to book cost has increased by $94.3 million since the beginning of the fiscal year to the end of the second quarter. The total return on the portfolio for the six months ended October 31, 2003, was 33.4 percent compared to 19.1 percent for the S&P/TSX Composite Index and 6.3 percent for the S&P 500 Index (in Canadian dollars) over the same six month period.

Capital investment of $110.5 million during the quarter and $204.6 million year-to-date reflects the Company’s ongoing commitment to invest cash flow back into growth opportunities in each of its core businesses. Investment in food distribution property and equipment, primarily related to new store development, accounted for $85.4 million of total capital investment in the quarter and $149.8 million year-to-date. During the second quarter, 11 new corporate and franchised stores were opened or replaced and another 5 stores were expanded. For the first six months of fiscal 2004, a total of 24 corporate and franchised stores were opened or replaced and another 12 stores were expanded.

The table below presents summary financial performance for the second quarter and six months ended October 31, 2003.

Summary Table of Consolidated Financial Results
(in millions, except per share amounts)

	Three Months Ended October 31		Six Months Ended October 31	
	2003	2002	2003	2002
Segmented Revenue *(net of elimination entries)*				
Food Distribution	$2,741.9	$2,613.4	$5,502.3	$5,251.1
Real Estate	38.5	36.8	75.0	69.7
Other Operations	14.0	14.7	31.8	31.4
	$2,794.4	$2,664.9	$5,609.1	$5,352.2
Segmented Operating Income				
Food Distribution	$ 76.0	$ 82.7	$ 152.3	$ 167.0
Real Estate	26.7	26.7	51.1	49.2
Investments & Other Operations	2.2	2.3	9.5	10.7
	$ 104.9	$ 111.7	$ 212.9	$ 226.9
Earnings before net capital gains (losses) and other items	$ 39.0	$ 39.0	$ 78.6	$ 78.8
Capital gains (losses) and other items, net of tax	(2.2)	(0.2)	0.5	(0.2)
Net earnings	$ 36.8	$ 38.8	$ 79.1	$ 78.6
Per Share, diluted				
Earnings before net capital gains (losses) and other items	$ 0.59	$ 0.59	$ 1.19	$ 1.19
Capital gains (losses) and other items, net of tax	(0.03)	-	0.01	-
Net earnings	$ 0.56	$ 0.59	$ 1.20	$ 1.19
Weighted average number of common shares outstanding, diluted (in millions)	65.9	65.9	65.9	65.9
Actual common shares outstanding (in millions)	65.8	65.7		

Dividend Declaration

The Board of Directors declared a quarterly dividend of 10.0 cents per share on both the Class A and Class B common shares that will be payable on January 30, 2004, to shareholders of record on January 15, 2004. In addition, the Board declared regular dividends on the Company's outstanding preferred shares.

Subsequent Event

Subsequent to the end of its second quarter, on December 3, 2003, Sobeys announced its agreement to acquire substantially all of the assets of Commisso's Food Markets Limited and Commisso's Grocery Distributors Limited for a purchase price of approximately $65 million. Concurrently, Empire's subsidiary, Crombie Properties Limited announced the purchase of the real estate assets of Commisso's Properties Inc. in Ontario for approximately $42 million. It is expected that these transactions will be completed early in 2004.

Outlook

Sobeys Inc. confirmed on December 10, 2003, its expectation for sales growth in fiscal 2004 to be in their originally announced range of 6 percent to 8 percent over fiscal 2003. Although their earnings were down 8.5 percent year-over-year at the end of the second quarter, Sobeys further announced that net earnings for fiscal 2004 are expected to exceed net earnings for the last fiscal year ended May 3, 2003. Going forward, Sobeys is committed to remaining competitive in the markets in which it operates. We remain confident that the consumer reaction seen from the early executions of Sobeys store format and merchandising initiatives will positively influence future growth.

Empire's shareholders continue to be well served by our unwavering commitment to each of our core businesses. We remain committed to building sustainable shareholder value through long-term profitability and growth in each of our operating businesses.

Paul D. Sobey
President & Chief Executive Officer

December 18, 2003

EMPIRE COMPANY LIMITED
CONSOLIDATED BALANCE SHEETS
(In millions)

	October 31 2003 Unaudited	April 30 2003 Audited	October 31 2002 Unaudited
ASSETS			
Current			
Cash and cash equivalents	**$ 95.1**	$ 316.8	$ 182.5
Receivables	**323.1**	348.8	312.5
Inventories	**551.1**	478.2	500.4
Prepaid expenses	**55.9**	37.1	44.0
Future income taxes	**1.8**	-	2.2
Discontinued operations	**-**	1.9	3.9
	1,027.0	1,182.8	1,045.5
Investments, at cost (quoted market value $357.7; April 30, 2003 $288.9; October 31, 2002 $331.0)	**334.2**	345.7	418.4
Investments, at equity (quoted market value $46.2; April 30, 2003 $29.8; October 31, 2002 $29.9)	**44.1**	41.7	41.2
Current assets and marketable investments	**1,405.3**	1,570.2	1,505.1
Property and equipment	**2,194.8**	2,105.2	1,988.3
Other assets (Note 3)	**874.0**	840.7	797.2
	$ 4,474.1	$ 4,516.1	$ 4,290.6
LIABILITIES			
Current			
Bank indebtedness	**$ 179.7**	$ 99.3	$ 164.7
Accounts payable and accrued liabilities	**1,013.1**	1,037.4	948.0
Income taxes payable	**7.8**	43.5	61.8
Future income taxes	**-**	18.4	-
Long-term debt due within one year	**88.1**	188.9	181.8
	1,288.7	1,387.5	1,356.3
Long-term debt	**897.1**	923.1	845.9
Deferred revenue	**5.3**	6.7	9.3
Employee future benefit obligation	**79.6**	77.1	72.7
Minority interest	**529.5**	539.2	513.6
Future income taxes	**177.4**	155.4	132.8
	2,977.6	3,089.0	2,930.6
SHAREHOLDERS' EQUITY			
Capital stock	**196.4**	196.0	195.8
Retained earnings	**1,299.7**	1,230.6	1,163.7
Foreign currency translation adjustment	**0.4**	0.5	0.5
	1,496.5	1,427.1	1,360.0
	$ 4,474.1	$ 4,516.1	$ 4,290.6

