

**QUARTERLY REPORT
THREE MONTHS ENDED JULY 31, 2001**

**EMPIRE COMPANY DELIVERS RECORD QUARTERLY OPERATING EARNINGS
OF \$30.3 MILLION – A 19% INCREASE ON A PER SHARE BASIS**

Empire Company Limited (TSE: EMP.A) announces earnings before capital gains and other items of \$30.3 million (\$0.92 per share) for the first quarter ended July 31, 2001 versus \$25.9 million for the first quarter last year (\$0.77 per share), a 17% increase in dollar terms and a 19% increase on a per share basis over the first quarter last year.

The quarterly earnings (before net capital gains and other items) performance is a record level for the Company. All operating companies recorded improved operating earnings over the first quarter last year and at record levels.

Revenues for the quarter were \$3.08 billion compared to \$2.89 billion last year, a \$186 million or 6.4% increase. Food division revenue increased 6.3%, Real Estate division revenue grew by 14.1% and other operations revenue was up 8.1% over the first quarter last year.

Net capital gains and other items during the quarter of \$18.3 million (\$0.56 per share) was primarily the result of the sale of 671,151 common shares of Delhaize Group in the quarter. This disposition represented approximately 20% of the initial 3.32 million Delhaize Group shares held by Empire.

Net earnings, including net capital gains and other items, were \$48.6 million (\$1.48 per share) compared to \$512.3 million (\$15.60 per share) in the first quarter last year. Included in net earnings last year was a gain on the sale of Empire's investment in Hannaford Bros. Co. equal to \$573.5 million after tax, net of other items totalling \$(87.1) million.

Operating cash flow before net change in other current items for the quarter totalled \$119.3 million, up \$48.2 million or 68% from the \$71.1 million reported in the first quarter last year.

Paul D. Sobey, President and CEO, stated, "This is an excellent start to the new fiscal year and results from the hard work and leadership from each of our operating companies. I am positive on the outlook for each of our Food, Real Estate and Investment divisions. With continued strong earnings in all operating companies, Empire expects to maintain its solid earnings momentum for the remainder of fiscal 2002."

"In recognition of our improved fundamentals and outlook, I am pleased to announce that the Board of Directors has approved a quarterly dividend of 11.25¢ per share on both the Class A and Class B common shares which will be payable on October 31, 2001 to

shareholders of record on October 15, 2001,” said Sobey. “This represents an increase of 2.25¢ per share or 25% over the prior quarterly dividend rate of 9¢ per share.” In addition, the Board declared regular dividends on the Company’s outstanding preferred shares.

| (\$ in millions, except per share data) | Three Months Ended | |
|--|---------------------------|-------------------------|
| | <u>July 31</u> | |
| Segmented Revenue (net of elimination entries) | <u>2001</u> | <u>2000</u> |
| Food Division | \$3,036.9 | \$2,856.0 |
| Real Estate Division | 31.6 | 27.7 |
| Other Operations | <u>13.3</u> | <u>12.3</u> |
| | <u>\$3,081.8</u> | <u>\$2,896.0</u> |
| <hr/> | | |
| Operating Cash Flow | \$119.3 | \$71.1 |
| Operating Income | 110.7 | 108.3 |
| Earnings before goodwill charges, net capital gains and other items | 33.2 | 28.9 |
| Earnings before net capital gains and other items | 30.3 | 25.9 |
| Net Capital gains and other items | 18.3 | 486.4 |
| Net Earnings | 48.6 | 512.3 |
| | | |
| <u>Per Share</u> | | |
| Operating Cash Flow | \$3.63 | \$2.17 |
| Earnings before goodwill charges, net capital gains and other items | 1.01 | 0.86 |
| Earnings before net capital gains and other items | 0.92 | 0.77 |
| Net Capital gains and other items | 0.56 | 14.83 |
| Net Earnings | 1.48 | 15.60 |

Empire Company Limited (TSE Symbol: EMP.A) is a diversified Canadian company headquartered in Stellarton, Nova Scotia. Empire’s key businesses are food distribution through majority ownership of Sobeys Inc. (TSE Symbol: SBY), real estate through wholly owned companies managing 12.0 million square feet of leasable space, and corporate investment activities. With over \$4.2 billion in assets, Empire employs over 33,000 people directly and through subsidiaries.

