

EMPIRE COMPANY LIMITED
QUARTERLY REPORT TO SHAREHOLDERS & MANAGEMENT'S DISCUSSION AND
ANALYSIS OF OPERATIONS FOR THE NINE MONTHS ENDED JANUARY 31, 2002

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.), real estate (primarily through wholly owned Atlantic Shopping Centres and Sobeys Leased Properties managing 12.0 million square feet of leaseable space), and corporate investment activities and other operations (which includes wholly owned Empire Theatres Limited). With over \$4.3 billion in assets, Empire employs over 34,000 people directly and through subsidiaries.

The following is a discussion and analysis of the interim consolidated financial condition and results of operations of Empire for the three-month and nine-month periods ended January 31, 2002. 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 and nine-month periods ended January 31, 2002; Management's Discussion and Analysis included in the annual report of the Company for the year ended April 30, 2001 and in the Quarterly Reports for the periods ended July 31, 2001 and October 31, 2001; and the Consolidated Financial Statements and notes thereto for the year ended April 30, 2001 as well as the Interim Consolidated Financial Statements and notes thereto for the periods ended July 31, 2001 and October 31, 2001.

The financial information presented in this report includes the contribution of Sobeys Inc.'s retail grocery and distribution business. SERCA Foodservice operations are not reflected in 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 December 5, 2001 announcement of a definitive agreement to sell substantially all of the net assets of SERCA Foodservice operations and the expectation for closing of this transaction prior to the end of the fiscal year.

CONSOLIDATED FINANCIAL PERFORMANCE

Empire reported earnings before net capital gains and other items (after goodwill charges) of \$35.3 million or \$1.08 per share for its third quarter ended January 31, 2002. This performance represents strong growth over the \$17.4 million or \$0.53 per share recorded in the same period last year. All operating companies recorded improved earnings over the third quarter last year. Included in third quarter net earnings are earnings from discontinued operations of \$0.9 million or \$0.03 per share.

For the nine-month period ended January 31, 2002, earnings before net capital gains and other items were \$97.0 million or 52 percent higher than the same period a year ago. Excluding discontinued operations, earnings before net capital gains and other items were \$90.1 million for the nine-month period ended January 31, 2002 versus \$57.7 million the same period last year, a 56 percent increase.

Third quarter revenue of \$2.48 billion versus \$2.33 billion last year represented a 6.6 percent increase. The Food Division reported revenue of \$2.44 billion, an increase of 6.6 percent over the third quarter last year. Real Estate and Other Operations reported revenue growth of 2.6 percent and 13.2 percent, respectively, over the third quarter last year. Revenue for the first nine months of the current fiscal year totaled \$7.45 billion, up 6.5 percent over the \$6.99 billion recorded in the same period last year.

Operating income totaled \$108.5 million, an increase of \$36.8 million or 51 percent compared to quarter three of the previous fiscal year. All operating companies recorded improvement in EBITDA margin over last year. Operating income for the first nine months of the fiscal year equaled \$307.9 million, up 22 percent over last year's \$252.5 million.

Net capital gains and other items of \$0.8 million or \$0.02 per share in the third quarter represents a \$4.7 million increase over the net capital loss of \$3.9 million recorded in the third quarter last year. Included in the net capital loss last year was a net restructuring expense of \$30.3 million, or \$89.1 million before tax and minority interest. The restructuring charge recorded in the previous fiscal year relates to Sobeys Inc.'s announcement on January 24, 2001 regarding the discontinuance of further development and implementation of the enterprise-wide software system initiative. Net capital gains and other items for the nine-month period ended January 31, 2002 totaled \$30.0 million compared to \$483.4 million for the same period last year. The difference is primarily attributable to the gain on the sale of Hannaford Bros. Co. recorded in quarter one of fiscal 2001.

Net earnings, including net capital gains and other items totaled \$36.1 million or \$1.10 per share versus \$13.5 million or \$0.40 per share in the third quarter of last year.

The table below presents consolidated financial performance for the quarter and nine months ended January 31, 2002 compared to the same respective periods last year.

