EMPIRE
COMPANY LIMITED

FOR IMMEDIATE RELEASE
September 15, 2016

Empire Company Reports Fiscal 2017 First Quarter Results

Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced financial results for its first quarter ended August 6, 2016. In the first quarter, the Company recorded adjusted net earnings, net of non-controlling interest, of $73.6 million ($0.27 per diluted share) compared to $121.7 million ($0.44 per diluted share) in the first quarter last year, a 39.5 percent decrease.

First Quarter Summary

- *Sales of $6,186.6 million, down $62.6 million or 1.0 percent.*
- *Sobeys' same-store sales (1) excluding fuel decreased 1.2 percent. Excluding the negative impact of fuel sales and the retail West business unit, same-store sales would have increased 0.6 percent.*
- *EBITDA (1) of $238.3 million compared to $314.1 million last year, a decrease of $75.8 million or 24.1 percent.*
- *Adjusted EBITDA (1) of $243.1 million compared to $325.2 million last year, down $82.1 million or 25.2 percent.*
- *Net earnings, net of non-controlling interest, of $65.4 million compared to $108.8 million last year, a decrease of $43.4 million or 39.9 percent.*
- *Adjusted net earnings (1), net of non-controlling interest, of $73.6 million compared to $121.7 million last year, a $48.1 million or 39.5 percent decrease.*
- *Adjusted EPS (2) (fully diluted) of $0.27 compared to $0.44 last year, a 38.6 percent decrease.*
- *Free cash flow (1) generation of $455.6 million compared to $217.5 million last year.*
- *Funded debt to total capital (1) ratio of 34.6 percent versus 39.5 percent at May 7, 2016.*

(1) See "Non-GAAP Financial Measures" section of this news release.
(2) Earnings per share ("EPS").

"The challenges that impacted our business last year, including the performance of our Western business unit, persisted this quarter, however we continued to make important progress against a number of key structural initiatives designed to ensure we meet the needs and expectations of our customers and see the return of long-term profitable growth for the Company," said François Vimard, Interim President and CEO, Empire Company Limited.

"Management intends to spend the remainder of fiscal 2017 focusing on building sales, identifying cost reductions across the organization and improving our execution at store level."

Dividend Declaration

The Board of Directors declared a quarterly dividend of $0.1025 per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on October 31, 2016 to shareholders of record on October 14, 2016. 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.

CONSOLIDATED OPERATING RESULTS

	13 Weeks Ended		($)
($ in millions, except per share amounts)	**August 6, 2016**	August 1, 2015	Change
Sales	**$ 6,186.6**	$ 6,249.2	$ (62.6)
Gross profit (1)	**1,490.8**	1,516.0	(25.2)
EBITDA	**238.3**	314.1	(75.8)
Adjusted EBITDA	**243.1**	325.2	(82.1)
Operating income	**126.6**	195.5	(68.9)
Finance costs, net	**31.2**	32.9	(1.7)
Income tax expense	**17.8**	43.5	(25.7)
Net earnings (2)	**65.4**	108.8	(43.4)
Adjusted net earnings (2)	**73.6**	121.7	(48.1)
EPS (fully diluted) (2)	**$ 0.24**	$ 0.39	$ (0.15)
Adjusted EPS (fully diluted) (2)	**$ 0.27**	$ 0.44	$ (0.17)
Diluted weighted average number of shares outstanding (in millions)	**271.7**	277.5	

(1) Gross profit amounts and corresponding ratios are calculated using the food retailing segment results.
(2) Net of non-controlling interest.

Sales

Consolidated sales, which are generated by the food retailing segment, for the 13 weeks ended August 6, 2016 were $6,186.6 million compared to $6,249.2 million in the first quarter last year, a decrease of $62.6 million or 1.0 percent. The decrease in sales was primarily the result of the following factors: (i) the continued negative impact of merchandising and promotional strategies in Western Canada; (ii) the soft sales trend in most of the store network; (iii) the economic downturn in areas that have been impacted by decreasing oil prices; and (iv) the decline in oil prices impacting fuel sales. This decrease was partially offset by food inflation.

During the 13 weeks ended August 6, 2016, Sobeys' same-store sales excluding the negative impact of fuel sales decreased 1.2 percent from the same period last year, same-store sales overall decreased 1.8 percent. Excluding fuel and the retail West business unit, same-store sales would have increased 0.6 percent.

Gross Profit

For the first quarter of fiscal 2017, gross profit was $1,490.8 million, a decrease of $25.2 million or 1.7 percent compared to $1,516.0 million for the same period last year. For the first quarter of fiscal 2017, gross margin decreased 20 basis points to 24.1 percent compared to 24.3 percent in the same period last year. The decrease in gross margin was a result of the factors impacting sales, as well as a highly promotional environment and continued competitive intensity.