The company provided additional details concerning its first quarter results on a conference call held Wednesday, September 12, 2001 at 2:00 pm EDT. A replay of this conference call is available on the Empire website or through the dial in number 1-416-626-4100 and entering reference number 19575076.

This document contains forward-looking information about the future performance of the Company. The statements are based on management’s assumptions and beliefs in light of the information currently available to it. We assume no obligation to update 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.

Donald R. Sobey
Chairman

Paul D. Sobey
President & Chief Executive Officer

Stellarton, Nova Scotia
September 25, 2001

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING OVERVIEW & PERFORMANCE BY SEGMENT

Food Distribution

Sales in quarter one of fiscal 2002 reached \$3.04 billion, an increase of 6.3% or \$180.9 million over the same quarter of the previous fiscal year. The improved performance is primarily a result of same store sales growth of 4.6% (including food price inflation of 2.7%) and the effect of additional store selling area resulting from capital spending. All regions of the country contributed to the solid performance.

Operating Income for the year increased \$1.5 million or 1.9% as a result of growth in both its food distribution operation (\$0.5 million) and the food service operation (\$1.0 million).

Food distribution's contribution to Empire's consolidated net earnings equalled \$20.5 million in the first quarter of fiscal 2002, an increase of \$3.6 million or 21.3% from quarter one of fiscal 2001. This growth is primarily attributable to a decrease in interest expense of \$6.5 million (due to a combination of lower borrowing levels and a decline in borrowing rates) and a small reduction in the effective income tax rate from 42.3% to 41.1%.

Real Estate

Operating income in the first quarter of fiscal 2002 increased 23% or \$4.3 million, from the \$18.0 million reported in the first quarter last year, to \$22.3 million. This represented approximately 20% of Empire's consolidated operating income for the first quarter. This strong performance is largely attributable to an improvement in the occupancy rate to 92.7% at July 31, 2001 from 91.8% a year ago, as well as, strong financial performance from the Genstar Development Partnership.

Investments

At July 31, 2001, Empire's total investments carried a market value of \$588 million on carrying value of \$514 million, resulting in an unrealized gain of \$74 million. For the first quarter of fiscal 2002, the total return on Empire's investment portfolio was 7% versus a loss of 2% for the TSE over the same period. This performance was strongly driven by share price appreciation in the Delhaize Group ("Delhaize") investment and other liquid common equities.

Investment income of \$7.7 million for the quarter was below last year's first quarter result of \$11.4 million, largely due to the loss of equity accounted earnings resulting from the Hannaford sale (Hannaford contributed \$9.8 million in equity earnings in the first quarter last year); partially offset by improved dividend income from Empire's common equity and preferred share investment portfolio.

Other operations' contribution to Empire's operating income increased by \$0.5 million or

29.4% from quarter one of the previous fiscal year. This increase is primarily the result of strong revenue growth and effective expense control at wholly owned Empire Theatres Limited.

At July 31, 2001 Empire's investment in Delhaize had a market value of \$241.2 million. During the first quarter of fiscal 2002, Empire sold 671,151 shares. This disposition represented approximately 20% of the initial 3.32 million Delhaize shares held by Empire. Fiscal year to date, Empire has sold approximately 950,000 Delhaize shares, bringing the current Empire holding to 2.37 million shares.

Net capital gains generated from investments and other operations in quarter one of fiscal 2002 equalled \$18.6 million, a decrease from the \$532.3 million reported in quarter one of the previous fiscal year. This decrease is primarily attributable to the inclusion of the Hannaford gain in quarter one of fiscal 2001.

CONSOLIDATED FINANCIAL POSITION

Assets

Total assets at the end of quarter one of fiscal 2002 were \$4,293.2 million, compared to \$4,254.3 at the end of the previous quarter and \$4,450.3 million at the end of quarter one last year. The decrease year over year is attributable to the sale and subsequent allocation of the sale proceeds associated with the Hannaford transaction. Of the total \$745 million cash proceeds received from the sale, \$431 million was used to repay debt and repurchase Empire common and preferred shares. The remaining \$314 million was allocated to preferred and common equity investments.