(in millions, except per share data)	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JANUARY 31		JANUARY 31	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Segmented Revenue (net of elimination entries)</u>				
Food Division	\$2,436.4	\$2,285.1	\$7,308.2	\$6,869.9
Real Estate Division	31.3	30.5	97.2	86.3
Other Operations	16.3	14.4	42.3	37.2
Operating Cash Flow	91.5	59.9	295.3	183.8
Operating Income	108.5	71.7	307.9	252.5
Earnings from continuing operations before goodwill charges, net capital gains and other items	36.8	18.3	97.3	64.8
Earnings from discontinued operations	0.9	1.4	6.9	6.3
Earnings before goodwill charges, net capital gains and other items	37.7	19.7	104.2	71.1
Earnings before net capital gains and other items	35.3	17.4	97.0	64.0
Net capital gains and other items	0.8	(3.9)	30.0	483.4
Net Earnings	\$36.1	\$13.5	\$127.0	\$547.4

<u>Per Share</u>	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JANUARY 31		JANUARY 31	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating Cash Flow	\$2.79	\$1.83	\$8.99	\$5.60
Earnings before goodwill charges, net capital gains and other items	1.15	0.60	3.17	2.15
Earnings before net capital gains and other items	1.08	0.53	2.95	1.93
Net capital gains and other items	0.02	(0.13)	0.91	14.73
Net Earnings	\$1.10	\$0.40	\$3.86	\$16.66
Weighted Average Common Shares Outstanding	32.8	32.8	32.8	32.8
Common Shares Outstanding	32.8	32.8	32.8	32.8

OPERATING OVERVIEW & PERFORMANCE BY SEGMENT

FOOD DISTRIBUTION

Empire's food distribution business is carried on through its 62 percent ownership in Sobeys Inc. ("Sobeys"). Sobeys recorded sales in the third quarter of \$2.44 billion, an increase of 6.6 percent over the same period last year. The improvement in sales is primarily attributable to same stores sales growth and additional sales generated by new stores built in the quarter through Sobeys' capital investment program. Same store sales, excluding stores that expanded in the year, increased 3.6 percent. Including expanded stores, same store sales increased 5.4 percent for the quarter. For the third quarter, same store sales growth includes food price inflation of 2.0 percent. For the nine months ended February 2, 2002, Sobeys reported sales growth of 6.4 percent and same store sales growth (excluding expanded stores) of 4.0 percent. Fiscal year to date same store sales, including expanded stores, increased by 5.3 percent. Same store sales growth for the first nine months of the current fiscal year includes food price inflation of 2.3 percent. All retail food distribution regions contributed to the positive increase.

For the third quarter, earnings before interest, taxes, depreciation and amortization (EBITDA) totaled \$105.9 million, an increase of \$41.1 million or 63 percent over the \$64.8 million recorded in the third quarter of the previous fiscal year. The strong performance is attributable to continued sales growth, steady progress on all of Sobeys' margin development and efficiency initiatives, and improved merchandising programming. The EBITDA margin, as a percentage of sales, improved to 4.35 percent from the 2.84 percent in the third quarter last year and the 3.96 percent recorded in second quarter of the current fiscal year. Normalized third quarter fiscal 2001 EBITDA, which excludes the decline in those divisions where a systems disruption caused a business interruption through December 2000, would be approximately \$80.8 million, or an increase of approximately \$16 million over the actual EBITDA reported of \$64.8 million. The normalized EBITDA margin was 3.51 percent and the year over year increase would be approximately 84 basis points.

EBITDA for the first nine months of the fiscal year was \$293.8 million, an increase of 24 percent against the \$236.8 million reported for the same period last year. EBITDA margin as a percentage of sales increased 57 basis points to 4.02 percent versus 3.45 in the same period last year. Sobeys' trading margin has improved as a result of initiatives in the following areas: national

merchandising (which includes retail brand development), distribution and logistics, and selling, general and administrative streamlining.

The national merchandising program is now fully operational. Sobeys is ahead of its plan for the nine months ended February 2, 2002 for margin expansion through reduced product costing and growth in retail brands. The original earnings per share contribution target for these national merchandising initiatives was 16 cents annualized. At the end of the third quarter, 12 cents of the target had been achieved as a direct result of incremental progress in this area.

Sobeys' retail stores are benefiting from the implementation of the national distribution and logistics plan. The direct result of this implementation has been reduced costs in moving inventory from the distribution centres to customers, while at the same time improving overall service levels. Sobeys had set an earnings per share improvement target of 10 cents for its national distribution and logistics plan, by the end of the third quarter the full year target had been exceeded with an improvement of 12 cents per share realized.

