

EMPIRE

GROWING VALUE

Empire Company Limited Third Quarter Report | Nine Months Ended January 31, 2003

Quarterly Report to Shareholders

Empire Company Limited (TSX Symbol: EMP.A) 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

- Letter to Shareholders
- Consolidated Financial Statements
 - Consolidated Balance Sheets
 - Consolidated Statements of Retained Earnings
 - Consolidated Statements of Earnings
 - Consolidated Statements of Cash Flows
 - Notes to the Consolidated Financial Statements
- Management's Discussion and Analysis

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.

The Company provided additional details concerning its third quarter results on a conference call held on Thursday, March 6, 2003. Replay of the call is available on the Company's website (www.empireco.ca).

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 March 6, 2003, Empire Company Limited announced its financial results for the third quarter ending January 31, 2003.

Third Quarter Highlights (versus Q3 last year)

- *Revenue of \$2.64 billion, up \$159 million or 6.4 percent*
- *Operating earnings (earnings before net capital gains and other items) of \$39.3 million, up \$0.9 million or 2 percent (with goodwill amortization excluded from last years earnings)*
- *Operating earnings per share (before net capital gains and other items) of \$0.60 versus \$0.58 last year, a 2 percent increase (with goodwill amortization excluded from last year's earnings)*
- *Net earnings of \$39.3 million versus \$36.1 million last year*

The Company recorded operating earnings (earnings before net capital gains and other items) of \$39.3 million or \$0.60 per share versus operating earnings before goodwill amortization in the third quarter last year of \$38.4 million or \$0.58 per share, a 2 percent increase. Third quarter earnings last year included earnings from the discontinued SERCA Foodservice operations of \$0.9 million or \$0.01 per share.

Revenue for the third quarter was \$2.64 billion compared to \$2.48 billion last year, a 6.4 percent increase. The food division reported revenue of \$2.59 billion, an increase of \$158.5 million or 6.5 percent over the third quarter last year. The increase in food division revenue is primarily attributed to same-store sales growth of 2.5 percent (1.5 percent excluding expanded stores), additional sales generated by new retail square footage and a modest increase in food price inflation. Real estate and other operations reported revenue growth of 2.9 percent and 1.2 percent, respectively, over the third quarter last year.

Operating income (earnings before interest, income taxes and goodwill charges) in the third quarter totalled \$107.6 million, compared to \$108.5 million last year, a \$0.9 million or 0.8 percent decline. The food division contributed operating income of \$82.6 million, an increase of 2.7 percent over the third quarter last year. The real estate division contributed operating income of \$21.8 million versus \$22.0 million in the third quarter last year. Trailing (last four quarters) funds from operations (net earnings plus depreciation) for the real estate division now equals \$52.7 million. Other operations' operating income equalled \$2.7 million, consistent with the third quarter last year.

Net earnings, including net capital gains and other items totalled \$39.3 million or \$0.60 per share versus \$36.1 million or \$0.55 per share last year. Included in last year's net earnings were \$0.8 million of net capital gains and other items primarily associated with the sale of investments in the third quarter last year.

At quarter end January 31, 2003, Empire's investments at the holding company level carried a market value of \$374.0 million on a carrying value of \$458.3 million, resulting in an unrealized loss of \$84.3 million. This compares to an unrealized loss of \$98.7 million last quarter.

Excluding the negative return generated by our 1.7 million share holding of the food retailer Delhaize Le Lion, the total return on Empire's investment portfolio for the fiscal year-to-date was a negative 14.7 percent, relatively consistent with that of the TSX Index and ahead of the S&P 500 Index. For the fiscal year-to-date, Delhaize's total return is negative 63.6 percent, compared to the S&P Food Index total return of negative 37.1 percent over the same time period.

The financial condition of the Company remains strong. The ratio of net debt to capital at the end of the third quarter equalled 33.1 percent versus 38.9 percent a year earlier. Interest coverage ratio improved to 4.8 times from 4.0 times a year earlier.

Capital investment of \$124.8 million during the quarter and \$304.5 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 by the food division in property and equipment, primarily related to new store development, totalled \$84.8 million in the quarter. During the third quarter, 12 corporate and franchised grocery stores were opened or replaced and another 5 stores were expanded. For the first three quarters of fiscal 2003, a total of 31 corporate and franchised grocery stores were opened or replaced and another 27 stores were expanded. Since the beginning of the fiscal year in Atlantic Canada, a total of 30 Sobeys, Lo-Food, and Foodland stores have been converted to the Price Chopper discount banner and 47 Green Gables stores were converted to the Needs banner. In Ontario, 17 Garden Market IGA stores have been converted to the Sobeys banner.

The Board of Directors declared a quarterly dividend of 8.25¢ per share on both the Class A and Class B common shares which will be payable on April 30, 2003, to shareholders of record on April 15, 2003. In addition, the Board declared regular dividends on the Company's outstanding preferred shares.

Our third quarter and year-to-date results reflect sales growth and profit performance right in line with our plan and expectations. The Company's overall financial performance and financial condition has continued to improve through the first three quarters of fiscal 2003. The continued hard work and management strength in each of our operating companies is responsible for our progress to date in fiscal 2003. We will work diligently towards continued growth in each of our businesses throughout the remainder of fiscal 2003.