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
SIX MONTHS ENDED OCTOBER 31
(Unaudited, in millions)

	2003	2002
Balance, beginning of period	**$ 1,230.6**	$ 1,094.5
Net earnings	**79.1**	78.6
	1,309.7	1,173.1
Refundable taxes recovered	**3.4**	2.3
Dividends declared		
Preferred shares	**0.2**	0.2
Common shares	**13.2**	10.8
	13.4	11.0
Premium on common shares purchased for cancellation	**-**	0.7
Balance, end of period	**$ 1,299.7**	$ 1,163.7

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited, in millions, except per share amounts)

	Three Months Ended October 31		Six Months Ended October 31	
	2003	2002	**2003**	2002
Revenue	**$ 2,794.4**	$ 2,664.9	**$ 5,609.1**	$ 5,352.2
Cost of sales, selling and administrative expenses	**2,652.2**	2,520.6	5,326.6	5,065.3
	142.2	144.3	**282.5**	286.9
Depreciation	**40.3**	34.7	**78.7**	69.3
	101.9	109.6	**203.8**	217.6
Investment income (Note 4)	**3.0**	2.1	**9.1**	9.3
Operating income	**104.9**	111.7	**212.9**	226.9
Interest expense				
Long-term debt	**22.4**	22.0	**45.8**	44.3
Short-term debt	**0.5**	1.4	**1.1**	2.5
	22.9	23.4	**46.9**	46.8
	82.0	88.3	**166.0**	180.1
Capital gain (loss) and other items (Note 5)	**(2.7)**	-	**0.6**	-
	79.3	88.3	**166.6**	180.1
Income taxes				
Current income taxes	**17.8**	32.2	**55.5**	63.5
Future income taxes	**9.3**	(0.1)	**1.7**	3.1
	27.1	32.1	**57.2**	66.6
	52.2	56.2	**109.4**	113.5
Minority interest	**15.4**	17.4	**30.3**	34.9
Net earnings	**$ 36.8**	$ 38.8	**$ 79.1**	$ 78.6
Earnings per share, basic and diluted (Note 2)	**$ 0.56**	$ 0.59	**$ 1.20**	$ 1.19

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Three Months Ended October 31		Six Months Ended October 31	
	2003	2002	**2003**	2002
Operating				
Net earnings	**$ 36.8**	$ 38.8	**$ 79.1**	$ 78.6
Items not affecting cash (Note 6)	**69.8**	53.9	**117.5**	107.8
Preferred dividends	**(0.1)**	(0.1)	**(0.2)**	(0.2)
	106.5	92.6	**196.4**	186.2
Net change in non-cash working capital	**(78.6)**	(28.0)	**(126.0)**	(129.2)
Cash flows from operating activities	**27.9**	64.6	**70.4**	57.0
Investing				
Net decrease in investments	**16.8**	50.6	**11.5**	61.4
Purchase of shares in subsidiary, Sobeys Inc.	**-**	-	**(61.1)**	-
Purchase of property, equipment and other assets	**(110.5)**	(112.3)	**(204.6)**	(179.7)
Proceeds from sale of property	**7.5**	5.7	**11.8**	20.0
Decrease in deferred foreign currency translation adjustment gains	**-**	-	**(0.1)**	-
Cash flows used in investing activities	**(86.2)**	(56.0)	**(242.5)**	(98.3)
Financing				
Bank indebtedness	**18.6**	(54.8)	**80.4**	(42.5)
Construction loans	**2.1**	(0.1)	**1.7**	0.4
Issue of long-term debt	**5.5**	4.1	**15.7**	8.0
Repayment of long-term debt	**(124.8)**	(24.3)	**(144.2)**	(41.3)
Minority interest	**2.0**	0.7	**4.5**	3.3
Issue of Non-Voting Class A shares	**0.3**	0.1	**1.0**	1.5
Purchase of Non-Voting Class A shares for cancellation	**-**	(1.6)	**-**	(1.6)
Common dividends	**(6.6)**	(5.4)	**(13.2)**	(10.8)
Refundable taxes	**1.8**	1.2	**3.4**	2.3
Cash flows used in financing activities	**(101.1)**	(80.1)	**(50.7)**	(80.7)
Decrease in cash from continuing operations	**(159.4)**	(71.5)	**(222.8)**	(122.0)
Discontinued operations	**1.1**	-	**1.1**	1.9
Decrease in cash and cash equivalents	**(158.3)**	(71.5)	**(221.7)**	(120.1)
Cash and cash equivalents, beginning of period	**253.4**	254.0	**316.8**	302.6
Cash and cash equivalents, end of period	**$ 95.1**	$ 182.5	**$ 95.1**	$ 182.5

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2003
(Unaudited, in millions, except per share amounts)

1. Summary of Significant Accounting Policies

Interim financial statements
The unaudited interim period consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The accounting policies used in the preparation of these interim consolidated financial statements conform with those used in the Company's annual consolidated financial statements. These interim consolidated financial statements do not include all of the disclosures included in the Company's annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended April 30, 2003, as set out in the 2003 Annual Report.

