

News Release

EMPIRE
COMPANY LIMITED

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FOR IMMEDIATE RELEASE

December 15, 2011

EMPIRE COMPANY REPORTS SECOND QUARTER FISCAL 2012 RESULTS ***Sobeys announces agreement with Shell to purchase 250 retail gas locations***

Empire Company Limited (TSX: EMP.A) today announced financial results for its second quarter ended November 5, 2011. For the second quarter, the Company recorded net earnings, net of minority interest, of \$78.1 million (\$1.15 per share) compared to \$142.9 million (\$2.09 per share) in the second quarter last year. After excluding the impact of the gain on sale of Wajax Income Fund (“Wajax”) in the second quarter last year of \$76.2 million, Empire recorded net earnings, after minority interest, in the second quarter last year of \$66.7 million (\$0.98 per share).

Sobeys is also pleased to announce today they have agreed with Shell Canada to purchase approximately 250 retail gas locations in Atlantic Canada and Quebec.

“This is an exciting opportunity for us to grow our existing retail gas operations while leveraging our significant wholesale and convenience business to better serve our customers and support our affiliates and dealer operations,” said Bill M^cEwan, President & CEO, Sobeys Inc. “Shell has earned worldwide prominence and renown on the strength of its brand, innovations and technical leadership. Shell’s strong fuel brand connected to Sobeys’ leading retail formats and banners and the strength of the AIR MILES[®] program will be a unique and attractive offering to customers.”

It is expected that the network to be acquired will include corporate owned and dealer operated locations and will have annual fuel volumes in excess of 1 billion litres. The transaction, which brings together two companies, each with more than 100 years of operating experience in Canada, is subject to regulatory approval and customary conditions and is expected to close by the end of March 2012. Sobeys expects to use existing cash balances to finance the transaction.

Highlights

- Sales of \$4.04 billion, up \$132.2 million or 3.4 percent.
- Same-store sales increased 1.9 percent compared with Q2 last year.
- Operating income ⁽¹⁾, of \$125.8 million versus \$114.7 million last year.
- Net earnings, net of minority interest, of \$78.1 million (\$1.15 per share) compared to \$142.9 million (\$2.09 per share) last year. Included in net earnings in Q2 last year was a net gain on the sale of an investment in Wajax of \$76.2 million.
- Adjusted net earnings ⁽²⁾, net of minority interest, of \$74.6 million (\$1.10 per share) compared to \$69.9 million (\$1.02 per share) last year.
- Funded debt to total capital ratio of 25.2 percent compared to 28.0 percent in Q2 last year.

- (1) Certain balances have been reclassified for changes to comparative figures in the current quarter (see Note 20 to the Company's second quarter unaudited consolidated financial statements).
- (2) Adjusted net earnings excludes the gain on the sale of Wajax in the second quarter last year and other items which are considered not indicative of underlying business performance.

"We are pleased with our second quarter and fiscal year-to-date results in what remains a very competitive marketplace", stated Paul Sobey, President and CEO. "The implementation of Sobeys' recently announced organizational reset over the coming year is another step along our continuous improvement path to optimize our resources and performance company-wide. We are also excited about the opportunities for growth associated with Sobeys' agreement to purchase 250 retail gas locations from Shell which will be complementary to our wholesale and convenience businesses."

Dividend Declaration

The Board of Directors declared a quarterly dividend of 22.5 cents per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on January 31, 2012 to shareholders of record on January 13, 2012. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation and, therefore, qualify for the favourable tax treatment applicable to such dividends.

With the transition to International Financial Reporting Standards ("IFRS") effective the first quarter of fiscal 2012, all comparative figures for fiscal 2011 that were previously reported in the consolidated financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles have been restated to conform with the new IFRS standards. Accordingly, the comparative figures in the financial results table below for the 13 and 26 weeks ended October 30, 2010 have been restated to conform with IFRS.