Paul D. Sobey
President and Chief Executive Officer
March 14, 2003

The table below presents summary financial performance for the third quarter and nine months ended January 31, 2003. Comparable per share data has been adjusted to reflect the effect of the October 7, 2002, 2-for-1 share split.

(\$ in millions, except per share data)

	Three Months Ended January 31		Nine Months Ended January 31	
	2003	2002	2003	2002
Segmented Revenue (net of elimination entries)				
Food Division	\$2,594.9	\$2,436.4	\$7,846.0	\$7,308.2
Real Estate Division	32.2	31.3	101.9	97.2
Other Operations	16.5	16.3	47.9	42.3
	<u>2,643.6</u>	<u>2,484.0</u>	<u>7,995.8</u>	<u>7,447.7</u>
Segmented Operating Income				
Food Division	\$82.6	\$80.4	\$249.6	\$220.7
Real Estate Division	21.8	22.0	71.0	69.3
Other Operations	3.2	6.1	13.9	17.9
	<u>107.6</u>	<u>108.5</u>	<u>334.5</u>	<u>307.9</u>
Earnings before net capital gains, other items and goodwill amortization	39.3	38.4	118.1	105.9
Earnings before net capital gains and other items	39.3	35.3	118.1	97.0
Net capital gains (loss) and other items	-	0.8	(0.2)	30.0
Net earnings	<u>\$39.3</u>	<u>\$36.1</u>	<u>\$117.9</u>	<u>\$127.0</u>
<u>Per Share</u>				
Earnings before net capital gains, other items and goodwill amortization	\$0.60	\$0.58	\$1.79	\$1.61
Earnings before net capital gains and other items	0.60	0.53	1.79	1.47
Net capital gains and other items	-	0.02	-	0.46
Net earnings	<u>\$0.60</u>	<u>\$0.55</u>	<u>\$1.79</u>	<u>\$1.93</u>
Weighted average number of common shares outstanding (in millions)	65.8	65.7	65.8	65.7
Actual common shares outstanding (in millions)	65.8	65.7		

EMPIRE COMPANY LIMITED
CONSOLIDATED BALANCE SHEET

(Unaudited, in millions)

	January 31 2003	April 30 2002	January 31 2002
ASSETS			
Current			
Cash and cash equivalents	\$ 135.2	\$ 302.6	\$ 105.5
Receivables	309.0	312.8	263.9
Inventories	540.2	425.7	483.7
Prepays	41.9	37.0	40.2
Future income taxes		5.4	9.4
Discontinued operations (Note 2)	3.8	5.8	180.7
	<u>1,030.1</u>	<u>1,089.3</u>	<u>1,083.4</u>
Investments, at cost (quoted market value \$344.9 April 30,2002 \$546.8; January 31,2002 \$527.6)	417.1	479.8	457.1
Investments, at equity (quoted market value \$29.1 April 30,2002 \$41.1; January 31,2002 \$37.6)	41.2	41.1	64.9
Current assets and marketable investments	<u>1,488.4</u>	<u>1,610.2</u>	<u>1,605.4</u>
Property and equipment	2,045.9	1,911.6	1,790.9
Other assets (Note 4)	809.7	796.2	810.5
Discontinued operations (Note 2)	-	-	192.1
	<u>\$ 4,344.0</u>	<u>\$ 4,318.0</u>	<u>\$ 4,398.9</u>
LIABILITIES			
Current			
Bank loans and notes payable	\$ 160.4	\$ 207.2	\$ 243.6
Payables and accruals	943.8	1,006.5	914.2
Income taxes payable	52.9	51.9	39.8
Future income taxes	3.3		
Long term debt due within one year	182.7	85.6	95.2
Discontinued operations (Note 2)	-	-	181.8
	<u>1,343.1</u>	<u>1,351.2</u>	<u>1,474.6</u>
Long term debt	842.6	975.0	1,061.7
Deferred revenue	8.7	12.8	12.4
Employee future benefit obligation	74.8	71.7	60.5
Minority interest	525.9	480.9	445.9
Future income taxes	153.7	135.8	115.4
Discontinued operations (Note 2)	-	-	2.6
	<u>2,948.8</u>	<u>3,027.4</u>	<u>3,173.1</u>
SHAREHOLDERS' EQUITY			
Capital stock	195.9	195.6	195.3
Retained earnings	1,198.8	1,094.5	1,028.8
Foreign currency translation	0.5	0.5	1.7
	<u>1,395.2</u>	<u>1,290.6</u>	<u>1,225.8</u>
	<u>\$ 4,344.0</u>	<u>\$ 4,318.0</u>	<u>\$ 4,398.9</u>

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

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
NINE MONTHS ENDED JANUARY 31
(Unaudited, in millions)

	<u>2003</u>	<u>2002</u>
Balance, beginning of period	\$ 1,094.5	\$ 923.1
Net earnings	<u>117.9</u>	<u>127.0</u>
	<u>1,212.4</u>	<u>1,050.1</u>
Refundable taxes		
Paid	-	11.7
Recovered	<u>(3.7)</u>	<u>(1.1)</u>
	<u>(3.7)</u>	<u>10.6</u>
Dividends paid		
Preferred shares	0.3	0.3
Common shares	<u>16.3</u>	<u>10.4</u>
	<u>16.6</u>	<u>10.7</u>
Excess of purchase price over average paid-up value of common shares purchased for cancellation	<u>0.7</u>	<u>-</u>
Retained earnings, end of period	<u>\$ 1,198.8</u>	<u>\$ 1,028.8</u>