Long-lived assets
Effective May 1, 2003, the Company adopted the Canadian Institute of Chartered Accountants' new handbook sections 3063 and 3475. Section 3063 provides guidance on the recognition, measurement and disclosure of the impairment of long-lived assets. There was no impact of the application of Section 3063. Section 3475 provides guidance on the recognition, measurement, presentation and disclosure of long-lived assets to be disposed of. During the current quarter land previously held for development has been listed for sale and reclassified as "Assets for realization". These parcels of land are expected to be sold within a twelve month period and there is no longer an intent to develop the land for future use.

Stock-based compensation plans
The Company has a stock option plan that allows holders to purchase Non-Voting Class A shares at $6.555 per share. Options expire at dates from June 2004 to October 2006. At October 31, 2003, 61,074 options were outstanding and no new options were granted during the period. During the six months ended October 31, 2003, 6,000 options were exercised resulting in 6,000 Non-Voting Class A shares being issued.

2. Earnings Per Share
Basic earnings per share amounts are calculated on the weighted average number of shares outstanding during the period, excluding shares held as security for loans receivable from officers and employees (2003 - 65,504,000 shares; 2002 - 65,515,000 shares) and after providing for preferred share dividends accrued to the balance sheet date. Diluted earnings per share have been calculated on the assumption that all the outstanding stock options were exercised at the beginning of the period. Effective October 7, 2002, both the Class A shares and Class B shares were split on the basis of two-for-one.

Earnings applicable to common shares is comprised of the following:

	Three Months		Six Months	
	2003	2002	**2003**	2002
Operating earnings	**$ 39.0**	$ 39.0	**$ 78.6**	$ 78.8
Capital gain (loss) and other items, net of tax of $(0.5); $0.2; $0.1; $0.2	**(2.2)**	(0.2)	**0.5**	(0.2)
Net earnings	**36.8**	38.8	**79.1**	78.6
Preferred share dividends	**0.1**	0.1	**0.2**	0.2
Earnings applicable to common shares	**$ 36.7**	$ 38.7	**$ 78.9**	$ 78.4

Earnings per share is comprised of the following:

	Three Months		Six Months	
	2003	2002	**2003**	2002
Operating earnings	**$ 0.59**	$ 0.59	**$ 1.19**	$ 1.19
Capital gain (loss) and other items	**(0.03)**	-	**0.01**	-
Basic earnings per share	**$ 0.56**	$ 0.59	**$ 1.20**	$ 1.19
Diluted earnings per share	**$ 0.56**	$ 0.59	**$ 1.20**	$ 1.19

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2003
(Unaudited, in millions, except per share amounts)

3. Other Assets

	October 31 2003	April 30 2003	October 31 2002
Loans and mortgages receivable	**$ 141.3**	$ 132.3	$ 105.8
Deferred charges	**137.4**	139.1	126.3
Assets for realization	**3.4**	-	-
Goodwill	**591.9**	569.3	565.1
	$ 874.0	$ 840.7	$ 797.2

4. Investment Income

	Three Months		Six Months	
	2003	2002	**2003**	2002
Dividend and interest income	**$ 1.8**	$ 2.5	**$ 6.7**	$ 9.2
Share of income of companies accounted for by the equity method	**1.2**	(0.4)	**2.4**	0.1
	$ 3.0	$ 2.1	**$ 9.1**	$ 9.3

5. Capital Gain (Loss) and Other Items

	Three Months		Six Months	
	2003	2002	**2003**	2002
Gain (loss) on sale of investments	**$ (2.7)**	$ -	$ 0.8	$ -
Foreign currency translation loss	-	-	(0.2)	-
	$ (2.7)	$ -	$ 0.6	$ -

6. Supplementary Cash Flow Information

	Three Months		Six Months	
a) Items not affecting cash	**2003**	2002	**2003**	2002
Depreciation	**$ 40.3**	$ 34.7	**$ 78.7**	$ 69.3
Future income taxes	**9.4**	(0.3)	**1.8**	0.2
Amortization of deferred items	**6.3**	3.5	**11.8**	7.0
Equity in earnings of other companies, net of dividends received	**(1.2)**	0.4	**(2.4)**	(0.1)
Minority interest	**12.8**	15.1	**25.1**	30.4
Employee future benefit obligation	**2.2**	0.5	**2.5**	1.0
	$ 69.8	$ 53.9	**$ 117.5**	$ 107.8

b) Other cash flow information

Interest paid	**$ 31.3**	$ 24.2	**$ 46.1**	$ 39.0
Income taxes paid	**$ 11.9**	$ 18.3	**$ 90.7**	$ 64.9

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2003
(Unaudited, in millions, except per share amounts)