CONSOLIDATED FINANCIAL RESULTS

(\$ in millions except per share amounts)	13 Weeks Ended		%	26 Weeks Ended		%
	Nov. 5, 2011	Oct. 30, 2010		Change	Nov. 5, 2011	
Sales	\$ 4,036.3	\$ 3,904.1	3.4%	\$ 8,190.5	\$ 7,930.0	3.3%
Operating income ^{(1) (2)}	125.8	114.7	9.7%	274.7	263.2	4.4%
Net earnings, net of minority interest ⁽³⁾	78.1	142.9	(45.3)%	167.3	229.2	(27.0)%
Adjusted net earnings, net of minority interest ⁽⁴⁾	74.6	69.9	6.7%	159.2	154.4	3.1%
EPS fully diluted ⁽⁵⁾	\$ 1.15	\$ 2.09	(45.0)%	\$ 2.46	\$ 3.35	(26.6)%
Adjusted EPS (fully diluted) ^{(4) (5)}	1.10	1.02	7.8%	2.34	2.26	3.5%

- (1) Certain balances have been reclassified for changes to comparative figures (see Note 20 to the Company's second quarter unaudited consolidated financial statements).
- (2) Operating income is calculated as net earnings before minority interest, the gain on sale of Wajax, finance costs (net of finance income) and income taxes.
- (3) Net earnings, net of minority interest, for the 13 and 26 weeks ended October 30, 2010 includes a net gain on the sale of a 27.5 percent ownership interest in Wajax of \$76.2 million.
- (4) Adjusted net earnings and adjusted fully diluted EPS are earnings measurements that exclude the gain on sale of Wajax last year and other items which are considered not indicative of underlying business performance.
- (5) Diluted weighted average number of shares outstanding in the second quarter ended November 5, 2011 was 68.0 million versus 68.3 million in the second quarter last year.

Sales

Consolidated sales for the second quarter were \$4.04 billion compared to \$3.90 billion in the second quarter last year, an increase of \$132.2 million or 3.4 percent. Sobeys' sales equalled \$3.98 billion versus \$3.85 billion in the second quarter last year, an increase of \$130.6 million or 3.4 percent. Investments and other operations' sales in the second quarter were \$55.3 million versus \$53.2 million in the second quarter last year, an increase of \$2.1 million or 3.9 percent.

Operating Income

Consolidated operating income in the second quarter was \$125.8 million, an increase of \$11.1 million or 9.7 percent from the \$114.7 million recorded in the second quarter last year.

The contributors to the change in consolidated operating income from the second quarter last year are as follows:

- Sobeys' operating income contribution to Empire in the second quarter totalled \$109.8 million, an increase of \$8.1 million or 8.0 percent from the \$101.7 million recorded in the second quarter last year;
- Investments and other operations (net of corporate expenses) contributed operating income of \$16.0 million versus \$13.0 million in the second quarter last year.
 - Crombie REIT contributed operating income to Empire of \$4.8 million compared to \$4.4 million in the second quarter last year;
 - Real estate partnerships contributed operating income to Empire of \$2.9 million compared to \$3.7 million in the second quarter last year; and
 - Other operations (net of corporate expenses) contributed operating income to Empire of \$8.3 million compared to (\$0.3) million in the second quarter last year.

Net Earnings

Consolidated net earnings, net of minority interest, in the second quarter equalled \$78.1 million compared to \$142.9 million in the second quarter last year.

The following table presents Empire's segmented net earnings, net of minority interest, for the 13 and 26 weeks ended November 5, 2011 compared to the 13 and 26 weeks ended October 30, 2010.

(\$ in millions, net of tax)	13 Weeks Ended			(\$) Change	26 Weeks Ended			(\$) Change
	Nov. 5, 2011	Oct. 30, 2010			Nov. 5, 2011	Oct. 30, 2010		
Food retailing	\$ 68.5	\$ 59.7	\$ 8.8	\$ 150.0	\$ 138.5	\$ 11.5		
Investments and other operations	9.6	83.2 ⁽¹⁾	(73.6)	17.3	90.7 ⁽¹⁾	(73.4)		
Consolidated	\$ 78.1	\$ 142.9	\$(64.8)	\$ 167.3	\$ 229.2	\$(61.9)		

⁽¹⁾ Includes the gain (net of tax) of \$76.2 million from the sale of a 27.5 percent ownership interest in Wajax.