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

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

	Three Months Ended January 31		Nine Months Ended January 31	
	2003	2002	2003	2002
Revenue	\$ 2,643.6	\$ 2,484.0	\$ 7,995.8	\$ 7,447.7
Cost of sales, selling and administrative expenses	<u>2,502.0</u>	<u>2,350.0</u>	<u>7,567.3</u>	<u>7,069.8</u>
	141.6	134.0	428.5	377.9
Depreciation	<u>36.7</u>	<u>30.0</u>	<u>106.0</u>	<u>86.0</u>
	104.9	104.0	322.5	291.9
Investment income (Note 5)	<u>2.7</u>	<u>4.5</u>	<u>12.0</u>	<u>16.0</u>
Operating income	<u>107.6</u>	<u>108.5</u>	<u>334.5</u>	<u>307.9</u>
Interest expense				
Long term debt	22.7	25.9	67.0	80.3
Short term debt	<u>(0.2)</u>	<u>1.4</u>	<u>2.3</u>	<u>5.4</u>
	22.5	27.3	69.3	85.7
	85.1	81.2	265.2	222.2
Capital gains and other items (Note 6)	<u>(0.9)</u>	<u>0.4</u>	<u>(0.9)</u>	<u>29.4</u>
	84.2	81.6	264.3	251.6
Income taxes				
Current income taxes	5.4	29.3	68.9	69.5
Future income taxes	<u>22.0</u>	<u>0.1</u>	<u>25.1</u>	<u>14.6</u>
	27.4	29.4	94.0	84.1
	56.8	52.2	170.3	167.5
Minority interest	<u>17.5</u>	<u>14.5</u>	<u>52.4</u>	<u>40.2</u>
Earnings before goodwill amortization	39.3	37.7	117.9	127.3
Goodwill amortization (Note 7)	-	2.5	-	7.2
Earnings from continuing operations	39.3	35.2	117.9	120.1
Earnings from discontinued operations	-	0.9	-	6.9
Net earnings	<u>\$ 39.3</u>	<u>\$ 36.1</u>	<u>\$ 117.9</u>	<u>\$ 127.0</u>
Earnings per share, basic and diluted (Note 3)				
Earnings from continuing operations	<u>\$ 0.60</u>	<u>\$ 0.54</u>	<u>\$ 1.79</u>	<u>\$ 1.83</u>
Earnings from discontinued operations	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ -</u>	<u>\$ 0.10</u>
Net earnings	<u>\$ 0.60</u>	<u>\$ 0.55</u>	<u>\$ 1.79</u>	<u>\$ 1.93</u>

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

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited, in millions, except per share amounts)

	Three Months Ended January 31		Nine Months Ended January 31	
	2003	2002	2003	2002
Cash provided by (used for) operations				
Earnings from continuing operations	\$ 39.3	\$ 35.2	\$ 117.9	\$ 120.1
Items not affecting cash (Note 8)	83.8	56.1	190.6	175.5
Payment of preferred dividends	(0.1)	-	(0.3)	(0.3)
	<u>123.0</u>	<u>91.3</u>	<u>308.2</u>	<u>295.3</u>
Net change in other current items	(47.3)	27.2	(176.5)	12.5
	<u>75.7</u>	<u>118.5</u>	<u>131.7</u>	<u>307.8</u>
Cash provided by (used for) financing				
Net increase (decrease) in bank loans	(4.3)	27.2	(46.8)	14.4
Net increase (decrease) in construction loans	0.6	(1.3)	1.0	(10.7)
Proceeds from issue of long term debt	16.4	15.5	24.4	33.1
Revolving securitization of accounts receivable	-	25.0	-	50.0
Repayment of long term debt	(19.4)	(18.6)	(60.7)	(61.3)
Increase in minority interest	-	1.8	3.3	6.4
Issue of Non-Voting Class A shares, net of costs	0.1	0.3	1.6	0.4
Purchase of Non-Voting Class A shares for cancellation	-	-	(1.6)	-
Payment of common dividends	(5.5)	(3.7)	(16.3)	(10.4)
Refundable taxes	1.4	0.4	3.7	(10.6)
	<u>(10.7)</u>	<u>46.6</u>	<u>(91.4)</u>	<u>11.3</u>
Total cash available	<u>65.0</u>	<u>165.1</u>	<u>40.3</u>	<u>319.1</u>
Cash provided by (used for) investments				
Net decrease (increase) in investments	1.3	(21.0)	62.7	9.4
Purchase of shares in subsidiary, Sobeys Inc.	(5.1)	(12.5)	(5.1)	(12.5)
Purchase of property, equipment and other assets	(124.8)	(133.2)	(304.5)	(315.7)
Proceeds from sale of property	14.1	10.8	34.1	19.7
Increase in employee future benefit obligation	2.1	0.4	3.1	1.2
Increase in deferred foreign currency translation gains	-	-	-	3.5
	<u>(112.4)</u>	<u>(155.5)</u>	<u>(209.7)</u>	<u>(294.4)</u>
Total cash used	<u>(112.4)</u>	<u>(155.5)</u>	<u>(209.7)</u>	<u>(294.4)</u>
Increase (decrease) in cash from continuing operations	(47.4)	9.6	(169.4)	24.7
Discontinued operations (Note 2)	0.1	(9.5)	2.0	(9.4)
Cash and cash equivalents, beginning of period	<u>182.5</u>	<u>105.4</u>	<u>302.6</u>	<u>90.2</u>
Cash and cash equivalents, end of period	<u>\$ 135.2</u>	<u>\$ 105.5</u>	<u>\$ 135.2</u>	<u>\$ 105.5</u>

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

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31,2003

(Unaudited, in millions, except per share amounts)

1. Significant Accounting Policies

Interim financial statements

Effective during the first quarter of the previous fiscal year, the Company adopted the Canadian Institute of Chartered Accountants handbook section 1751 relating to interim financial statements. 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 30,2002, as set out in the Annual Report 2002.