7. Segmented Information

	Three Months		Six Months	
	2003	2002	**2003**	2002
Revenue				
Food distribution	**$ 2,741.9**	$ 2,613.4	**$ 5,502.3**	$ 5,251.1
Real estate				
Outside	**38.5**	36.8	**75.0**	69.7
Inter-segment	**12.0**	11.4	**24.4**	23.3
	50.5	48.2	**99.4**	93.0
Other operations	**14.0**	14.7	**31.8**	31.4
	2,806.4	2,676.3	**5,633.5**	5,375.5
Elimination	**(12.0)**	(11.4)	**(24.4)**	(23.3)
	$ 2,794.4	$ 2,664.9	**$ 5,609.1**	$ 5,352.2
Operating income				
Food distribution	**$ 76.0**	$ 82.7	**$ 152.3**	$ 167.0
Real estate	**26.7**	26.7	**51.1**	49.2
Other operations	**1.5**	2.1	**4.6**	5.1
Investment income	**3.0**	2.1	**9.1**	9.3
Corporate expenses	**(2.3)**	(1.9)	**(4.2)**	(3.7)
	$ 104.9	$ 111.7	**$ 212.9**	$ 226.9

8. Other Item

During the first quarter the Company acquired 1,622,500 additional common shares of its subsidiary, Sobeys Inc., to increase its ownership percentage from 62.0% to 64.5% of the outstanding common shares. The cost of the investment was $56.7, goodwill increased by $20.8 and minority interest decreased by $35.9.

9. Comparative Figures

Comparative figures have been reclassified, where necessary, to reflect the current period's presentation.

10. Subsequent event

On December 3, 2003, the Company's subsidiary, Sobeys Inc., entered into a definitive agreement to purchase substantially all of the assets of Commisso's Food Markets Limited and Commisso's Grocery Distributors Limited. Under this agreement Sobeys Inc. will pay approximately $65 in cash on closing. Concurrently, Empire's subsidiary, Crombie Properties Limited, announced the purchase of the real estate assets of Commisso's Properties Inc. in Ontario for approximately $42. These transactions are expected to be completed early in calendar year 2004 and are subject to the purchasers' due diligence and are also conditional upon the receipt of federal regulatory approvals, including consent from the Competition Bureau.

Management's Discussion and Analysis
Interim Report for the six months ended October 31, 2003

The following is a discussion and analysis of the interim consolidated financial condition and results of operations of Empire Company Limited ("Empire" or the "Company") for the three-month period ended October 31, 2003, as compared to the three months ended October 31, 2002. This document should be read in conjunction with the unaudited Interim Consolidated Financial Statements of Empire Company Limited and notes thereto for the six month period ended October 31, 2003; "Management's Discussion and Analysis" included in the Annual Report of the Company for the year ended April 30, 2003; and the audited Consolidated Financial Statements and notes thereto for the year ended April 30, 2003.

This discussion may contain forward-looking statements about the future performance of the Company. The statements are based on management's assumptions and beliefs in light of the information herein. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. Additional financial information has been filed electronically with various securities commissions in Canada through SEDAR.

Empire is a diversified Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are retail food distribution (through 64.4% ownership of Sobeys Inc. ("Sobeys")), real estate (through two wholly-owned operating subsidiaries: Sobey Leased Properties Limited ("SLP"), and Crombie Properties Limited ("Crombie"), formerly the Atlantic Shopping Centres group of companies, including 35 percent ownership of Genstar Development Partnership Limited ("Genstar")), and corporate investment activities and other operations (which includes wholly-owned Empire Theatres Limited). With over $4.4 billion in assets, Empire employs approximately 33,000 people directly and through its subsidiaries.

CONSOLIDATED FINANCIAL OVERVIEW

The consolidated financial overview provided below reports on the financial performance in the second quarter and the first six months of fiscal 2004 relative to last year.

Summary Table of Consolidated Financial Results
(in millions, except per share amounts)

	Three Months Ended October 31		Six Months Ended October 31	
	2003	2002	2003	2002
Revenue				
(net of inter-company elimination)				
Food Distribution	$2,741.9	$2,613.4	$5,502.3	$5,251.1
Real Estate	38.5	36.8	75.0	69.7
Other Operations	14.0	14.7	31.8	31.4
	$2,794.4	$2,664.9	$5,609.1	$5,352.2
Operating Income				
Food Distribution	$ 76.0	$ 82.7	$ 152.3	$ 167.0
Real Estate	26.7	26.7	51.1	49.2
Investments and Other Operations	2.2	2.3	9.5	10.7
	104.9	111.7	212.9	226.9
Interest expense	22.9	23.4	46.9	46.8
Income taxes (from operating activities)	27.6	31.9	57.1	66.4
Minority interest	15.4	17.4	30.3	34.9
Operating earnings	39.0	39.0	78.6	78.8
Capital gains (losses) and other items, net of tax	(2.2)	(0.2)	0.5	(0.2)
Net earnings	$ 36.8	$ 38.8	$ 79.1	$ 78.6
Per Share *(fully diluted)*				
Operating earnings	$ 0.59	$ 0.59	$ 1.19	$ 1.19
Capital gains (losses) and other items, net of tax	(0.03)	-	0.01	-
Net earnings	$ 0.56	$ 0.59	$ 1.20	$ 1.19

For the three month period ended October 31, 2003, Empire reported earnings before net capital gains and other items ("operating earnings") of $39.0 million or $0.59 per share, unchanged from the same quarter last year.

Revenue

Second quarter revenue reached $2.79 billion, an increase of $129.5 million or 4.9 percent over the second quarter last year. The food division contributed revenue of $2.74 billion versus $2.61 billion in the second quarter last year, an increase of $128.5 million or 4.9 percent. Real estate revenues (net of inter-company elimination) improved $1.7 million or 4.6 percent from the second quarter last year. Revenues from other operations declined $0.7 million or 4.8 percent from the second quarter last year.