Adjusted Net Earnings

The table below adjusts reported net earnings for the gain on sale of Wajax in the second quarter last year and for items considered not indicative of underlying business performance.

(\$ in millions, net of tax)	13 Weeks Ended		26 Weeks Ended	
	Nov. 5, 2011	Oct. 30, 2010	Nov. 5, 2011	Oct. 30, 2010
Net earnings, net of minority interest - reported	\$ 78.1	\$ 142.9	\$ 167.3	\$ 229.2
Adjustments:				
Gain on sale of Wajax	-	(76.2)	-	(76.2)
Sobeys' distribution and store closure costs	-	15.7	-	15.7
Sobeys' organizational reset costs	2.9	-	2.9	-
Gain on disposal of assets	(1.3)	(11.4)	(4.0)	(13.4)
Dilution gains	(5.1)	(1.1)	(7.0)	(0.9)
	(3.5)	(73.0)	(8.1)	(74.8)
Adjusted net earnings, net of minority interest	\$ 74.6	\$ 69.9	\$ 159.2	\$ 154.4
Adjusted EPS (fully diluted)	\$ 1.10	\$ 1.02	\$ 2.34	\$ 2.26

Excluding the impact of the adjustments noted in the above table, Empire recorded adjusted net earnings, net of minority interest, in the second quarter of \$74.6 million (\$1.10 per share) for the 13 weeks ended November 5, 2011 compared to \$69.9 million (\$1.02 per share) recorded in the second quarter last year.

With the transition to IFRS, the Company now has two reportable operating segments:

- 1) The **Food Retailing segment**, which consists of wholly-owned Sobeys Inc.; and
- 2) The **Investments and Other Operations segment**, the principal components of which include investments in Crombie REIT (44.6 percent ownership interest; 40.3 percent fully diluted), an approximate 40 percent ownership interest in Genstar Development Partnership and wholly-owned Empire Theatres Limited.

The tables that follow provide the contribution to Empire's consolidated sales, operating income and net earnings, net of minority interest, for Empire's two reportable segments – Food Retailing and Investments and Other Operations.

FOOD RETAILING

(\$ in millions)	13 Weeks Ended			(\$)	26 Weeks Ended			(\$)
	Nov. 5, 2011	Oct. 30, 2010	Change		Nov. 5, 2011	Oct. 30, 2010	Change	
Sales	\$ 3,983.8	\$ 3,853.2	\$ 130.6	\$ 8,089.9	\$ 7,828.5	\$ 261.4		
Operating income ⁽¹⁾	109.8	101.7	8.1	245.2	235.0	10.2		
Net earnings, net of minority interest	68.5	59.7	8.8	150.0	138.5	11.5		

⁽¹⁾ Certain balances have been reclassified for changes to comparative figures (see Note 20 to the Company's second quarter unaudited consolidated financial statements).

Sobeys' sales in the second quarter increased \$130.6 million or 3.4 percent to \$3.98 billion compared to \$3.85 billion in the same period in the prior year. During the second quarter, same-store sales (sales from stores in the same locations in both reporting periods) showed an increase of 1.9 percent compared to the second quarter of fiscal 2011. The growth in sales is a direct result of modest inflation, increased retail selling square footage from new stores and enlargements, coupled with the ongoing implementation of sales and merchandising initiatives, improved store level execution and product and services innovation.

Sobeys recorded gross profit of \$950.5 million in the quarter, a decrease of \$0.7 million over the second quarter last year. Gross margin, which is gross profit divided by sales, declined by 82 basis points to 23.91 percent compared to 24.73 percent in the second quarter last year. Approximately half of this decrease is a result of a one-time shift in the prior year of some items between cost of goods sold and selling and administrative expenses.