Year to date, Sobeys' has achieved pre-tax annualized selling, general and administrative cost savings of \$7.0 million. The company has secured material cost reductions in merchandising, IT, finance, accounting and telecom.

Operating income for the quarter was \$80.4 million, an increase of 90 percent over the \$42.4 million reported in the third quarter last year. The improved performance is a result of the strong improvement in sales and EBITDA (as previously mentioned); partially offset by increased depreciation expense (a result of the food division's commitment to reinvest capital into the business). Operating income for the nine-month period ended January 31, 2002 was \$220.7 million compared to \$170.3 million reported in the same period last year.

The food division's contribution to Empire's consolidated net earnings (before net capital gains and other items) totaled \$22.4 million for the three months and \$64.4 million for the nine months ended January 31, 2002. This represents 63 percent of Empire's third quarter earnings and 66 percent of Empire's net earnings (before net capital gains and other items) for the first nine months of the current fiscal year. The increase in earnings performance is a result of the improved operating performance, reduced interest expense and lower marginal income tax rates. The decrease in interest expense for the three months and nine months ended January 31, 2002 is a result of a combination of a reduction in funded debt and a decline in borrowing rates. The effective tax rate for the quarter (before goodwill charges) was 41.6 percent compared to 42.2 percent at the previous year-end. This rate reduction is in line with statutory rate reductions. As previously mentioned, Sobeys Inc. recorded a net restructuring expense of \$30.3 million in the third quarter last year.

REAL ESTATE

Empire's real estate operations are primarily conducted through wholly owned Atlantic Shopping Centres and Sobey Leased Properties Limited, and a 40 percent ownership position in Genstar Development Partnership ("Genstar").

Operating income in the third quarter of fiscal 2002 increased to \$22 million or 2 percent over the same quarter last year. Real estate contributed 20 percent of Empire's third quarter consolidated operating income. For the nine months ended January 31, 2002, operating income totaled \$69.3 million, an increase of 18% against the same period last year.

Operating cash flow in the third quarter of fiscal 2002 was \$11.5 million compared to \$8.6 million in the third quarter last year, an increase of 34 percent. For the nine months ended January 31, 2002, operating cash flow increased 23% to \$33.9 million over the same period last year. Funds from operations, on a 12 month trailing basis, increased 49 percent versus the same period last year to reach \$42.4 million.

Real estate earnings and cash flow improvements are primarily the result of continued strong financial performance from Genstar and Atlantic Shopping Centres Limited. The real estate division has now recouped more than its initial investment in Genstar of \$29.0 million. Earnings from residential development activities are a significant contributor to total real estate division earnings.

Atlantic Shopping Centres improved its operating performance through strong leasing activity and the benefits of its on-going development activity. Total occupancy rate at the end of the quarter was 93.0 percent compared to 91.8 percent at the start of the fiscal year.

INVESTMENTS & OTHER OPERATIONS

The third component of Empire's business is its investments, consisting of an investment portfolio of equity investments and investments in other operations. At January 31, 2002, Empire's total investment portfolio carried a market value of \$595.8 million on a carrying value of \$551.6 million, resulting in an unrealized gain of \$44.2 million. For the first nine months of fiscal 2002, the total return on Empire's portfolio was 6.5 percent compared to negative total return performance for the TSE 300 and S&P 500 over the same time period.

Investment income of \$4.5 million for the quarter was below last year's result of \$6.9 million. This decline of \$2.4 million is attributable to a decrease of \$1.6 million in interest and dividend income and a decrease in equity accounted earnings of \$0.8 million as a result of weaker operating earnings generated by Empire's only equity accounted investment, Wajax Limited ("Wajax"). For the first nine months of fiscal 2002, investment income was below that of last year by \$7.8 million. This variance is primarily the result of equity accounted earnings from Hannaford Bros. Co. included in the first quarter of the prior fiscal year totaling \$9.8 million and the decrease in year to date equity accounted earnings from the Wajax investment of \$1.7 million; partially offset by increased interest and dividend income of \$3.8 million from Empire's investment portfolio against the first nine months of the previous fiscal year.