The increase in food distribution revenue is primarily attributed to same-store sales growth of 1.2 percent and from additional sales generated by new retail square footage. Food price inflation remained low in the second quarter with continued price deflation experienced in key fresh categories.

The growth in real estate revenues in the second quarter primarily reflects same-property revenue growth as a result of increasing occupancy levels and generally higher rental renewal rates, combined with the contribution from an acquisition of a community shopping centre property in Hamilton, Ontario during the first quarter.

Consolidated revenue for the six months ended October 31, 2003 equaled $5.61 billion versus $5.35 billion last year, a 4.8 percent increase. This increase reflects the growth in food division revenues of 4.8 percent over the prior year.

Operating Income

Operating income (operating earnings before interest and taxes) for the three month period ended October 31, 2003, totaled $104.9 million, a decline of $6.8 million or 6.1 percent compared to the second quarter last year.

The food division contributed operating income of $76.0 million, a decrease of $6.7 million or 8.1 percent from the second quarter last year. The decrease in food division operating income is attributed to a more difficult selling environment combined with one-time expenses totaling $10.1 million. These one time expenses were incurred in connection with the closure of two redundant distribution facilities in Alberta, a reserve for the uninsured portion of costs associated with a power failure in Ontario, and an adverse legal decision on a lawsuit dating back twelve years. The food division contributed 72.4 percent of Empire’s second quarter consolidated operating income compared to a 74.0 percent contribution in the second quarter last year.

The real estate division contributed operating income of $26.7 million, unchanged from the second quarter last year. The real estate division contributed 25.5 percent of Empire's second quarter consolidated operating income compared to a 23.9 percent contribution in the second quarter last year.

Investments and other operations reported operating income of $2.2 million in the second quarter, versus $2.3 million recorded in the same quarter last year.

Consolidated operating income for the six months ended October 31, 2003 equaled $212.9 million, a $14.0 million or 6.2 percent decline from the prior year. This is the result of a $14.7 million or 8.8 percent decrease in food division operating income from the prior year.

Interest Expense

For the quarter ended October 31, 2003, interest expense amounted to $22.9 million, a decrease of $0.5 million from the second quarter last year. Interest on long-term debt amounted to $22.4 million, an increase of $0.4 million over the same period last year, while interest on short-term debt decreased by $0.9 million from last year. The increase in long-term interest expense is primarily attributed to the interest costs on the $100 million Series C Medium Term Note ("MTN") issued by Sobeys Inc. in February 2003, which pre-funded the repayment of the Series B MTN in October 2003. The decline in short-term interest expense is the result of lower short-term borrowing rates relative to last year.

Income Tax

The effective income tax rate for the second quarter was 33.7 percent versus 36.1 percent in the second quarter of fiscal 2003. The decrease in rate is primarily the result of a decline in both Canadian federal and provincial income tax rates.

Capital Gains (Losses)

The Company realized net capital losses of $2.2 million in the second quarter of fiscal 2004, primarily as a result of selling 802,868 Delhaize Le Lion ("Delhaize") common shares.

Net Earnings

Net earnings totaled $36.8 million or $0.56 per share for the three month period ended October 31, 2003, versus $38.8 million or $0.59 for the same period last year.

OPERATING OVERVIEW & PERFORMANCE BY SEGMENT

Food Distribution

Empire's food distribution business is carried on through its 64.4 percent ownership of Sobeys. Sobeys conducts business in four retail regions: Sobeys West, Sobeys Ontario, Sobeys Quebec, and Sobeys Atlantic. Sales for the second quarter were $2.74 billion compared to $2.61 billion for the same quarter last year, an increase of $128.5 million or 4.9 percent. Same-store sales grew by 1.2 percent during the second quarter. Food price inflation remained low in the quarter with continued price deflation experienced in key fresh categories.

Sobeys has maintained its national market share position and sales are expected to improve during the remainder of the fiscal year.

Sales growth is a reflection of Sobeys' continued implementation of sales and merchandising initiatives designed to satisfy the unique needs of each of its customers. Increased retail selling square footage in Sobeys store network during the past twelve months, through the opening of new stores as well as enlargements and renovations, contributed to the overall sales growth during the first half of the fiscal year.

Year-to-date, sales increased 4.8 percent over the same period last year with same-store sales growth of 1.4 percent.

Second quarter fiscal 2004 net earnings contribution to Empire totaled $27.8 million (after-tax and minority interest), a decrease of $0.6 million or 2.1 percent compared to the $28.4 million contributed in the second quarter of fiscal 2003. This decrease is largely attributable to a reserve for the uninsured portion of the cost of the power failure in Ontario ($4.9 million pre-tax), the adverse outcome in a long-standing lawsuit ($4.0 million pre-tax) and closure costs related to the consolidation in the West of the redundant Grande Prairie and Peace River Alberta distribution centres ($1.2 million pre-tax). These one-time items totaled $10.1 million in the quarter. Net earnings are expected to increase over the remainder of the fiscal year as a result of Sobeys' continued focus and commitment to differentiated store formats, improved and tailored product, promotion and service offerings, the consolidation of store brands, continued cost management diligence and business process optimization initiatives.

The year-over-year earnings decline results from a number of factors including a difficult retail selling environment in the first quarter in Ontario, costs related to the accelerated store format, offering and re-bannering strategy, and the previously mentioned one-time items in the second quarter.