Goodwill

Effective May 1,2002, the Company prospectively implemented the recommendations of the new handbook section 3062 issued by the Canadian Institute of Chartered Accountants on goodwill and other intangible assets. Under the new standard, goodwill and intangible assets with indefinite useful lives are no longer amortized but are subject to an annual impairment review. Any permanent impairment in the book value of goodwill and intangible assets will be written off against earnings. The Company has completed its review and has determined that no adjustment is required to the carrying value of goodwill.

Stock-based compensation plans

Effective May 1,2002, the Company adopted the Canadian Institute of Chartered Accountants new handbook section 3870 relating to stock-based compensation plans. This section has been implemented retroactively without restatement of the prior period financial statements. No adjustment to retained earnings is required as a result of implementing this section.

The Directors of the Company and its subsidiary, Sobeys Inc., can choose to defer the receipt of their compensation and have the ultimate amount to be received tied to the market value of their respective Company's stock. The deferred amounts are to be paid when they cease to be a Director. The Company records a liability based on the current market value of the Companies' stock. At January 31,2003 the liability recorded under the plans is \$1.6.

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 April 2003 to October 2006. At January 31,2003 67,074 options were outstanding and no new options were granted during the quarter. During the nine months ended January 31,2003 27,800 options were exercised resulting in 27,800 Non-Voting Class A shares being issued for \$0.2.

2. Discontinued Operations

On April 1,2002 the Company's subsidiary, Sobeys Inc., announced completion of the sale of substantially all of the assets of its SERCA Foodservice operations. SERCA Foodservice distributed foodservice products to primarily hospitality, institutional and commercial customers throughout Canada.

The revenues of the discontinued operations were \$1,676.6 for the nine months ended January 31,2002.

Earnings from discontinued operations during the nine months ended January 31,2002 were \$6.9.

Interest on other debt that is not directly attributable to the discontinued operations was not allocated to the discontinued operations.

Current assets of discontinued operations at April 30,2002 and January 31,2003 were comprised of assets for resale. Noncurrent assets of discontinued operations at January 31,2002 were comprised principally of fixed assets and goodwill.

Cash flow from discontinued operations for the nine months ended January 31,2003, included cash generated by investing activities of \$2.0. Cash flow from discontinued operations for the nine months ended January 31,2002, included cash used by operating activities by SERCA Foodservice of \$12.1, cash generated by investing activities of \$2.9 and cash used by financing activities of \$0.2.

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2003

(Unaudited, in millions, except per share amounts)

3. Net Earnings Per Share

Net earnings per share amounts are calculated on the weighted average number of shares outstanding (2003-65,789,000 shares; 2002-65,686,000 shares) after providing for preference 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		Nine Months	
	2003	2002	2003	2002
Earnings before goodwill amortization	\$ 39.3	\$ 37.7	\$ 117.9	\$ 127.3
Goodwill amortization	-	2.5	-	7.2
Earnings from continuing operations	39.3	35.2	117.9	120.1
Capital gains and other items, net of taxes of \$-, \$(0.4), \$(0.7), \$(0.6)	-	0.8	(0.2)	30.0
	39.3	34.4	118.1	90.1
Earnings from discontinued operations	-	0.9	-	6.9
Operating earnings	39.3	35.3	118.1	97.0
Capital gains and other items	-	0.8	(0.2)	30.0
Net earnings	39.3	36.1	117.9	127.0
Preferred share dividends	0.1	-	0.3	0.3
Earnings applicable to common shares	\$ 39.2	\$ 36.1	\$ 117.6	\$ 126.7

Earnings per share is comprised of the following:

Earnings before goodwill amortization applicable to common shares	\$ 0.60	\$ 0.58	\$ 1.79	\$ 1.94
Goodwill amortization	-	0.04	-	0.11
Earnings from continuing operations	0.60	0.54	1.79	1.83
Capital gains and other items, net of taxes	-	0.02	-	0.46
	0.60	0.52	1.79	1.37
Earnings from discontinued operations	-	0.01	-	0.10
Operating earnings	0.60	0.53	1.79	1.47
Capital gains and other items	-	0.02	-	0.46
Net earnings per share	\$ 0.60	\$ 0.55	\$ 1.79	\$ 1.93

4. Other Assets

	January 31 2003	April 30 2002	January 31 2002
Mortgages and loans	\$ 105.5	\$ 109.0	\$ 119.0
Goodwill (less accumulated amortization of \$56.1; April 30, 2002 \$56.1; January 31, 2002 \$52.0)	567.6	565.8	567.4
Deferred charges	136.6	121.4	124.1
	\$ 809.7	\$ 796.2	\$ 810.5