Other operations' contribution to Empire's operating income increased by \$0.4 million from the third quarter last year. This increase is primarily attributable to strong revenue and margin growth and effective expense control at wholly owned Empire Theatres Limited. Other Operations' operating income for the first nine months of fiscal 2002 improved \$1.7 million over the same period last year.

Realized net capital gains generated from the sale of investments amounted to \$0.9 million in the third quarter of fiscal 2002, a decrease of \$7.0 million against the \$7.9 million reported in the same period last year. For the nine-month period ended January 31, 2002, realized net capital gains from the sale of investments totaled \$31.4 million, an increase of \$23.5 million against the \$7.9 million recorded in the same period last year. Year to date realized net capital gains are primarily the result of the sale of 1,030,080 common shares of Delhaize Le Lion ("Delhaize"), resulting in a net capital gain of \$31.0 million. At January 31, 2002, Empire held 2.29 million shares of Delhaize with a Canadian dollar market value of \$173 million.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Total assets at the end of the third quarter of fiscal 2002 totaled \$4,389 million versus \$4,254 million at the end of the previous fiscal year. The increase from the April 30, 2001 is primarily attributable to a \$180.5 million increase in the book value of property and equipment, a direct result of Empire's continued focus on re-investing in its core real estate and food distribution assets; partially offset by a decrease in the book value of assets of the discontinued operation totaling \$47.5 million.

NET ASSET VALUE

At January 31, 2002 management calculates Empire's consolidated net asset value ("NAV") at \$2,013 million or \$61.26 per share, compared to \$1,603 million at the end of the prior fiscal year. On a per share basis, NAV has increased \$7.36 from October 31, 2001 and \$12.39 from April 30, 2001. The increase in NAV over the previous fiscal year end is primarily attributable to an \$411 million increase in the market value of the Sobeys Inc. shares (\$32 per share at quarter end) held by Empire and a \$25 million increase in the net asset value of Empire's real estate operations. The increase in the value of real estate is primarily the result of stronger operating performance, as previously mentioned.

CAPITAL RESOURCES AND LIQUIDITY

Empire's net debt to capital ratio was 38.1 percent at January 31, 2002 versus 40.8 percent at April 30, 2001. The 2.7 percentage point improvement since year-end is the result of a \$38.9 million reduction in long term debt (including long term debt due within one year) and a \$105.7 million increase in retained earnings since April 30, 2001.

Interest coverage (operating income divided by interest expense) improved to 4.0 times at January 31, 2002 from 2.6 times at April 30, 2001 and 2.2 times at January 31, 2001. The relative improvement is attributable to a 51 percent increase in operating income in the third quarter this year over last year and a decrease in interest expense of 15 percent from the third quarter last year. The reduction in interest expense is the result of lower borrowing requirements and lower interest rates.

In the third quarter of the current fiscal year, capital expenditures of \$129.2 million represented an increase of \$38.9 million over the third quarter last year. This increase represented the Company's continuing commitment to re-investment in its core real estate and food businesses.

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 \$325 million, of which, 47 percent was utilized at quarter end. The Company's authorized bank credit facilities exceeded borrowings, on a consolidated basis, by \$584 million at January 31, 2002.

Operating cash flow before net changes in other current items for the quarter totaled \$91.5 million, an increase of \$31.6 million or 53 percent from the \$59.9 million reported for the same period last year. The strong improvement is primarily attributable to improved earnings from continuing operations of \$23.1 million in the third quarter this year. Operating cash flow for the

nine-month period ended January 31, 2002 was \$295.3 million, an increase of 61 percent over the same period 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 our 2001 annual report, remain substantially unchanged.

OUTLOOK

As a result of third quarter and fiscal year to date performance, Empire's trailing earnings per share (or earnings per share from the last four quarters including the quarter ending January 31, 2002) before net capital gains and other items equal \$3.68 per share versus \$2.51 per share last year, a 47 percent increase. Empire remains well positioned to continue its earnings growth through the last quarter of fiscal 2002.

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

DIVIDEND DECLARATION

The Board of Directors declared a quarterly dividend of 11.25 cents per share on both the Class A and Class B common shares, which will be payable on April 30, 2002 to shareholders of record on April 15, 2002. As well, the Board declared regular dividends on the Company's outstanding preferred shares.