Sobeys' earnings before interest, taxes, depreciation, and amortization charges ("EBITDA") for the second quarter was $111.1 million, a decrease of 2.5 percent or $2.8 million versus the $113.9 million recorded in the same quarter last year. EBITDA as a percentage of sales declined from 4.36 percent to 4.05 percent when compared to the second quarter fiscal 2003 results. The EBITDA margin decline, while largely attributable to lower than expected sales, also reflects the impact of both increased competitive activity and the previously identified one-time events.

Sobeys' operating income or earnings before interest and taxes ("EBIT") for the second quarter decreased $8.1 million, or 9.6 percent, to $76.0 million. Operating margin, which is operating income divided by sales, for the second quarter declined to 2.77 percent from 3.22 percent in the same quarter last year. Contributing to this decline was a $5.3 million increase in depreciation charges ($35.1 million in the current quarter compared to $29.8 million last year) reflective of the Sobeys' continued capital program. Operating income for the first half of fiscal 2004 decreased by 9.6 percent to $152.3 million, with operating margins of 2.77 percent compared to 3.21 percent in fiscal 2003.

Interest expense recorded by Sobeys in the second quarter increased 7.0 percent or $0.7 million to $10.7 million due to the interest costs on the $100 million Series C MTN issued by the Company in February 2003. The proceeds from this issuance were used to repay the $100 million Series B MTN that matured in October 2003.

Real Estate

The real estate division is focused on the development and management of its existing property portfolio while also pursuing accretive acquisitions and developments in Ontario. With 12.3 million square feet under ownership at October 31, 2003, the real estate group owns and operates Crombie and Sobey Leased Properties.

The real estate division had another solid quarter, recording revenues (net of inter-company revenue) of $38.5 million in the second quarter compared to $36.8 million last year, a 4.6 percent increase. Year-to-date performance increased with revenues 7.6 percent higher than the prior year.

The growth in real estate revenues in the quarter and for the six months ended October 31, 2003 primarily reflects same-property revenue growth as a result of increased occupancy levels and generally higher rental renewal rates, along with the acquisition of a community shopping centre property in Hamilton, Ontario during the first quarter of the current fiscal year.

Leasing activity has been stronger than anticipated with an overall (retail plus office) occupancy rate of 92.3 percent compared to 92.1 percent a year ago. The retail occupancy rate was 92.9 percent at the end of the second quarter compared to 92.2 percent a year earlier. The office occupancy rate at the end of the second quarter was 89.8 percent compared to 91.8 percent a year ago.

Real estate operating income in the second quarter totaled $26.7 million, unchanged from the second quarter last year. The real estate division contributed 25.5 percent of Empire's second quarter consolidated operating income compared to a 23.9 percent contribution in the second quarter last year. Operating income was flat with the second quarter last year as the increase in revenues over the prior year were offset by higher operating costs and depreciation expense. Operating income for the first half of fiscal 2004 improved 3.9 percent to $51.1 million compared to the same period in fiscal 2003.

Interest expense for the real estate division equaled $11.1 million compared to $11.6 million last year. Funded debt levels were relatively unchanged from the second quarter last year.

Operating earnings contribution by the real estate division amounted to $10.0 million in the second quarter compared to $9.3 million last year, a 7.5 percent increase. The operating earnings increase of $0.7 million reflects lower interest expense of $0.5 million and lower income tax expense of $0.2 million in the quarter relative to last year. Operating earnings contribution to Empire for the first half of fiscal 2004 totaled $17.7 million, up 14.9 percent compared to the contribution made for the first six months of fiscal 2003.

There were no net capital gains (losses) or other items reported in the second quarter of fiscal 2004 by the real estate group versus a net capital gain of $0.9 million reported in the second quarter last year.

Real estate’s funds from operations amounted to $14.0 million in the second quarter, an increase of 6.9 percent versus the same period last year. Trailing (last four quarters) funds from operations, or operating earnings plus depreciation, for the real estate division equals $56.3 million at October 31, 2003.

Investments and Other Operations

The third component of Empire’s business is its investments, consisting of an investment portfolio of equity investments and other operations. At October 31, 2003, Empire’s total portfolio investments carried a market value, excluding cash and cash equivalents, of $403.9 million on a carrying value of $378.3 million, resulting in an unrealized gain of $25.6 million. This is a significant improvement from the $21.3 million unrealized loss at the end of the first quarter and the $68.7 million unrealized loss at the start of the fiscal year. The market value of investments, compared to book cost, has increased by $94.3 million since the beginning of the fiscal year to the end of the second quarter.

The increase in investment value compared to book cost over the last six months is primarily attributed to three factors. First, a significant increase in the value of Delhaize common shares, from €18.93 per share on

April 30, 2003, to €40.85 at October 31, 2003. Second, an increase in the price of Wajax common shares, from $4.00 per share on April 30, 2003, to $6.20 at October 31, 2003. The third contributing factor was the positive movement in the equity markets during the six month period ended October 31, 2003. Total return on the portfolio for the six months ended October 31, 2003 was 33.4 percent compared to 19.1 percent for the S&P/TSX Composite Index and 6.3 percent for the S&P 500 Index (in Canadian dollars) over the same six month period.