Sobeys recorded EBITDA in the second quarter of \$193.7 million compared to \$198.6 million in the second quarter last year, a decrease of \$4.9 million or 2.5 percent. EBITDA margin for the second quarter of fiscal 2012 was 4.87 percent versus 5.16 percent in the second quarter last year. The 29 basis point decline in EBITDA margin was primarily due to gains on disposal of properties of \$32.0 million in the second quarter last year compared to \$5.3 million in the current quarter. The gains on disposal of property were mainly the result of gains on the sale of properties to Crombie REIT of \$5.7 million in the current quarter compared to \$29.0 million in the second quarter last year. Also affecting EBITDA margin in the second quarter last year were costs relating to the closure of Price Chopper stores in Ontario of \$16.1 million and costs related to the closure of the distribution centre in Brantford, Ontario of \$5.4 million. EBITDA margin in the second quarter this year was also affected by costs related to an organizational reset of \$4.1 million. Excluding these items, Sobeys' adjusted EBITDA for the second quarter was \$192.5 million (4.84 percent of sales) compared to \$188.1 million (4.89 percent of sales) last year.

Sobeys' operating income contribution to Empire in the second quarter was \$109.8 million compared to \$101.7 million last year, an increase of \$8.1 million or 8.0 percent. Sobeys will continue to focus on disciplined cost management initiatives, supply chain and retail productivity improvements and migration of best practices to continue to fund investments to drive sales and improve margins over time.

Sobeys contributed net earnings, net of minority interest, to Empire of \$68.5 million in the quarter ended November 5, 2011 versus \$59.7 million in the second quarter of fiscal 2011.

INVESTMENTS AND OTHER OPERATIONS

(\$ in millions)	13 Weeks Ended			(\$)	26 Weeks Ended			(\$)
	Nov. 5, 2011	Oct. 30, 2010	Change		Nov. 5, 2011	Oct. 30, 2010	Change	
Sales	\$ 55.3	\$ 53.2	\$ 2.1	\$	\$ 106.4	\$ 104.9	\$ 1.5	
Operating income								
Crombie REIT ⁽¹⁾	4.8	4.4	0.4		9.6	8.8	0.8	
Real Estate Partnerships ⁽²⁾	2.9	3.7	(0.8)		10.4	11.6	(1.2)	
Wajax	-	5.2	(5.2)		-	8.6	(8.6)	
Other, net of corporate expenses ⁽³⁾⁽⁴⁾	8.3	(0.3)	8.6		9.5	(0.8)	10.3	
	16.0	13.0	3.0		29.5	28.2	1.3	
Net earnings, net of minority interest ⁽⁵⁾	\$ 9.6	\$ 83.2	\$ (73.6)	\$	\$ 17.3	\$ 90.7	\$ (73.4)	

⁽¹⁾ 44.6 percent equity accounted interest in Crombie REIT (Oct. 30, 2010 – 46.6 percent interest).

⁽²⁾ 40.7 percent equity accounted interest in Genstar Development Partnership, 45.9 percent equity accounted interest in Genstar Development Partnership II, and 42.1 percent equity accounted interests in each of GDC Investments 4, L.P., GDC Investments 5, L.P., and GDC Investments 6, L.P. (collectively referred to as "Genstar").

⁽³⁾ Operating income for the 13 and 26 weeks ended November 5, 2011 includes other income of \$7.4 million (2011 - \$1.7 million) and \$9.8 million (2011 - \$1.7 million) respectively.

⁽⁴⁾ Certain balances have been reclassified for changes to comparative figures (see Note 20 to the Company's second quarter unaudited consolidated financial statement).

⁽⁵⁾ Net earnings, net of minority interest, for the 13 and 26 weeks ended October 30, 2010 includes a net gain on the sale of a 27.5 percent ownership interest in Wajax of \$76.2 million.

Investments and other operations' sales, primarily generated by Empire Theatres, equalled \$55.3 million in the second quarter ended November 5, 2011 versus \$53.2 million in the second quarter last year, a \$2.1 million or 3.9 percent increase primarily driven by an increase in sales recorded by Empire Theatres.

Investments and other operations (net of corporate expenses) contributed operating income of \$16.0 million compared to \$13.0 million in the second quarter last year, an increase of \$3.0 million or 23.1 percent. Equity accounted earnings from the Company's investment in Crombie REIT increased \$0.4 million to \$4.8 million in the second quarter of fiscal 2012 compared to \$4.4 million in the second quarter last year, primarily driven by higher property revenues and the resulting higher property net operating income. Equity accounted earnings generated from the Company's real estate partnerships amounted to \$2.9 million compared to \$3.7 million in the same quarter last year, a decrease of \$0.8 million primarily as a result of lower margins on residential lot sales. As a result of the sale of Wajax last fiscal year, there were no equity accounted earnings from Wajax in the second quarter of fiscal 2012 compared to a \$5.2 million contribution in the second quarter of last year. Other operations (net of corporate expenses) contributed operating income of \$8.3 million versus \$(0.3) million in the second quarter last year. The increase in operating income from other operations was primarily due to dilution gains resulting from changes in the Company's ownership interest in Crombie REIT.