Net Asset Value

At July 31, 2001 management calculates Empire's consolidated net asset value ("NAV") at \$1,675 million or \$51.02 per share, compared to \$1,603 million at April 30, 2001 and \$1,537 million at July 31, 2000. On a per share basis, NAV has increased \$2.15 from April 30, 2001 and \$4.12 from July 31, 2000. The improved NAV over the previous quarter and quarter one last year is primarily attributable to a higher net asset valuation for Empire's investment portfolio and improved funds from real estate operations.

CAPITAL RESOURCES AND LIQUIDITY

Empire's debt to total capital ratio was 43.0% at July 31, 2001, compared to 46.4% at April 30, 2001 and 37.9% at July 31, 2000. The ratio was higher year over year due to the allocation of Hannaford sale proceeds, including \$220 million to repurchase Empire Class A common shares. This allocation away from investments had a negative effect on the funded debt calculation and consequently the debt to total capital ratio.

Interest coverage (operating income divided by interest expense) improved from 2.35 at April 30, 2001 and 2.47 at July 31, 2000, to 3.63 at July 31, 2001. This improvement is attributable to improved operating income in quarter one of fiscal 2002 combined with a 30.5% decrease in interest expense (due lower debt levels and declining interest rates).

In quarter one of fiscal 2002, on balance sheet capital expenditures of \$75.5 million represented an increase of \$49 million over quarter one last year. This increase reflected strong continuing commitment in the real estate and food distribution divisions to maintain and renew their asset bases and invest for growth across their markets.

Capital Expenditures

On Balance Sheet

| <i>(\$ in millions)</i> | July 31, 2001 | July 31, 2000 |
|-----------------------------------|----------------------|----------------|
| Food Distribution | \$ 53.4 | \$ 20.2 |
| Real Estate | 22.6 | 5.8 |
| Investments & Other | (0.5) | .5 |
| Total Capital Expenditures | \$ 75.5 | \$ 26.5 |

Liquidity

Short-term liquidity remains strong as a result of internally generated cash flow, net cash on hand, unutilized bank credit facilities and short-term investments. On a non-consolidated basis, Empire maintains authorized bank lines for operating, general and corporate purposes of \$335 million, of which 47% was utilized at quarter end. At quarter end, on a consolidated basis, the company's authorized bank credit facilities exceeded borrowings by \$542 million.

Operating cash flow before net change in other current items for the quarter totalled \$119.3 million, up \$48.2 million or 68% from the \$71.1 million reported in the first quarter of fiscal 2001. The improved performance is primarily attributable to improved operating performance and changes in items not affecting cash as disclosed in note 8 to the consolidated financial statements.

RISK & 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 our 2001 annual report, remain substantially unchanged.

OUTLOOK

Management continues to project stronger financial performance in fiscal 2002, primarily as a result of continued growth in contribution from each division. We have assumed the continuation of the current competitive environment in our projections and have factored in conservative cost of capital assumptions. We are committed to growing value in each of our divisions and, thereby, growing value in Empire Company Limited on behalf of all shareholders.

EMPIRE COMPANY LIMITED
CONSOLIDATED BALANCE SHEET

(Unaudited, in millions)