CONFERENCE CALL

The Company provided additional comments concerning its third quarter results on a conference call held Thursday, March 7, 2002. A replay of this call is available on the Empire website (www.empireco.ca).

Donald R. Sobey
Chairman

Paul D. Sobey
President & Chief Executive Officer

Stellarton, Nova Scotia
March 22, 2002

EMPIRE COMPANY LIMITED
CONSOLIDATED BALANCE SHEET

(Unaudited, in millions)

	January 31 2002	April 30 2001	January 31 2001
ASSETS			
Current			
Cash	\$ 75.9	\$ 83.5	\$ 61.4
Receivables	263.9	330.9	303.5
Income taxes recoverable			4.1
Inventories	483.7	441.9	448.1
Prepays	40.2	38.1	55.6
Investments, at cost (quoted market value \$558.2 April 30,2001 \$552.3; January 31,2001 \$525.2)	486.7	473.2	460.4
Discontinued operations	180.7	217.8	233.0
	<u>1,531.1</u>	<u>1,585.4</u>	<u>1,566.1</u>
Investments, at equity (quoted market value \$37.6 April 30,2001 \$41.0; January 31,2001 \$30.9)	64.9	61.4	60.8
Current assets and marketable investments	<u>1,596.0</u>	<u>1,646.8</u>	<u>1,626.9</u>
Property and equipment	1,790.9	1,610.4	1,606.1
Other assets (Note 5)	810.5	794.6	780.7
Discontinued operations	192.1	202.5	202.7
	<u>\$ 4,389.5</u>	<u>\$ 4,254.3</u>	<u>\$ 4,216.4</u>
LIABILITIES			
Current			
Bank loans and notes payable	\$ 243.6	\$ 229.2	\$ 316.2
Payables and accruals	914.2	906.0	844.7
Income taxes payable	39.8	33.8	
Future income taxes	18.1	16.4	27.0
Long term debt due within one year	95.2	88.6	86.0
Discontinued operations	181.8	224.7	202.5
	<u>1,492.7</u>	<u>1,498.7</u>	<u>1,476.4</u>
Long term debt	1,061.7	1,107.2	1,113.8
Deferred revenue	12.4	14.1	14.4
Employee future benefit obligation	60.5	59.3	59.1
Minority interest	445.9	406.9	398.3
Future income taxes	87.9	50.5	65.9
Discontinued operations	2.6	2.6	1.4
	<u>3,163.7</u>	<u>3,139.3</u>	<u>3,129.3</u>
SHAREHOLDERS' EQUITY			
Capital stock	195.3	193.4	193.2
Retained earnings	1,028.8	923.1	893.5
Foreign currency translation	1.7	(1.5)	0.4
	<u>1,225.8</u>	<u>1,115.0</u>	<u>1,087.1</u>
	<u>\$ 4,389.5</u>	<u>\$ 4,254.3</u>	<u>\$ 4,216.4</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, 2002

(Unaudited, in millions)

	<u>2002</u>	<u>2001</u>
Balance, beginning of period, as previously reported	\$ 923.1	\$ 360.3
Adjustment relating to adoption of accounting policy changes		(4.8)
Balance, beginning of period, as restated	<u>923.1</u>	<u>355.5</u>
Net earnings	<u>127.0</u>	<u>547.4</u>
	<u>1,050.1</u>	<u>902.9</u>
Refundable taxes		
Paid	11.7	
Recovered	<u>(1.1)</u>	
	<u>10.6</u>	
Dividends paid		
Preferred shares	0.3	1.0
Common shares	<u>10.4</u>	<u>8.4</u>
	<u>10.7</u>	<u>9.4</u>
Balance, end of period	<u>\$ 1,028.8</u>	<u>\$ 893.5</u>

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

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF EARNINGS
NINE MONTHS ENDED JANUARY 31, 2002
(Unaudited, in millions, except per share amounts)