Investment income equaled $3.0 million in the second quarter, an increase of $0.9 million over last year. The equity earnings contribution from Wajax amounted to $1.2 million in the quarter (2003 - $(0.4) million), while dividend and interest income equaled $1.8 million (2003 - $2.5 million) in the second quarter. Year-to-date investment income totaled $9.1 million versus $9.3 million last year.

For the second quarter of fiscal 2004, revenue from Empire's other operations equaled $14.0 million, a 4.8 percent decrease from the same period last year. This result is primarily attributed to lower attendance levels at wholly-owned Empire Theatres resulting from relatively poor film quality combined with lost business due to damage and power outages in certain markets caused by Hurricane Juan. For the six month period ended October 31, 2003, revenue generated by other operations increased 1.3 percent to $31.8 million over the same period last year.

Operating income generated by other operations for the three months ended October 31, 2003 was $1.5 million, a $0.6 million decrease from the same period last year. The decline was a result of lower revenues combined with slightly increased depreciation. The increase in depreciation expense reflects Empire Theatres continued reinvestment in their business.

CONSOLIDATED FINANCIAL POSITION

Empire's financial condition at October 31, 2003, remained strong, as indicated in the following table:

Capital Structure & Key Financial Condition Measures

	October 31, 2003	April 30, 2003	October 31, 2002
Shareholders' equity (in millions)	$1,496.5	$1,427.1	$1,360.0
Funded debt[1] (in millions)	$1,164.9	$1,211.3	$1,192.4
Funded debt to total capital	43.8%	45.9%	46.7%
Interest Coverage[2]	4.6x	4.8x	4.4x
Return on Common Equity[3]	10.9%	11.4%	14.4%

(1) Includes all interest bearing debt.

(2) Operating income divided by interest expense. Operating income and interest expense are calculated for the trailing four quarter period.

(3) Return on common equity is calculated by aggregating quarterly net earnings for the last four fiscal quarters (less preferred dividends), divided by average common shareholders' equity during the same period.

Assets

Total assets at the end of the second quarter of $4,474.1 million were relatively consistent with previous year end (April 30, 2003 - $4,516.1 million) and up 4.3 percent over the $4,290.6 million reported at October 31, 2002. The increase in total assets over the last twelve months of $183.5 million is primarily attributed to an increase in property, plant and equipment which reflects both the food division's and the real estate division's capital expenditure programs.

Capital Resources and Liquidity

The ratio of debt to total capital at the end of the second quarter equaled 43.8 percent versus 46.7 percent a year earlier and 45.9 percent at April 30, 2003. The improved ratio compared to the second quarter last year is a result of lower debt levels combined with higher shareholders' equity. Operating income in the second quarter provided 4.6 times coverage of interest expense.

Short-term liquidity remains strong as a result of internally generated cash flow, net cash on hand, and bank credit lines for operating, general and corporate purposes totaling $325.0 million. At October 31, 2003, Empire's non-consolidated bank line utilization equaled $128.0 million, representing 39 percent of in-place authorized bank credit facilities.

At the end of the second quarter, management calculated Empire's consolidated net asset value at $2,011 million or $30.56 per share, a 7.2 percent decline from the net asset value of $2,166 million or $32.92 per share calculated at April 30, 2003. The decline is largely a result of the decline in share price of Sobeys Inc., partially offset by higher market values for Empire's investments.

CASH FLOWS

Cash flow from operating activities for the three months ended October 31, 2003, was $27.9 million compared to $64.6 million in the second quarter of fiscal 2003. The decline compared to last year of $36.7 million is primarily the result of an increase in inventory levels of $62.7 million. Inventories increased during the same period last year by $33.7 million.

For the three month period ended October 31, 2003, cash flows used for investment activities equaled $86.2 million versus $56.0 million in the same period last year. During the current quarter, capital expenditures were similar to the prior year. The increase in cash flows used in investing activities was primarily a result of a reduction in the cash flow generated from portfolio investment sales net of purchases, being $16.8 million in the current quarter compared to $50.6 million in the same quarter last year.

Capital investment of $110.5 million during the quarter was relatively consistent with the $112.3 million invested in the second quarter last year and reflects the Company's ongoing commitment to invest cash flow back into growth opportunities in each of its core businesses. Investment in food distribution property and equipment, primarily related to new store development, accounted for a significant percentage of total capital investment. During the second quarter, 11 new corporate and franchised stores were opened or replaced compared to 7 during the second quarter of last year and another 5 stores were expanded. Sobeys completed the re-bannering of 12 stores in the quarter compared to 23 in the same period last year. Year-to-date, 18 stores have been re-bannered versus 53 last year.

Net retail store additions by the food division totaled 200,000 square feet in the second quarter (305,000 square feet opened, less 105,000 square feet closed). Year-to-date net retail store additions total 327,000 square feet (686,000 square feet opened less 359,000 square feet closed). At quarter end, Sobeys retail area totaled 22.9 million square feet, a 4.1 percent increase over a year ago.

Financing activities during the second quarter of fiscal 2004 used $101.1 million compared to $80.1 million used in the second quarter last year. In the three month period ended October 31, 2003 bank indebtedness increased by $18.6 million and long-term debt was reduced by $124.8 million, including the repayment of the $100 million Series B MTN in October, 2003 by the food division. The same period of the prior fiscal year included a reduction of bank indebtedness of $54.8 million together with a long term debt repayment of $24.3 million.

CHANGES TO ACCOUNTING STANDARDS

During the period, the Company has adopted the following accounting pronouncements by the Canadian Institute of Chartered Accountants ("CICA“). Adoption of the following standards had no impact on net earnings.