| | <u>July 31 2001</u> | <u>April 30 2001</u> | <u>July 31 2000</u> |
|---|-------------------------|--------------------------|-------------------------|
| ASSETS | | | |
| Current | | | |
| Cash | \$ 79.7 | \$ 83.5 | \$ 64.2 |
| Receivables | 439.2 | 428.9 | 287.0 |
| Inventories | 562.1 | 551.8 | 509.9 |
| Prepays | 60.5 | 48.0 | 62.0 |
| Investments, at cost (quoted market value \$545.5 April 30,2001 \$552.3; July 31,2000 \$880.1) | <u>451.2</u> | <u>473.2</u> | <u>874.0</u> |
| | <u>1,592.7</u> | <u>1,585.4</u> | <u>1,797.1</u> |
| Investments, at equity (quoted market value \$42.1 April 30,2001 \$41.0; July 31,2000 \$31.3) | <u>62.8</u> | <u>61.4</u> | <u>57.1</u> |
| Current assets and marketable investments | <u>1,655.5</u> | <u>1,646.8</u> | <u>1,854.2</u> |
| Property and equipment | 1,689.9 | 1,654.3 | 1,668.6 |
| Other assets (Note 4) | <u>947.8</u> | <u>953.2</u> | <u>927.5</u> |
| | <u>\$ 4,293.2</u> | <u>\$ 4,254.3</u> | <u>\$ 4,450.3</u> |
| LIABILITIES | | | |
| Current | | | |
| Bank loans and notes payable | \$ 212.5 | \$ 229.2 | \$ 445.5 |
| Payables and accruals | 1,142.1 | 1,130.3 | 1,254.1 |
| Income taxes payable | | 33.8 | 25.3 |
| Future income taxes | 16.6 | 16.4 | 61.7 |
| Long term debt due within one year | <u>87.3</u> | <u>89.0</u> | <u>73.2</u> |
| | <u>1,458.5</u> | <u>1,498.7</u> | <u>1,859.8</u> |
| Long term debt | 1,101.7 | 1,108.3 | 1,070.4 |
| Deferred revenue | 13.4 | 14.1 | 15.9 |
| Employee future benefit obligation | 61.2 | 60.8 | 59.1 |
| Minority interest | 422.8 | 406.9 | 322.9 |
| Future income taxes | <u>71.3</u> | <u>50.5</u> | <u>55.7</u> |
| | <u>3,128.9</u> | <u>3,139.3</u> | <u>3,383.8</u> |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock | 194.5 | 193.4 | 198.7 |
| Retained earnings | 968.6 | 923.1 | 864.9 |
| Foreign currency translation | 1.2 | (1.5) | 2.9 |
| | <u>1,164.3</u> | <u>1,115.0</u> | <u>1,066.5</u> |
| | <u>\$ 4,293.2</u> | <u>\$ 4,254.3</u> | <u>\$ 4,450.3</u> |

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

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
THREE MONTHS ENDED JULY 31, 2001
(Unaudited, in millions)

| | <u>2001</u> | <u>2000</u> |
|---|-----------------|-------------|
| Balance, beginning of period, as previously reported | \$ 923.1 | \$ 360.3 |
| Adjustment relating to adoption of accounting policy changes | | (4.9) |
| Balance, beginning of period, as restated | 923.1 | 355.4 |
| Net earnings | 48.6 | 512.3 |
| | 971.7 | 867.7 |
| Dividends paid | | |
| Preferred shares | 0.1 | 0.5 |
| Common shares | 3.0 | 2.3 |
| | 3.1 | 2.8 |
| Balance, end of period | \$ 968.6 | \$ 864.9 |

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

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF EARNINGS
THREE MONTHS ENDED JULY 31, 2001

(Unaudited, in millions, except per share amounts)

| | <u>2001</u> | <u>2000</u> |
|--|-------------------|-------------------|
| Revenue | <u>\$ 3,081.8</u> | <u>\$ 2,896.0</u> |
| Cost of sales, selling and administrative expenses | <u>2,948.7</u> | <u>2,768.8</u> |
| | <u>133.1</u> | 127.2 |
| Depreciation | <u>30.1</u> | <u>30.3</u> |
| | <u>103.0</u> | 96.9 |
| Investment income (Note 5) | <u>7.7</u> | <u>11.4</u> |
| Operating income | <u>110.7</u> | <u>108.3</u> |
| Interest expense | | |
| Long term debt | <u>28.2</u> | 30.7 |
| Short term debt | <u>2.3</u> | <u>13.2</u> |
| | <u>30.5</u> | <u>43.9</u> |
| | <u>80.2</u> | 64.4 |
| Capital gains and other items (Note 6) | <u>18.0</u> | <u>602.7</u> |
| | <u>98.2</u> | <u>667.1</u> |
| Income taxes | | |
| Current income taxes | <u>11.0</u> | 60.4 |
| Future income taxes | <u>21.0</u> | <u>78.6</u> |
| | <u>32.0</u> | <u>139.0</u> |
| | <u>66.2</u> | 528.1 |
| Minority interest | <u>14.7</u> | <u>12.8</u> |
| Earnings before goodwill amortization | <u>51.5</u> | 515.3 |
| Goodwill amortization (Note 7) | <u>2.9</u> | <u>3.0</u> |
| Net earnings | <u>\$ 48.6</u> | <u>\$ 512.3</u> |
| Earnings per share | | |
| Net earnings per share (Note 3) | <u>\$ 1.48</u> | <u>\$ 15.60</u> |
| Diluted earnings per share | <u>\$ 1.48</u> | <u>\$ 15.60</u> |