	<u>Current Quarter</u>		<u>Year to Date</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue	\$ 2,484.0	\$ 2,330.0	\$ 7,447.7	\$ 6,993.4
Cost of sales, selling and administrative expenses	<u>2,349.9</u>	<u>2,238.8</u>	<u>7,069.8</u>	<u>6,684.0</u>
	134.1	91.2	377.9	309.4
Depreciation	<u>30.1</u>	<u>26.4</u>	<u>86.0</u>	<u>80.7</u>
	104.0	64.8	291.9	228.7
Investment income (Note 6)	<u>4.5</u>	<u>6.9</u>	<u>16.0</u>	<u>23.8</u>
Operating income	<u>108.5</u>	<u>71.7</u>	<u>307.9</u>	<u>252.5</u>
Interest expense				
Long term debt	26.0	28.1	80.3	87.0
Short term debt	<u>1.3</u>	<u>4.1</u>	<u>5.4</u>	<u>22.4</u>
	27.3	32.2	85.7	109.4
	81.2	39.5	222.2	143.1
Capital gains and other items (Note 7)	<u>0.4</u>	<u>(82.0)</u>	<u>29.4</u>	<u>522.3</u>
	81.6	(42.5)	251.6	665.4
Income taxes				
Current income taxes	27.7	(33.3)	69.5	43.9
Future income taxes	<u>1.7</u>	<u>(11.0)</u>	<u>14.6</u>	<u>66.2</u>
	29.4	(44.3)	84.1	110.1
	52.2	1.8	167.5	555.3
Minority interest	<u>14.6</u>	<u>(12.6)</u>	<u>40.2</u>	<u>7.1</u>
Earnings before goodwill amortization	37.6	14.4	127.3	548.2
Goodwill amortization (Note 8)	<u>2.4</u>	<u>2.3</u>	<u>7.2</u>	<u>7.1</u>
Earnings from continuing operations	35.2	12.1	120.1	541.1
Earnings from discontinued operations	<u>0.9</u>	<u>1.4</u>	<u>6.9</u>	<u>6.3</u>
Net earnings	<u>\$ 36.1</u>	<u>\$ 13.5</u>	<u>\$ 127.0</u>	<u>\$ 547.4</u>
Earnings per share, basic and diluted (Note 4)				
Earnings from continuing operations	<u>\$ 1.07</u>	<u>\$ 0.36</u>	<u>\$ 3.65</u>	<u>\$ 16.47</u>
Earnings from discontinued operations	<u>\$ 0.03</u>	<u>\$ 0.04</u>	<u>\$ 0.21</u>	<u>\$ 0.19</u>
Net earnings	<u>\$ 1.10</u>	<u>\$ 0.40</u>	<u>\$ 3.86</u>	<u>\$ 16.66</u>

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

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED JANUARY 31, 2002

(Unaudited, in millions, except per share amounts)

	<u>Current Quarter</u>		<u>Year to Date</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Cash provided by (used for) operations				
Earnings from continuing operations	\$ 35.2	\$ 12.1	\$ 120.1	\$ 541.1
Items not affecting cash (Note 9)	56.3	48.0	175.5	(356.3)
Payment of preferred dividends		(0.2)	(0.3)	(1.0)
Operating cash flow	91.5	59.9	295.3	183.8
Net change in other current items	11.1	(4.3)	(12.7)	(238.4)
	<u>102.6</u>	<u>55.6</u>	<u>282.6</u>	<u>(54.6)</u>
Cash provided by (used for) financing				
Net increase (decrease) in bank loans	27.2	(34.1)	14.4	(272.7)
Net increase (decrease) in construction loans	(1.3)	0.4	(10.7)	0.2
Proceeds from issue of long term debt	15.5	3.0	33.1	534.5
Revolving securitization of accounts receivable	25.0	(60.0)	50.0	150.0
Repayment of long term debt	(18.6)	(19.9)	(61.3)	(749.5)
Increase in minority interest	1.8	91.3	6.4	93.8
Redemption of preferred shares		(6.6)		(20.2)
Issue of Non-Voting Class A shares, net of costs	0.3	0.1	0.4	1.0
Payment of common dividends	(3.7)	(3.1)	(10.4)	(8.4)
Refundable taxes	0.4		(10.6)	
	<u>46.6</u>	<u>(28.9)</u>	<u>11.3</u>	<u>(271.3)</u>
Total cash available (used)	<u>149.2</u>	<u>26.7</u>	<u>293.9</u>	<u>(325.9)</u>
Cash used for (provided by) investments				
Net increase (decrease) in short term investments	7.9	(146.2)	13.5	159.3
Net proceeds from sale of investment in Hannaford Bros. Co.				(667.8)
Purchase of shares in subsidiary, Sobeys Inc.	12.5		12.5	10.9
Purchase of property, equipment and other assets	129.2	90.3	315.7	200.0
Proceeds from sale of property	(10.8)	(1.6)	(19.7)	(38.1)
Increase in employee future benefit obligation	(0.4)		(1.2)	
Decrease (increase) in deferred foreign currency translation gains		(0.4)	(3.5)	0.4
Total cash used (available)	<u>138.4</u>	<u>(57.9)</u>	<u>317.3</u>	<u>(335.3)</u>
Increase (decrease) in cash from continuing operations	10.8	84.6	(23.4)	9.4
Discontinued operations	2.4	(59.0)	15.8	(2.2)
Cash, beginning of period	62.7	35.8	83.5	54.2
Cash, end of period	<u>\$ 75.9</u>	<u>\$ 61.4</u>	<u>\$ 75.9</u>	<u>\$ 61.4</u>
Operating cash flow per share (Note 4)	<u>\$ 2.79</u>	<u>\$ 1.83</u>	<u>\$ 8.99</u>	<u>\$ 5.60</u>