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2003

(Unaudited, in millions, except per share amounts)

5. Investment Income

	Three Months		Nine Months	
	2003	2002	2003	2002
Dividend and interest income	\$ 2.7	\$ 3.2	\$ 11.9	\$ 12.5
Share of income of companies accounted for by the equity method	-	1.3	0.1	3.5
	<u>\$ 2.7</u>	<u>\$ 4.5</u>	<u>\$ 12.0</u>	<u>\$ 16.0</u>

6. Capital Gains and Other Items

	Three Months		Nine Months	
	2003	2002	2003	2002
Gain (loss) on sale of investments	\$ (1.1)	\$ 1.4	\$ (1.1)	\$ 31.7
Foreign currency translation loss	-	(1.5)	-	(2.7)
Gain on disposal of properties	0.2	0.5	0.2	0.4
	<u>\$ (0.9)</u>	<u>\$ 0.4</u>	<u>\$ (0.9)</u>	<u>\$ 29.4</u>

7. Goodwill Amortization

	Three Months		Nine Months	
	2003	2002	2003	2002
Amortization of goodwill	\$ -	\$ 4.1	\$ -	\$ 12.1
Income taxes	-	(0.2)	-	(0.5)
Minority interest	-	(1.4)	-	(4.4)
	<u>\$ -</u>	<u>\$ 2.5</u>	<u>\$ -</u>	<u>\$ 7.2</u>

8. Supplementary Cash Flow Information

	Three Months		Nine Months	
	2003	2002	2003	2002
a.) Items not affecting cash				
Depreciation	\$ 36.7	\$ 30.0	\$ 106.0	\$ 86.0
Goodwill amortization	-	4.1	-	12.1
Future income taxes	26.4	7.7	26.6	39.1
Amortization of deferred items	5.5	4.2	12.5	11.6
Equity in earnings of other companies, net of dividends received	-	(1.3)	(0.1)	(3.5)
Minority interest	15.2	11.4	45.6	30.2
	<u>\$ 83.8</u>	<u>\$ 56.1</u>	<u>\$ 190.6</u>	<u>\$ 175.5</u>
b.) Other cash flow information				
Interest paid	\$ 24.0	\$ 20.0	\$ 63.0	\$ 79.1
Income taxes paid	\$ 15.7	\$ (1.4)	\$ 80.6	\$ 68.3

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2003

(Unaudited, in millions, except per share amounts)

9. Segmented Information

	Three Months		Nine Months	
	2003	2002	2003	2002
Revenue				
Food distribution	\$ 2,594.9	\$ 2,436.4	\$ 7,846.0	\$ 7,308.2
Real estate				
Outside	32.2	31.3	101.9	97.2
Inter-segment	12.7	12.4	36.0	35.3
	44.9	43.7	137.9	132.5
Other operations	16.5	16.3	47.9	42.3
	2,656.3	2,496.4	8,031.8	7,483.0
Elimination	(12.7)	(12.4)	(36.0)	(35.3)
	\$ 2,643.6	\$ 2,484.0	\$ 7,995.8	\$ 7,447.7
Operating income				
Food distribution	\$ 82.6	\$ 80.4	\$ 249.6	\$ 220.7
Real estate	21.8	22.0	71.0	69.3
Other operations	2.7	2.8	7.8	6.8
Investment income	2.7	4.5	12.0	16.0
Corporate expenses	(2.2)	(1.2)	(5.9)	(4.9)
	\$ 107.6	\$ 108.5	\$ 334.5	\$ 307.9

10. Comparative Figures

Comparative figures have been reclassified, where necessary, to reflect the current period's presentation, including disclosure for discontinued operations.

11. Subsequent Event

On February 26, 2003 the Company's subsidiary, Sobeys Inc., issued \$100.0 Medium Term Note. The note has a maturity date of February 26, 2018 and a coupon rate of 7.16 percent.

Empire Company Limited

Management's Discussion and Analysis

Interim Report

Empire Company Limited ("Empire" or the "Company") is a diversified Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are retail food distribution through majority ownership of Sobeys Inc. ("Sobeys"), real estate primarily through wholly-owned Atlantic Shopping Centres Limited ("ASC") and Sobeys Leased Properties Limited ("SLP") managing 12.1 million square feet of leasable space, and corporate investment activities and other operations (which includes wholly-owned Empire Theatres Limited). With \$4.3 billion in assets, Empire employs approximately 35,000 people directly and through its subsidiaries.

The following is a discussion and analysis of the interim consolidated financial condition and results of operations of Empire for the three-month period ended January 31, 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.

This document should be read in conjunction with: the Interim Consolidated Financial Statements of Empire Company Limited and notes thereto for the three-month period ended January 31, 2003; Management's Discussion and Analysis included in the Annual Report of the Company for the year ended April 30, 2002; and the Consolidated Financial Statements and notes thereto for the year ended April 30, 2002.

The financial information presented in this report includes the contribution of Sobeys Inc.'s retail grocery distribution business. SERCA Foodservice ("SERCA") operations are not reflected in Sobeys Inc.'s or Empire's consolidated sales, cost of sales, selling and administrative expense, depreciation, interest expense or income tax expense. SERCA has been accounted for as a discontinued operation, reflecting the sale of substantially all of the net assets of SERCA on March 30, 2002.