Investments and other operations (net of corporate expenses) contributed net earnings of \$9.6 million to Empire's consolidated second quarter fiscal 2012 net earnings compared to an \$83.2 million contribution, net of minority interest, in the second quarter last year. Net earnings in the prior year included a net gain on the sale of a 27.5 percent ownership interest in Wajax of \$76.2 million.

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking information that reflect management's current expectations related to matters such as future financial performance and operating results of the Company. Expressions such as "anticipates", "expects", "believes", "estimates", "could", "may", "plans", "will", "would", and other similar expressions or the negative of these terms are generally indicative of forward-looking statements. Forward-looking statements contained in this press release include those relating to Sobeys' expectations that it will continue to focus on disciplined cost management initiatives, supply chain and retail productivity improvements, and migration of best practices to continue to fund investments to drive sales and improve margins over time which could be impacted by the final scope and scale of these initiatives, and Sobeys' expectations that the organizational reset in its current regions will position the Company for accelerated growth and performance.

By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties which give rise to the possibility that the Company's expectations or objectives will not prove to be accurate.

These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and risks are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risk Management section of the annual Management Discussion and Analysis.

Readers are urged to consider these and other risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this press release reflects the Company's expectations as of December 15, 2011, and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company other than as required by applicable securities laws.

Non-GAAP Financial Measures

There are measures included in this press release that do not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures because it believes certain investors use these measures as a means of assessing financial performance.

Empire's definition of the non-GAAP terms are as follows:

- Same-store sales are sales from stores in the same locations in both reporting periods.
- Gross profit is calculated as sales less cost of sales.
- Operating income or earnings before interest and taxes ("EBIT") is calculated as net earnings before minority interest, finance charges (net of finance income) income taxes and the gain on sale of Wajax.
- Operating income margin is operating income divided by sales.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as EBIT plus depreciation and amortization.
- Adjusted EBITDA is EBITDA adjusted for items considered not indicative of underlying business performance.
- EBITDA margin is EBITDA divided by sales.
- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances, long-term debt and debt related to assets held for sale.
- Total capital is calculated as funded debt plus shareholders' equity, net of minority interest.
- Adjusted net earnings are net earnings excluding the gain on the sale of Wajax and other items which are considered not indicative of underlying business performance.

Conference Call Invitation

The Company will hold an analyst call on Thursday, December 15, 2011 beginning at 2:30 p.m. Eastern Standard Time during which senior management will discuss the Company's financial results for the second quarter ended November 5, 2011. To join this conference call dial 1-888-231-8191 outside of the Toronto area or 647-427-7450 from within the Toronto area. You may also listen to a live audiocast of the conference call by visiting the Company's website located at www.empireco.ca. Replay will be available by dialling 1-855-859-2056 and entering passcode 33014506 until midnight December 22, 2011, or on the Company's website for 90 days following the conference call.

Unaudited Consolidated Financial Statements

The Company's unaudited consolidated financial statements for the second quarter of fiscal 2012 ended November 5, 2011 are available at the following link:

Q2 Fiscal 2012 Unaudited Consolidated Financial Statements

This information along with the Company's quarterly and annual Management's Discussion and Analysis can be accessed through the Investor Centre section of the Company's website at www.empireco.ca and also on SEDAR at www.sedar.com.

Further information on the transition to IFRS is included in Note 21 to the Company's second quarter unaudited consolidated financial statements.

About Empire

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's core businesses include food retailing and related real estate. With over \$16 billion in annual sales and approximately \$6.5 billion in assets, Empire and its related companies directly employ approximately 49,000 people.

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website at www.empireco.ca or on SEDAR at www.sedar.com.

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