EBITDA

Consolidated EBITDA in the first quarter was $238.3 million compared to $314.1 million in the first quarter last year, a decrease of $75.8 million or 24.1 percent. The decrease in EBITDA was mainly the result of the previously mentioned factors affecting sales and gross margin, as well as general increases in selling and administrative expenses. Selling and administrative expenses as a percentage of sales has increased due to the impact of the soft sales realized across the network.

	13 Weeks Ended	
($ in millions)	**August 6, 2016**	August 1, 2015
EBITDA	**$ 238.3**	$ 314.1
Adjustments:		
Organizational realignment costs	**2.7**	6.4
Distribution centre restructuring	**2.1**	4.7
	4.8	11.1
Adjusted EBITDA	**$ 243.1**	$ 325.2

Operating Income

Consolidated operating income in the first quarter was $126.6 million, a decrease of $68.9 million from the $195.5 million recorded in the first quarter last year. Operating income for the first quarter decreased due to the factors noted above.

Finance Costs

For the first quarter of fiscal 2017, finance costs, net of finance income, remained consistent with the same period last year.

Income Taxes

The Company's effective income tax rate for the first quarter of fiscal 2017 was 18.7 percent compared to 26.8 percent for the first quarter of fiscal 2016. The reduction is attributable to the tax consequences arising from the sale and leaseback of retail properties to Crombie REIT on a tax deferred basis.

Net Earnings

Consolidated net earnings, net of non-controlling interest, in the first quarter equaled $65.4 million ($0.24 per diluted share) compared to $108.8 million ($0.39 per diluted share) in the first quarter last year.

	13 Weeks Ended	
($ in millions, except per share amounts, net of tax)	**August 6, 2016**	August 1, 2015
Net earnings [1]	**$ 65.4**	$ 108.8
EPS (fully diluted)	**$ 0.24**	$ 0.39
Adjustments:		
Intangible amortization associated with the Canada Safeway acquisition	**4.7**	4.8
Organizational realignment costs	**2.0**	4.6
Distribution centre restructuring	**1.5**	3.5
	8.2	12.9
Adjusted net earnings [1]	**$ 73.6**	$ 121.7
Adjusted EPS (fully diluted)	**$ 0.27**	$ 0.44
Diluted weighted average number of shares outstanding (in millions)	**271.7**	277.5

(1) Net of non-controlling interest.

FINANCIAL PERFORMANCE BY SEGMENT

The Company operates and reports on two business segments:

1) **Food retailing**, which consists of wholly-owned subsidiary Sobeys Inc. ("Sobeys"), and

2) **Investments and other operations**, which as of August 6, 2016 included investments in Crombie Real Estate Investment Trust ("Crombie REIT") (41.5 percent equity accounted interest; 40.3 percent fully diluted) and interests in Genstar.

FOOD RETAILING

The following table presents Sobeys' contribution to Empire as the amounts are net of consolidation adjustments, which include a purchase price allocation from the privatization of Sobeys.

	13 Weeks Ended		($)
($ in millions)	**August 6, 2016**	August 1, 2015	Change
Sales	**$ 6,186.6**	$ 6,249.2	$ (62.6)
Gross profit	**1,490.8**	1,516.0	(25.2)
EBITDA	**223.4**	303.1	(79.7)
Adjusted EBITDA	**228.2**	314.2	(86.0)
Operating income	**111.8**	184.6	(72.8)
Net earnings (1)	**56.6**	101.4	(44.8)
Adjusted net earnings (1)	**64.8**	114.3	(49.5)

(1) Net of non-controlling interest.

Sales

Sobeys reported sales of $6,186.6 million for the 13 weeks ended August 6, 2016, a decrease of $62.6 million or 1.0 percent from $6,249.2 million reported in the same quarter last year. The decrease in sales was primarily the result of the following factors: (i) the continued negative impact of merchandising and promotional strategies in Western Canada; (ii) the soft sales trend in most of the store network; (iii) the economic downturn in areas that have been impacted by decreasing oil prices; and (iv) the decline in oil prices impacting fuel sales. This decrease was partially offset by food inflation.

During the 13 weeks ended August 6, 2016, Sobeys' same-store sales excluding the negative impact of fuel sales decreased 1.2 percent from the same period last year, same-store sales overall decreased 1.8 percent. Excluding fuel and the retail West business unit, same-store sales would have increased 0.6 percent.