Effective the first quarter ended July 31, 2002, Empire and its subsidiaries discontinued amortization of goodwill consistent with the new accounting standard issued by the CICA on goodwill and other intangible assets.

Consolidated Operating Results

For the three month period ended January 31, 2003, Empire reported operating earnings before net capital gains, other items and goodwill amortization ("operating earnings") of \$39.3 million or \$0.60 per share, up 2.3 percent over the third quarter last year. For the nine months ended January 31, 2003, operating earnings totalled \$118.1 million, up \$12.2 million or 11.5 percent over the comparable period in fiscal 2002.

Sales for the third quarter totalled \$2.64 billion, representing an increase of 6.4 percent against the comparable period last year. Growth in revenues was recorded in each of the Company's

operating businesses. Food division revenues improved 6.5 percent, while real estate and theatres operations reported 2.9 percent and 1.2 percent sales growth respectively. For the nine month period ended January 31, 2003, sales equalled \$7.99 billion, an increase of \$548 million or 7.4 percent versus the same period last year.

Empire reported operating income for the three month period ended January 31, 2003, of \$107.6 million, representing a decrease of \$0.9 million compared the same third quarter of fiscal 2002. Stronger operating income generated by the food division was offset by lower investment income recorded in the current quarter versus the previous fiscal year. Operating income reported by real estate and other operations was relatively unchanged from the third quarter last year. Operating income for the first nine months of fiscal 2003 reached \$334.5 million, up 8.6 percent or \$26.6 million compared to the same period of the previous fiscal year.

Interest expense in the three month period ended January 31, 2003, declined \$4.8 million or by 17.6 percent from the third quarter last year. Year-to-date, interest expense has declined \$16.4 million or by 19.1 percent to \$69.3 million. The reduced interest expense (both on long-term and short debt) is the result of reduced funded debt largely due to the application of a portion of the SERCA sale proceeds to reduce indebtedness.

The effective tax rate applied to the third quarter earnings of the Company was 32.5 percent versus 36.0 percent in quarter three last year. The rate decrease is primarily the result of statutory rate reductions.

Empire recorded a net capital loss of \$0.9 million on the sale of investments in the third quarter. This loss was offset by a \$0.9 million net capital gain associated with disposal of property in the quarter. This compares to a net capital gain of \$0.8 million reported in the third quarter of fiscal 2002. Year-to-date, net capital losses total \$0.2 million primarily resulting from the sale of investments. In the first nine months of fiscal 2002, a net capital gain of \$30.0 million was recorded primarily from the sale of investments.

Net earnings for the three month period ended January 31, 2003, amounted to \$39.3 million or \$0.60 per share, versus \$36.1 million or \$0.55 per share in the third quarter last year. Stronger contribution from the food division in the current quarter was offset by a reduction in net capital gains versus the third quarter last year. For the first three quarters of fiscal 2003 net earnings were down 7.2 percent to \$117.9 million from the first nine months of the previous fiscal year. The decline is the result of net capital gains of \$30.0 million reported in the comparable period last year; partially offset by stronger year over year operating results in each of the first three quarters of fiscal 2003.

Operating Overview & Performance by Segment

Food Distribution

Empire's food distribution business is carried on through its 62 percent ownership in Sobeys. Sobeys' sales for the third quarter were \$2.59 billion compared to \$2.44 billion for the same quarter last year, an increase of \$158.5 million or 6.5 percent. Sales growth was driven by same stores sales growth, including expanded stores, of 2.5 percent in the quarter. Same store sales, excluding expanded stores, was 1.5 percent in the same time frame. Sales growth in the third quarter was recorded in all regions, resulting from the combined impact of executing against a number of program initiatives directed at satisfying the unique needs of each of our customer segments, increased square footage added to Sobeys retail store network during the past twelve months, and a slight increase in food price inflation.

For the first nine months of fiscal 2003, sales exhibited similar trends. Total sales improved 7.4 percent over the same period in fiscal 2002. Same-store sales growth was 3.6 percent, including expanded stores (2.5 percent excluding expanded stores). The food division's sales growth continues to be in line with guidance provided at the beginning of the fiscal year of 6 to 8 percent growth.

Sobeys reported net earnings of \$45.8 million or \$0.70 per share for their third quarter. This represents an improvement of 12 percent when compared to the goodwill adjusted fiscal 2002 results. This result is in line with Sobeys' fiscal 2003 objective of operating earnings per share growth of between 12 and 16 percent and represents a continuation of the positive trend established in the first six months of the current fiscal year. For the nine months year-to-date, net earnings were 17 percent higher (\$2.10 versus \$1.80 per share after adjusting for goodwill last year).

The year over year earnings growth by the food division resulted from a number of factors including continued sales growth, EBITDA margin growth, lower interest expense, and a decline in Sobeys' effective tax rate.

Sobeys' EBITDA for the third quarter totalled \$114.5 million, up 8.1 percent over the third quarter last year. EBITDA as a percentage of sales increased 6 basis points (4.41 percent versus 4.35 percent) over the third quarter of fiscal 2002. This represented the sixth consecutive quarter of year over year margin improvement. For the first nine months of the fiscal year, the EBITDA margin was 4.36 percent which is a 34 basis point improvement over the same period last year. The EBITDA margin improvement is the result of a continuation of Sobeys' margin development and disciplined cost management initiatives throughout the entire supply chain which commenced in fiscal 2002 offset by an increase in expenses related to the launch of the Sobeys Ready to Serve program in August 2002, the expansion and refresh of the food division's discount store banner, Price Chopper, and the conversion of the Garden Market IGA banner in Ontario to the Sobeys banner. The food division also experienced significant, but temporary, increased competitive activity in the third quarter.