I. Impairment of Long-lived Assets

Section 3063 provides guidance on the recognition, measurement, and disclosure of the impairment of long-lived assets.

II. Disposal of Long-lived Assets and Discontinued Operations

This standard provides guidance on the recognition, measurement, presentation, and disclosure of any long-lived assets not held for use and any discontinued operations. During the second quarter, land previously held for development has been listed for sale and reclassified as “Assets for realization”. These parcels of land are expected to be sold within a twelve month period and there is no longer an intention to develop the land for future use.

III. Accounting for Real Estate Investment Acquisitions

EIC 140 establishes a new standard of accounting for operating leases acquired in either an asset acquisition or a business combination, to be applied prospectively to asset acquisitions and business combinations initiated after September 12, 2003. This abstract dictates that an enterprise acquiring real estate, including office buildings, retail centres and/or apartment complexes, allocate a portion of the purchase price to in-place operating leases, based on their fair value, acquired in connection with the real estate property. A portion of the purchase price would also be allocated to the fair value of customer relationship(s) relating to the probability that existing tenants will renew their leases.

IV. Hedging Relationships

The CICA has issued Accounting Guideline Number 13, “Hedging Relationships”, which will be applicable in the Company’s next fiscal year. This guideline establishes certain conditions for the application of hedge accounting.

The CICA has recently issued the following accounting pronouncements that are applicable to the Company's future fiscal periods. They are being examined for potential implications, if any.

V. Consolidation of Variable Interest Entities

The CICA has issued Accounting Guideline Number 15, "Consolidation of Variable Interest Entities", which is applicable to the Company's fourth quarter of fiscal 2004 in relation to disclosure of Variable Interest Entities and applicable to the Company's third quarter of fiscal 2005 in relation to the accounting for Variable Interest Entities. The purpose of this guideline is to provide guidance for determining when an enterprise includes the assets, liabilities and results of activities of certain entities that are subject to control on a basis other than ownership of voting interest.

VI. Section 1100, "Generally Accepted Accounting Principles"

Section 1100, "Generally Accepted Accounting Principles" ('GAAP"), deleted the reference to industry accounting practice, which had previously constituted a source of generally accepted accounting principles. The company has been following industry practice with respect to depreciation of real estate investment properties and lease accounting. The effect of a change, if any, in accounting for these items is required to be applied prospectively.

RISK MANAGEMENT

Risk and uncertainties related to economic and industry factors and Empire's management of this risk, as discussed in detail in the "Management's Discussion and Analysis" section of the Company's fiscal 2003 annual report (pages 23-41), remain substantially unchanged.

NON-GAAP MEASURES

The measures of operating earnings, net asset value, EBITDA and funds from operations included in Management's Discussion and Analysis do not have a standardized meaning under Canadian GAAP and therefore may not be comparable to similarly titled measures presented by other companies. The Company includes operating earnings, net asset value, EBITDA and funds from operations because it believes certain investors use these measures as a means of measuring financial performance. Operating earnings is calculated as net earnings, before net capital gains (losses) and other items. Net asset value is calculated by management as an estimate of the market value of the Company's assets less indebtedness. EBITDA is calculated as operating income plus depreciation. Funds from operations is calculated as net earnings, before net capital gains (losses) and other items, plus depreciation.

SUBSEQUENT EVENT

On December 3, 2003, the Company's subsidiary, Sobeys Inc., entered into a definitive agreement to purchase substantially all of the assets of Commisso's Food Markets Limited and Commisso's Grocery Distributors Limited. Under this agreement Sobeys Inc. will pay approximately $65 million in cash on closing. Concurrently, Empire's subsidiary, Crombie Properties Limited announced the purchase of the real estate assets of Commisso's Properties Inc. in Ontario for approximately $42 million. These transactions are expected to be completed early in the calendar year 2004 and are subject to the purchasers' due diligence and are also conditional upon the receipt of federal regulatory approvals, including consent from the Competition Bureau.

INVESTOR INFORMATION

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Vice President, Treasury and Investor Relations
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STOCK EXCHANGE LISTINGS
The Toronto Stock Exchange

STOCK SYMBOLS
Non-voting Class A shares - EMP.A
Preferred shares - Series 2 - EMP.PR.B

AVERAGE DAILY TRADING VOLUME (TSX)
32,959

COMMON DIVIDEND RECORD AND PAYMENT DATES

Record Date	Payment Date
Jan. 15th, 2004	Jan. 30st, 2004
April 15th, 2004*	April 30th, 2004*
July 15th, 2004*	July 30st, 2004*
Oct. 15th, 2004*	Oct. 29th, 2004*

*subject to approval by Board of Directors

OUTSTANDING SHARES
As of December 12, 2003

Non-voting Class A shares	30,919,062
Options exercisable with non-voting Class A shares	56,074
Class B common shares	34,885,225

TRANSFER AGENT
CIBC Mellon Trust Company
Telephone: (800) 564-6253
E-mail enquiries @ CIBCMellon.com

MULTIPLE MAILINGS
If you have more than one account, you may receive a separate annual report for each. If this occurs, please contact CIBC Mellon Trust Company, at the above contact information to eliminate the multiple mailings.

INVESTOR INQUIRIES
Communications regarding investor records including changes of address or ownership, should be directed to the Company's transfer agent, CIBC Mellon Trust Company, at the above contact information.

Shareholders, analysts, and investors should direct their financial inquiries or requests to Stewart H. Mahoney.

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