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

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31,2002

(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. Discontinued Operations

On December 5,2001 the Company's subsidiary, Sobeys Inc., entered into a definitive agreement to sell substantially all of the net assets of its SERCA Foodservice operations. The transaction is expected to be completed before the close of fiscal year 2002 and is subject to the purchaser's due diligence and is also conditional upon the receipt of federal regulatory approvals, including consent from the Competition Bureau. The after tax proceeds will be used to reduce long term debt, reduce accounts receivable securitized, acquire assets currently being leased, and fund future capital expenditures.

Revenue from discontinued operations are \$520.2 for the current quarter ended January 31,2002 and \$1,676.6 for the year to date ended January 31,2002.

Earnings from discontinued operations during the period from May 1,2001 until the measurement date of November 3,2001 are \$6.0. Since November 3,2001 earnings from discontinued operations are \$0.9.

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

Noncurrent assets of discontinued operations are comprised principally of fixed assets and goodwill for fiscal 2002 and 2001.

Cash flow from discontinued operations for the year to date ended January 31,2002 includes operating cash generated by SERCA Foodservice of \$14.2, cash generated by investing activities of \$1.9 and cash used by financing activities of \$0.3.

3. 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.	287.3
	<hr/> 1,032.3
Expenses and foreign currency translation losses	39.6
	<hr/> 992.7
Book value net of foreign currency translation gains	268.5
	<hr/> 724.2
Gain before income taxes	724.2
Income taxes	150.7
	<hr/> 573.5
Gain	<u>\$ 573.5</u>

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2002

(Unaudited, in millions, except per share amounts)

4. 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 (2002-32,843,000 shares; 2001-32,808,000 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:

	Current Quarter		Year to Date	
	2002	2001	2002	2001
Earnings before certain items	\$ 36.8	\$ 18.3	\$ 97.3	\$ 64.8
Preferred share dividends		0.3	0.3	1.0
	36.8	18.0	97.0	63.8
Goodwill amortization	2.4	2.3	7.2	7.1
	34.4	15.7	89.8	56.7
Capital gains and other items	0.8	(3.9)	30.0	483.4
Earnings from continuing operations	35.2	11.8	119.8	540.1
Earnings from discontinued operations	0.9	1.4	6.9	6.3
Net earnings applicable to common shares	\$ 36.1	\$ 13.2	\$ 126.7	\$ 546.4

Net earnings per share is comprised of the following:

Earnings before certain items,				
less preferred share dividends	\$ 1.12	\$ 0.56	\$ 2.96	\$ 1.96
Goodwill amortization	(0.07)	(0.07)	(0.22)	(0.22)
Earnings before capital gains and other items	1.05	0.49	2.74	1.74
Capital gains and other items	0.02	(0.13)	0.91	14.73
Earnings from continuing operations	1.07	0.36	3.65	16.47
Earnings from discontinued operations	0.03	0.04	0.21	0.19
Net earnings per share	\$ 1.10	\$ 0.40	\$ 3.86	\$ 16.66