Operating income or EBIT for third quarter reached \$82.6 million, an improvement of \$2.2 million or 2.7 percent over the previous fiscal year. Operating margin or operating income as a percentage of sales declined to 3.18 percent from 3.30 percent in the same quarter last year. Operating income for the first nine months of the current fiscal year increased \$30.3 million or 13.7 percent compared to the same period in fiscal 2002, with operating margins of 3.20 percent compared to 3.02 percent last year.

Interest expense in the third quarter declined 28 percent or \$4.1 million to \$10.4 million due primarily to lower borrowing levels. The reduction in borrowing levels was mainly the result of the use of a portion of the SERCA sale proceeds to reduce funded debt. Sobeys' interest coverage or operating income divided by interest expense improved to 7.9 times for the third quarter of fiscal 2003 compared to 5.5 times last year.

The food division's effective tax rate for the third quarter was 36.6 percent versus 41.6 percent in quarter three of fiscal 2002. The decrease in the effective rate is primarily the result of reductions in the statutory tax rate.

Real Estate

Empire's real estate operations are primarily conducted through wholly-owned Atlantic Shopping Centres Limited and Sobey Leased Properties Limited, and a 35 percent ownership position in Genstar Development Partnership ("Genstar").

Revenues generated by the real estate division (net of inter-company elimination) increased 2.9 percent in the three month period ended January 31, 2003. For the first nine months of fiscal 2003, real estate revenues reached \$101.9 million, up \$4.7 million or 4.8 percent compared to the same period in fiscal 2002.

Real estate operating income in the third quarter totalled \$21.8 million, relatively unchanged from the same quarter last year. Real estate contributed 20.3 percent of Empire's total third quarter consolidated operating income. For the first nine months of fiscal 2003, real estate operations generated operating income of \$71.0 million, an increase of \$1.7 million or 2.5 percent over the first nine months of fiscal 2002.

The real estate division contributed \$8.3 million to Empire's consolidated earnings (before capital gains) in the third quarter versus \$8.4 million in the third quarter last year. On a fiscal year-to-date basis, the real estate division contributed \$23.7 million to Empire's consolidated earnings (before capital gains) compared to \$20.7 million last year-to-date. The total occupancy rate is relatively unchanged, 92.7 percent at the end of the third quarter versus 93.3 percent at the same time last year.

Funds from operations ("FFO"), or earnings before net capital gains and other items plus depreciation, generated in the third quarter reached \$12.0 million, up slightly versus the same quarter last year. Year-to-date, FFO totalled \$35.1 million compared to \$30.6 million in the same period in fiscal 2002. On a twelve month trailing basis, the real estate division's FFO has increased to \$52.7 million, a 34.8 percent increase over the prior twelve month period. This improved performance, on both a year-to-date and twelve month trailing basis, is primarily the result of increased FFO generated by Genstar as a result of strong lot sales.

Investments and Other Operations

The third component of Empire's business is its investments, consisting of a portfolio of equity investments, and other operations. At January 31, 2003, Empire's investment portfolio carried a market value of \$374.0 million on a carrying value of \$458.3 million, resulting in an unrealized loss of \$84.3 million. For the nine month period ended January 31, 2003, the total return on Empire's portfolio was down approximately 27.0 percent, below the total return performance of the S&P 500 index (down approximately 20.5 percent) and the S&P/TSX index (down approximately 14.3 percent) over the same period. This negative total return performance is largely the result of the year-to-date decline in the share price of Empire's investment In Delhaize Le Lion.

Unrealized losses in the third quarter declined 14.6 percent versus unrealized losses in the second quarter of fiscal 2003. On January 31, 2003, Delhaize Le Lion shares closed at a price of 16.58 Euro, up 5 percent compared to the closing price at October 31, 2002. Excluding the negative 63.6 percent total return generated by the investment in Delhaize Le Lion for the first nine months of fiscal 2003, the total return on Empire's investment portfolio is negative 14.7 percent, relatively consistent with the S&P/TSX index and ahead of the S&P 500 index. At January 31, 2003, the Company continued to hold 1.7 million shares of Delhaize Le Lion.

Investment income of \$2.7 million in the third quarter was down 40 percent versus the same period last year primarily as a result of the decline in contribution from Empire's only equity accounted investment, Wajax Limited ("Wajax"), of \$1.3 million combined with a decrease of \$0.5 million in dividend and interest income from other portfolio investments.

For the third quarter of the current fiscal year, revenue from Empire's other operations increased 1.2 percent, compared to the same period last year. On-going development and good film quality at wholly-owned Empire Theatres Limited has been the primary source of the improved revenue performance for Empire's other operations. Operating income generated by other operations for the three month period ended January 31, 2003, was relatively unchanged versus the same time frame in fiscal 2002 as increased depreciation (a result of Empire Theatres continued reinvestment in their business) offset their stronger operating results.