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

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED JULY 31, 2001

(Unaudited, in millions, except per share amounts)

| | <u>2001</u> | <u>2000</u> |
|--|----------------|----------------|
| Cash provided by (used for) operations | | |
| Net earnings | \$ 48.6 | \$ 512.3 |
| Items not affecting cash (Note 8) | 70.8 | (440.7) |
| Payment of preferred dividends | <u>(0.1)</u> | <u>(0.5)</u> |
| Operating cash flow | 119.3 | 71.1 |
| Net change in other current items | <u>(80.1)</u> | <u>90.3</u> |
| | <u>39.2</u> | <u>161.4</u> |
| Cash provided by (used for) financing | | |
| Net decrease in bank loans | (16.7) | (143.6) |
| Net decrease in construction loans | (2.6) | (0.8) |
| Proceeds from issue of long term debt | 13.2 | 426.1 |
| Revolving securitization of accounts receivable | 25.0 | 210.0 |
| Repayment of long term debt | (18.9) | (698.2) |
| Increase in minority interest | 4.5 | 2.5 |
| Redemption of preferred shares | | (13.6) |
| Issue of Non-Voting Class A shares, net of costs | 0.1 | 0.2 |
| Payment of common dividends | <u>(3.0)</u> | <u>(2.3)</u> |
| | <u>1.6</u> | <u>(219.7)</u> |
| Total cash available (used) | <u>40.8</u> | <u>(58.3)</u> |
| Cash used for (provided by) investments | | |
| Net increase (decrease) in short term investments | (22.0) | 572.9 |
| Net proceeds from sale of investment in Hannaford Bros. Co. | | (667.8) |
| Purchase of property, equipment and other assets | 75.5 | 26.5 |
| Proceeds from sale of property | (5.8) | |
| Increase in employee future benefit obligation | (0.4) | |
| Decrease (increase) in deferred foreign currency translation gains | <u>(2.7)</u> | <u>0.1</u> |
| Total cash used (available) | <u>44.6</u> | <u>(68.3)</u> |
| Increase (decrease) in cash | (3.8) | 10.0 |
| Cash, beginning of period | <u>83.5</u> | <u>54.2</u> |
| Cash, end of period | <u>\$ 79.7</u> | <u>\$ 64.2</u> |
| Operating cash flow per share (Note 3) | <u>\$ 3.63</u> | <u>\$ 2.17</u> |

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

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

(Unaudited, in millions, except per share amounts)

1. Significant Accounting Policies

Interim financial statements

Effective during the first quarter of 2002, the Company adopted the Canadian Institute of Chartered Accountants new 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, 2001, as set out in the Annual Report 2001.

Earnings per share

The Canadian Institute of Chartered Accountants handbook section 3500 requires that basic and diluted earnings per share be presented on the face of the earnings statement. The Company is also required to use the treasury stock method to calculate the dilutive affect of stock options.