Gross Profit

For the first quarter of fiscal 2017, Sobeys' gross profit was $1,490.8 million, a decrease of $25.2 million or 1.7 percent compared to $1,516.0 million for the same period last year. For the first quarter of fiscal 2017, gross margin decreased 20 basis points to 24.1 percent compared to 24.3 percent in the same period last year. The decrease in gross margin was a result of the factors impacting sales, as well a highly promotional environment and continued competitive intensity.

EBITDA

EBITDA contribution from Sobeys to Empire in the first quarter was $223.4 million compared to $303.1 million in the first quarter last year, a decrease of $79.7 million or 26.3 percent. The decrease in EBITDA was mainly the result of the previously mentioned factors affecting sales and gross margin, as well as general increases in selling and administrative expenses. Selling and administrative expenses as a percentage of sales has increased due to the impact of the soft sales realized across the network.

	13 Weeks Ended	
($ in millions)	**August 6, 2016**	August 1, 2015
EBITDA (contributed by Sobeys)	**$ 223.4**	$ 303.1
Adjustments:		
Organizational realignment costs	**2.7**	6.4
Distribution centre restructuring	**2.1**	4.7
	4.8	11.1
Adjusted EBITDA	**$ 228.2**	$ 314.2

Operating Income

Sobeys' operating income contribution to Empire in the first quarter was $111.8 million, a decrease of $72.8 million or 39.4 percent from the $184.6 million recorded in the first quarter last year. Operating income decreased due to the factors noted in the sales, gross profit and EBITDA sections above.

Net Earnings

Sobeys contributed net earnings, net of non-controlling interest, to Empire in the first quarter of $56.6 million compared to $101.4 million in the first quarter last year, a decrease of $44.8 million or 44.2 percent.

	13 Weeks Ended	
($ in millions, net of tax)	**August 6, 2016**	August 1, 2015
Net earnings (1) (contributed by Sobeys)	**$ 56.6**	$ 101.4
Adjustments:		
Intangible amortization associated with the Canada Safeway acquisition	**4.7**	4.8
Organizational realignment costs	**2.0**	4.6
Distribution centre restructuring	**1.5**	3.5
	8.2	12.9
Adjusted net earnings (1)	**$ 64.8**	$ 114.3

(1) Net of non-controlling interest.

INVESTMENTS AND OTHER OPERATIONS

The table below presents investments and other operations' contribution to Empire's operating income.

($ in millions)	13 Weeks Ended August 6, 2016	13 Weeks Ended August 1, 2015	($) Change
Operating income			
Crombie REIT [1]	**$ 11.2**	$ 7.4	$ 3.8
Real estate partnerships [2]	**5.7**	4.9	0.8
Other operations, net of corporate expenses	**(2.1)**	(1.4)	(0.7)
	$ 14.8	$ 10.9	$ 3.9

(1) 41.5 percent equity accounted interest in Crombie REIT (as at August 1, 2015 – 41.5 percent interest).
(2) Interests in Genstar.

Operating Income

Investments and other operations contributed operating income of $14.8 million in the 13 weeks ended August 6, 2016 versus $10.9 million in the same period last year, an increase of $3.9 million or 35.8 percent. The increase in operation income can be attributed to stronger operating results by Crombie REIT, combined with reduced impairment charges compared to the same quarter last year.

CONSOLIDATED FINANCIAL CONDITION

The financial condition measures are presented in the table below.

($ in millions, except per share and ratio calculations)	August 6, 2016	May 7, 2016 [1]	August 1, 2015 [1]
Shareholders' equity, net of non-controlling interest	**$ 3,661.8**	$ 3,621.0	$ 6,078.1
Book value per common share [2]	**$ 13.48**	$ 13.33	$ 21.94
Long-term debt, including current portion	**$ 1,936.9**	$ 2,367.4	$ 2,272.0
Funded debt to total capital [2]	**34.6%**	39.5%	27.2%
Net funded debt to net total capital [2]	**31.2%**	36.7%	23.7%
Funded debt to adjusted EBITDA [2][3]	**1.8x**	2.0x	1.7x
Adjusted EBITDA to interest expense [2][4]	**9.6x**	10.2x	10.4x
Current assets to current liabilities	**0.9x**	1.0x	0.8x
Total assets	**$ 8,842.5**	$ 9,102.0	$ 11,632.3
Total non-current financial liabilities	**$ 2,630.2**	$ 2,702.3	$ 2,653.5

(1) Amounts have been reclassified to correspond to the current period presentation on the condensed consolidated balance sheets.
(2) See "Non-GAAP Financial Measures" section of this news release.
(3) Calculation uses trailing four-quarter adjusted EBITDA.
(4) Calculation uses trailing four-quarter adjusted EBITDA and interest expense.

