EMPIRE
COMPANY LIMITED

FOR IMMEDIATE RELEASE
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Empire Company Reports Improved Fiscal 2018 Second Quarter Results

Company to Launch FreshCo Discount Format in Western Market

Second Quarter Summary

- Same-store sales excluding fuel increased 0.4%
- Loss per share of $0.09 due to restructuring expenses
- Adjusted earnings per share of $0.27 compared to $0.12 last year
- Project Sunrise expenses in second quarter of $129.2 million ($92.8 million after tax)
- Project Sunrise transformation on track; phase one complete, targets met

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the second quarter ended November 4, 2017. For the quarter, the Company recorded adjusted net earnings, net of non-controlling interest, of $73.9 million ($0.27 per diluted share) compared to $32.9 million ($0.12 per diluted share) in the second quarter last year, an increase of approximately 125%.

"Our second quarter results were another step on our journey to revitalize Empire Company," said Michael Medline, President and CEO. "We grew same-store sales and margins while continuing to maintain our focus and discipline on cost control. Our progress is particularly encouraging as we begin to reap the benefits of Project Sunrise, fortify our brand and customer experience, and grow our company."

The Company is also announcing that it will move forward with plans to convert up to 25% of its 255 Safeway and Sobeys full service format stores in Western Canada to its discount FreshCo banner over the next five years.

"This is a very attractive strategic and financial opportunity for us that will grow our market share in the Western provinces in a profitable way," said Michael Medline. "Our comprehensive research and analysis shows that the West is fertile ground for 'small box' discount and that our FreshCo banner will resonate with consumers in Western Canada."

The FreshCo stores in Western Canada will showcase evolved branding, product offering and customer marketing to reflect the Company's learnings in Ontario. A number of locations will provide an enhanced ethnic offering that has been successfully introduced in the Ontario market.

"This expansion is one piece of a comprehensive strategy to execute the transformation of our company through Project Sunrise, greatly improve our conventional offering, bolster our brand and grow our industry-leading market share in ecommerce," continued Mr. Medline.

In the fourth quarter of fiscal 2017, the Company launched Project Sunrise, a comprehensive three year transformation intended to simplify the organizational structure and reduce costs. The transformation is expected to result in approximately $500 million in annualized cost savings by fiscal 2020.

In June 2017, the Company estimated it would incur approximately $200 million in one-time cash costs associated with severance, relocation, consulting and minor system developments. As the initiative has progressed, management has finalized its estimate of one-time costs and determined that one-time costs for the initiative will not exceed $240 million. Please see the "Overview of the Business" section of the Company's Management's Discussion and Analysis ("MD&A") for further information.

Dividend Declaration

The Board of Directors declared a quarterly dividend of $0.1050 per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on January 31, 2018 to shareholders of record on January 15, 2018. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation.

OPERATING RESULTS

	13 Weeks Ended			26 Weeks Ended		
($ in millions, except per share amounts)	**Nov. 4, 2017**	Nov. 5, 2016	$ Change	**Nov. 4, 2017**	Nov. 5, 2016	$ Change
Sales	**$ 6,026.1**	$ 5,930.9	$ 95.2	**$ 12,299.3**	$ 12,117.5	$ 181.8
Gross profit(1)	**1,473.5**	1,400.7	72.8	**3,004.5**	2,891.5	113.0
EBITDA(1)	**113.0**	187.8	(74.8)	**351.8**	426.1	(74.3)
Adjusted EBITDA(1)	**242.2**	181.2	61.0	**521.0**	424.3	96.7
Operating income	**2.6**	76.4	(73.8)	**127.8**	203.0	(75.2)
Adjusted operating income(1)	**138.3**	76.2	62.1	**310.0**	214.1	95.9
Finance costs, net	**29.8**	30.3	(0.5)	**58.5**	61.5	(3.0)
Income tax (recovery) expense	**(8.5)**	11.9	(20.4)	**21.6**	29.7	(8.1)
Non-controlling interest	**4.9**	1.1	3.8	**17.3**	13.3	4.0
Net (loss) earnings(2)	**(23.6)**	33.1	(56.7)	**30.4**	98.5	(68.1)
Adjusted net earnings(1)(2)	**73.9**	32.9	41.0	**161.4**	106.5	54.9
Diluted earnings per share						
EPS(2)(3)(4)	**$ (0.09)**	$ 0.12	$ (0.21)	**$ 0.11**	$ 0.36	$ (0.25)
Adjusted EPS(1)(2)(3)	**$ 0.27**	$ 0.12	$ 0.15	**$ 0.59**	$ 0.39	$ 0.20
Diluted weighted average number of shares outstanding (in millions)	**271.8**	272.2		**271.9**	272.2	