2. Sale of Hannaford Bros. Co.

On July 28, 2000 the Company sold the Hannaford Bros. Co. investment. Details of the sale are as follows:

Proceeds

| | |
|--|-----------------|
| Cash | \$ 745.0 |
| 11,915,463 shares Delhaize America Inc. | <u>287.3</u> |
| | 1,032.3 |
| Expenses and foreign currency translation losses | <u>39.6</u> |
| | 992.7 |
| Book value net of foreign currency translation gains | <u>268.5</u> |
| Gain before income taxes | 724.2 |
| Income taxes | <u>150.7</u> |
| Gain | <u>\$ 573.5</u> |

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

(Unaudited, in millions, except per share amounts)

3. Net Earnings and Operating Cash Flow Per Share

Net earnings and operating cash flow per share amounts are calculated on the weighted average number of shares outstanding (2001 - 32,832,000 shares; 2000 – 32,789,000 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.

Net earnings applicable to common shares is comprised of the following:

| | <u>2001</u> | <u>2000</u> |
|--|----------------|-----------------|
| Earnings before certain items | \$ 33.2 | \$ 28.9 |
| Preferred share dividends | <u>0.1</u> | <u>0.5</u> |
| | 33.1 | 28.4 |
| Goodwill amortization | <u>2.9</u> | <u>3.0</u> |
| | 30.2 | 25.4 |
| Capital gains and other items | <u>18.3</u> | <u>486.4</u> |
| Net earnings applicable to common shares | <u>\$ 48.5</u> | <u>\$ 511.8</u> |

Net earnings per share is comprised of the following:

| | | |
|---|----------------|-----------------|
| Earnings before certain items, less preferred share dividends | \$ 1.01 | \$ 0.86 |
| Goodwill amortization | <u>(0.09)</u> | <u>(0.09)</u> |
| Earnings before capital gains and other items | 0.92 | 0.77 |
| Capital gains and other items | <u>0.56</u> | <u>14.83</u> |
| Net earnings per share | <u>\$ 1.48</u> | <u>\$ 15.60</u> |

4. Other Assets

| | <u>July 31</u> <u>2001</u> | April 30 <u>2001</u> | July 31 <u>2000</u> |
|--|-------------------------------|-------------------------|------------------------|
| Mortgages and loans | \$ 114.5 | \$ 115.4 | \$ 103.9 |
| Goodwill (less accumulated amortization of \$55.1; April 30, 2001 \$50.2; July 31, 2000 \$35.3) | 719.3 | 723.5 | 735.9 |
| Deferred charges | <u>114.0</u> | <u>114.3</u> | <u>87.7</u> |
| | <u>\$ 947.8</u> | <u>\$ 953.2</u> | <u>\$ 927.5</u> |

5. Investment Income

| | <u>2001</u> | <u>2000</u> |
|--|---------------|----------------|
| Dividend and interest income | \$ 6.3 | \$ |
| Share of income of companies accounted for by the equity method | <u>1.4</u> | <u>11.4</u> |
| | <u>\$ 7.7</u> | <u>\$ 11.4</u> |

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

(Unaudited, in millions, except per share amounts)

6. Capital Gains and Other Items

| | <u>2001</u> | <u>2000</u> |
|---|----------------|-----------------|
| Gain on sale of investments | \$ 18.5 | \$ |
| Loss on disposal of properties | (0.5) | |
| Gain on sale of investment in Hannaford Bros. Co. | | 724.2 |
| Reduction of book value of investments | | (47.8) |
| Reduction of book value of real estate assets | | (73.7) |
| | <u>\$ 18.0</u> | <u>\$ 602.7</u> |

As a result of a strategic review completed during the first quarter of the previous year, including a review of the carrying value of investments and real estate assets, the company determined that a write-down was appropriate. Accordingly, the carrying value of Wajax was reduced by \$47.8 (\$41.2 after tax) and the carrying value of certain real estate properties was reduced by \$73.7 (\$45.9 after tax).