Consolidated Financial Position

Assets

Total assets at January 31, 2003, totalled \$4,344.0 million, relatively unchanged from the \$4,290.6 million reported at October 31, 2002, and \$4,318.0 million reported at the previous fiscal year ended, April 30, 2002.

Net Asset Value

At the end of third quarter, management calculates Empire's consolidated net asset value ("NAV") at \$2,317 million or \$35.21 per share. This represents a 6 percent improvement compared to the net asset value calculated at October 31, 2002. The increase is the result of improvement in the market value of both Empire's investment in Sobeys Inc. and its Empire's investment portfolio (including Delhaize Le Lion) since October 31, 2002.

Capital Resources and Liquidity

Empire's net debt to capital ratio was 33.1 percent at January 31, 2003, consistent with the ratio reported at October 31, 2002. Interest coverage (operating income divided by interest expense) at January 31, 2003, was 4.8 times, relatively unchanged from October 31, 2002.

Short-term liquidity remains strong through the third quarter of fiscal 2003 as a result of internally generated cash flow, net cash on hand, and credit lines for operating, general and corporate purposes totalling \$325 million. At January 31, 2003, Empire's non-consolidated bank lines were 39 percent utilized. Including subsidiaries, the Company's consolidated authorized bank credit facilities exceeded borrowings by \$632.6 million at January 31, 2003.

Cash Flows

Cash flows from operating activities for the three month period ended January 31, 2003, was \$75.7 million compared to \$118.5 million in the same period last year, a decrease of \$42.8 million. This decline is solely based on a negative change to other current items; as operating cash flow before net change in other current items increased by \$31.7 million or 34.8 percent over the third quarter last year. The net change in other current items of negative \$47.3 million in the quarter compares to positive \$27.2 million last year. The turnaround is largely the result of the food division incurring increased inventory due to tobacco and other short-term investment buying and increased inventory levels due to expansion of Sobeys' store and distribution network, coupled with the fact that accounts payable did not grow at the same rate

as inventory in the quarter. Sobeys expects non-cash working capital to improve through the balance of the fiscal year.

For the three month period ended January 31, 2003, cash flows used for investment activities totalled \$112.4 million versus \$155.5 million in the same period in fiscal 2002. The decrease in cash used for investments is largely the result of increased cash provided by the sale of investments in the third quarter of fiscal 2003 versus cash used to purchase investments in the third quarter last year.

Financing activities during the third quarter of fiscal 2003 used cash of \$10.7 million compared to cash provided by financing of \$46.6 million in the same period of fiscal 2002. The year over year difference is primarily the result of the Company continuing to pay down short-term bank loans with cash on hand combined with Sobeys borrowing \$25.0 million against its accounts receivable securitization facility in the third quarter last year.

Risk and 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 2002 annual report, remain substantially unchanged.

Accounting Policy Changes

In the first quarter ended July 31, 2002, the Company implemented the CICA accounting standard pertaining to goodwill and other intangible assets, Section 3062. Under this standard, goodwill and intangible assets with indefinite useful lives are no longer amortized, but are subject to impairment tests on at least an annual basis. Empire and its operating companies have completed their review and have determined that the book value of existing goodwill is not impaired.

Also effective in the first quarter, the Company adopted CICA accounting standard, Section 3870, "Stock-based Compensation and Other Stock-based Payments". While the Company's long-term incentive plan for executives provides for the issuance of stock options, the Company ceased issuing options in 1996, and as of January 31, 2003, had 67,074 options outstanding. Adopting this standard does not have an effect on Empire's financial statements.

Outlook

As a result of continued improvement in year over year financial performance and contribution from each of Empire's operating businesses, Empire remains well positioned to continue its earnings growth through the fourth quarter of fiscal 2003. Management has assumed the continuation of the current competitive environment and has factored in conservative cost of capital assumptions. The Company is committed to growing value in each of its divisions, thereby growing value in Empire Company Limited on behalf of all shareholders.

INVESTOR INFORMATION

EMPIRE COMPANY LIMITED

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INVESTOR RELATIONS

For additional information
please write to the company,
c/o Stewart H. Mahoney, CFA
Vice President, Treasury and Investor Relations
E-mail: investor.relations@empireco.ca

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 (TSE)

19,948

COMMON DIVIDEND RECORD AND PAYMENT DATES

Record Date	Payment Date
Apr. 15th, 2003	Apr. 30th, 2003
July 15th, 2003*	July 31st, 2003*
Oct. 15th, 2003*	Oct. 31st, 2003*
Jan. 15th, 2004*	Jan. 31st, 2004*

*subject to approval by Board of Directors

OUTSTANDING SHARES

As of March 14, 2003

Non-Voting Class A common	30,861,402
Options exercisable with Class A common shares	67,074
Class B common, voting	34,897,456

TRANSFER AGENTS

Computershare Trust Company of Canada
Telephone: (800) 564-6253
Non-Voting Class A shares

CIBC Mellon Trust Company
Telephone: (902) 420-3821
Series 2 Preferred shares

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate annual report for each. If this occurs, please contact Computershare at (902) 420-3557 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, Computershare Trust Company of Canada, at the above contact information.

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

EXEMPLAIRE FRANÇAIS

Vous pouvez obtenir un exemplaire français
Empire Company Limited
Investor Relations
115 King Street
de ce rapport annuel en écrivant à:
Stellarton, Nova Scotia