5. Other Assets

	January 31 2002	April 30 2001	January 31 2001
Mortgages and loans	\$ 119.0	\$ 115.4	\$ 119.1
Goodwill (less accumulated amortization of \$52.0; April 30, 2001 \$40.0; January 31, 2001 \$36.1)	567.4	565.6	568.7
Deferred charges	124.1	113.6	92.9
	\$ 810.5	\$ 794.6	\$ 780.7

6. Investment Income

	Current Quarter		Year to Date	
	2002	2001	2002	2001
Dividend and interest income	\$ 3.2	\$ 4.8	\$ 12.5	\$ 8.7
Share of income of companies accounted for by the equity method	1.3	2.1	3.5	15.1
	\$ 4.5	\$ 6.9	\$ 16.0	\$ 23.8

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2002

(Unaudited, in millions, except per share amounts)

7. Capital Gains and Other Items

	<u>Current Quarter</u>		<u>Year to Date</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Gain on sale of investments	\$ 1.4	\$ 10.1	\$ 31.7	\$ 10.1
Foreign currency translation loss	(1.5)		(2.7)	
Gain (loss) on disposal of properties	0.5	(3.0)	0.4	(1.4)
Restructuring expenses		(89.1)		(89.1)
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>\$ 0.4</u>	<u>\$ (82.0)</u>	<u>\$ 29.4</u>	<u>\$ 522.3</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).

8. Goodwill Amortization

	<u>Current Quarter</u>		<u>Year to Date</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Amortization of goodwill	\$ 4.1	\$ 3.9	\$ 12.1	\$ 11.8
Income taxes	(0.2)	(0.2)	(0.5)	(0.3)
Minority interest	(1.5)	(1.4)	(4.4)	(4.4)
	<u>\$ 2.4</u>	<u>\$ 2.3</u>	<u>\$ 7.2</u>	<u>\$ 7.1</u>

9. Supplementary Cash Flow Information

	<u>Current Quarter</u>		<u>Year to Date</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
a.) Items not affecting cash				
Depreciation	\$ 30.1	\$ 26.4	\$ 86.0	\$ 80.7
Goodwill amortization	4.2	3.8	12.1	11.8
Future income taxes	7.7	(13.6)	39.1	(9.9)
Amortization of deferred items	4.2	(0.2)	11.6	12.4
Equity in earnings of other companies, net of dividends received	(1.3)	(2.1)	(3.5)	(12.6)
Minority interest	11.4	3.4	30.2	17.4
Restructuring charges, net of taxes of \$39.9 and minority interest of \$18.9		30.3		30.3
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>\$ 56.3</u>	<u>\$ 48.0</u>	<u>\$ 175.5</u>	<u>\$ (356.3)</u>
b.) Other cash flow information				
Interest paid	\$ 20.0	\$ 27.1	\$ 79.1	\$ 104.4
Income taxes paid	\$ (1.4)	\$ 24.6	\$ 68.3	\$ 64.6

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2002

(Unaudited, in millions, except per share amounts)

10. Segmented Information

	<u>Current Quarter</u>		<u>Year to Date</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenue				
Food distribution	\$ 2,436.4	\$ 2,285.1	\$ 7,308.2	\$ 6,869.9
Real estate				
Outside	31.3	30.5	97.2	86.3
Inter-segment	12.4	12.0	35.3	34.8
	43.7	42.5	132.5	121.1
Other operations	16.3	14.4	42.3	37.2
	2,496.4	2,342.0	7,483.0	7,028.2
Elimination	(12.4)	(12.0)	(35.3)	(34.8)
	\$ 2,484.0	\$ 2,330.0	\$ 7,447.7	\$ 6,993.4
 Operating income				
Food distribution	\$ 80.4	\$ 42.4	\$ 220.7	\$ 170.3
Real estate	22.0	21.6	69.3	58.9
Other operations	2.8	2.4	6.8	5.1
Investment income	4.5	6.9	16.0	23.8
Corporate expenses	(1.2)	(1.6)	(4.9)	(5.6)
	\$ 108.5	\$ 71.7	\$ 307.9	\$ 252.5

11. 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)

27,039

COMMON DIVIDEND RECORD AND PAYMENT

DATES

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

*subject to approval by Board of Directors

OUTSTANDING SHARES

As of March 15, 2002

Non-Voting Class A common	15,412,784
Options exercisable with Class A common shares	57,763
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 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 inquires or requests to
Stewart H. Mahoney, CFA.

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