7. Goodwill Amortization

| | <u>2001</u> | <u>2000</u> |
|--------------------------|---------------|---------------|
| Amortization of goodwill | \$ 5.0 | \$ 5.2 |
| Income taxes | (0.2) | (0.2) |
| Minority interest | (1.9) | (2.0) |
| | <u>\$ 2.9</u> | <u>\$ 3.0</u> |

8. Supplementary Cash Flow Information

a.) Items not affecting cash

| | <u>2001</u> | <u>2000</u> |
|--|----------------|-------------------|
| Depreciation | \$ 30.1 | \$ 30.3 |
| Goodwill amortization | 5.0 | 5.2 |
| Future income taxes | 21.0 | (0.2) |
| Amortization of deferred items | 4.7 | 9.9 |
| Equity in earnings of other companies, net of dividends received | (1.4) | (9.0) |
| Minority interest | 11.4 | 9.5 |
| Gain on sale of investment in Hannaford Bros. Co., net of income taxes of \$150.7 | | (573.5) |
| Reduction of book value of investments, net of income taxes of \$6.6 | | 41.2 |
| Reduction of book value of real estate assets, net of income taxes of \$27.8 | | 45.9 |
| | <u>\$ 70.8</u> | <u>\$ (440.7)</u> |

b.) Other cash flow information

| | <u>2001</u> | <u>2000</u> |
|-------------------|-------------|-------------|
| Interest paid | \$ 24.8 | \$ 41.0 |
| Income taxes paid | \$ 45.4 | \$ 13.1 |

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2001

(Unaudited, in millions, except per share amounts)

9. Segmented Information

| | <u>2001</u> | <u>2000</u> |
|-----------------------------|-------------------------|------------------|
| Revenue | | |
| Food | | |
| Food distribution | \$ 2,444.4 | \$ 2,298.6 |
| Foodservice | <u>592.5</u> | <u>557.4</u> |
| | <u>3,036.9</u> | <u>2,856.0</u> |
| Real Estate | | |
| Outside | 31.6 | 27.7 |
| Inter-segment | <u>11.2</u> | <u>11.6</u> |
| | <u>42.8</u> | <u>39.3</u> |
| Other operations | <u>13.3</u> | <u>12.3</u> |
| | 3,093.0 | 2,907.6 |
| Elimination | <u>(11.2)</u> | <u>(11.6)</u> |
| | <u>\$3,081.8</u> | <u>\$2,896.0</u> |
| Operating income | | |
| Food | | |
| Food distribution | \$ 70.6 | \$ 70.1 |
| Foodservice | <u>9.9</u> | <u>8.9</u> |
| | 80.5 | 79.0 |
| Real estate | 22.3 | 18.0 |
| Other operations | 2.2 | 1.7 |
| Investment income | 7.7 | 11.4 |
| Corporate expenses | <u>(2.0)</u> | <u>(1.8)</u> |
| | <u>\$ 110.7</u> | <u>\$ 108.3</u> |

10. Comparative Figures

Comparative information has been reclassified where necessary to reflect the current period's presentation.

INVESTOR INFORMATION

EMPIRE COMPANY LIMITED

Head Office
115 King Street
Stellarton, Nova Scotia
B0K 1S0
Telephone: (902) 755-4440
Fax: (902) 755-6477
Internet: www.empireco.ca

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)

28,797

COMMON DIVIDEND RECORD AND PAYMENT DATES FOR FISCAL 2002*

| Record Date | Payment Date |
|------------------------------|------------------------------|
| Oct. 15 th , 2001 | Oct. 31 st , 2001 |
| Jan. 15 th , 2002 | Jan. 31 st , 2002 |
| Apr. 15 th , 2002 | Apr. 30 th , 2002 |
| July 15 th , 2002 | July 31 st , 2002 |

*subject to approval by Board of Directors

OUTSTANDING SHARES

As of September 24th, 2001

| | |
|---|------------|
| Non-Voting Class A common | 14,913,244 |
| Options exercisable with Class A common shares | 85,403 |
| Class B common, voting | 17,448,728 |

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 and quarterly reports for each. If this occurs, please contact Computershare at (902) 420-3557 to eliminate the multiple mailings.

INVESTOR INQUIRES

Communications regarding investor records, including changes of address or ownership, should be directed to the Company's transfer agent, Computershare Trust Company of Canada.

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

EXAMPLAIRE FRANÇAIS

Vous pouvez obtenir un exemplaire français de ce rapport annuel en écrivant à:

Empire Company Limited
Investor Relations
115 King Street
Stellarton, Nova Scotia
B0K 1S0