The ratio of funded debt to total capital increased to 34.6 percent at August 6, 2016 from 39.5 percent at May 7, 2016.

The decrease in shareholders' equity, net of non-controlling interest, of $2,416.3 million from fiscal 2016 primarily reflects the decrease in retained earnings from the impairments of goodwill and long-lived assets recorded, along with the Non-Voting Class A share repurchases under the normal course issuer bid of $148.1 million and dividends paid of $109.5 million. Book value per common share was $13.48 at August 6, 2016 compared to $21.94 at August 1, 2015.

Free Cash Flow

Free cash flow is used to measure the change in the Company's cash available for debt repayment, dividend payments, and other investing and financing activities.

	13 Weeks Ended	
($ in millions)	**August 6, 2016**	August 1, 2015 (1)
Cash flows from operating activities	**$ 239.3**	$ 316.5
Plus: proceeds on disposal of property, equipment and investment property	**342.6**	43.9
Less: property, equipment and investment property purchases	**(126.3)**	(142.9)
Free cash flow	**$ 455.6**	$ 217.5

(1) Amounts have been reclassified to correspond to the current period presentation on the condensed consolidated statement of cash flows.

Free cash flow in the first quarter of fiscal 2017 increased $238.1 million from the first quarter of fiscal 2016. This increase in free cash flow was a result of an increase in proceeds on disposal of property, equipment and investment property primarily due to the agreement entered into with Crombie REIT.

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's expectations relating to the timing of mitigation and remediation of process integration and reorganizational changes at Safeway, which may be delayed by further unforeseen challenges;

- The Company's expectations relating to the operational challenges being faced in Western Canada, which may be impacted by a number of factors including the under performance in fiscal 2016 and the effectiveness of future mitigating strategies employed;

- The Company's expectations regarding the impact of organizational realignment, including expected efficiencies, cost savings, and the impact on long-term earnings which could be impacted by positions eliminated and the time required for employees to adapt to the changes; and

- The timing and value of expected cost savings, which may be impacted by a number of factors, including the effectiveness of ongoing cost stewardship initiatives.

By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section of the Company's Annual Information Form and Annual Management's Discussion and Analysis.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Forward-looking statements do not take into account the effect of transactions occurring after the statements have been made on the Company's business. The forward-looking information in this document reflects the Company's current expectations and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made 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 news 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 location in both reporting periods.
- Gross profit is calculated as sales less cost of sales.
- Gross margin is gross profit divided by sales.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as net earnings before finance costs (net of finance income), income tax expense, and depreciation and amortization of intangibles.
- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These adjustments result in a truer economic representation on a comparative basis. The Company no longer adjusts for items that are insignificant to current period results or the comparative period.
- Interest expense is calculated as interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income.
- Adjusted net earnings are net earnings, net of non-controlling interest, excluding certain items to better analyze trends in performance and financial results. These adjustments result in a truer economic representation of the underlying business on a comparative basis. The Company no longer adjusts for items that are insignificant to current period results or the comparative period.
- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances and long-term debt.
- Net funded debt is calculated as funded debt less cash and cash equivalents.
- Total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest.
- Net total capital is total capital less cash and cash equivalents.
- Funded debt to total capital ratio is funded debt divided by total capital.
- Net funded debt to net total capital ratio is net funded debt divided by net total capital.
- Funded debt to adjusted EBITDA ratio is funded debt divided by trailing four-quarter adjusted EBITDA.
- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.
- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less property, equipment and investment property purchases.

For a more complete description of Empire's non-GAAP terms, please see Empire's MD&A for the first quarter ended August 6, 2016.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, September 15, 2016 beginning at 1:30 p.m. (Eastern Daylight Time) during which senior management will discuss the Company's financial results for the first quarter of fiscal 2017 ended August 6, 2016. To join this conference call, dial (888) 231-8191 outside the Toronto area or (647) 427-7450 from within the Toronto area. To secure a line, please call 10 minutes prior to the conference call; you will be placed on hold until the conference call begins. The media and investing public may access this conference call via a listen mode only. 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 dialing (855) 859-2056 and entering passcode 74722111 until midnight September 22, 2016, or on the Company's website for 90 days following the conference call.

ABOUT EMPIRE

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing and related real estate. With approximately $24.6 billion in annualized sales and $8.8 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 125,000 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.

For further information, please contact:

Media Contact
Andrew Walker
Senior Vice President
Communications & Corporate Affairs
Sobeys Inc.
(905) 238-7124 ext. 6711

Investor Contact
Ken Chernin
Director, Investor Relations
Empire Company Limited
(902) 752-8371 ext. 3409