	13 Weeks Ended		26 Weeks Ended	
	Nov. 4, 2017	Nov. 5, 2016	**Nov. 4, 2017**	Nov. 5, 2016
Same-store sales(1) growth (decline)	**0.6%**	(2.8)%	**0.6%**	(2.3)%
Same-store sales growth (decline), excluding fuel	**0.4%**	(2.6)%	**0.5%**	(1.9)%
Effective income tax rate	**31.3%**	25.8%	**31.2%**	21.0%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section.
(2) Net of non-controlling interest.
(3) Earnings per share ("EPS").
(4) For the 13 weeks ended November 4, 2017, the weighted average number of shares used for the purpose of basic and diluted loss per share is equal, as the impact of all potential common shares would be anti-dilutive.

Sales

Sales increased by 1.6% for the 13 weeks ended November 4, 2017 as same-store sales were higher in most areas of the country, driven by increases in traffic, basket size and more disciplined pricing strategies, compared to significant deflationary pricing strategies in the prior year. Food inflation was positive, contributing to the increase in sales.

Gross Profit

The increase in gross profit during the 13 weeks ended November 4, 2017 was a result of improved store execution and promotional strategies, and a continued focus on stabilizing and improving margin rates, which increased from 23.6% to 24.5% in the second quarter.

EBITDA

EBITDA decreased in the 13 weeks ended November 4, 2017 mainly as a result of an increase in selling and administrative expenses, principally one-time costs of $129.2 million related to Project Sunrise, and increases in incentive compensation accruals due to improving performance. These increases were partially offset by benefits related to Project Sunrise and other cost efficiencies. EBITDA was positively impacted by the aforementioned improvement in sales and margins. Excluding the impact of one-time Project Sunrise costs, adjusted EBITDA increased by 33.7% to $242.2 million in the second quarter.

	13 Weeks Ended		26 Weeks Ended	
($ in millions)	**Nov. 4, 2017**	Nov. 5, 2016	**Nov. 4, 2017**	Nov. 5, 2016
EBITDA	**$ 113.0**	$ 187.8	**$ 351.8**	$ 426.1
Adjustments:				
Costs related to Project Sunrise	**129.2**	-	**169.2**	-
Gain on disposal of manufacturing facilities	**-**	(7.5)	**-**	(7.5)
Historical organizational realignment costs	**-**	0.9	**-**	3.6
Distribution centre restructuring	**-**	-	**-**	2.1
	129.2	(6.6)	**169.2**	(1.8)
Adjusted EBITDA	**$ 242.2**	$ 181.2	**$ 521.0**	$ 424.3

Income Taxes

The effective income tax rate for the second quarter was 31.3% compared to 25.8% in the same quarter last year. The increase in the effective rate is primarily due to significant expenses related to Project Sunrise that impacted the mix of earnings between legal entities and tax jurisdictions, resulting in a higher average effective tax rate.

Net Loss

For the 13 weeks ended November 4, 2017, net (loss) earnings, net of non-controlling interest, was primarily impacted by the reasons noted in the sales and EBITDA sections.

	13 Weeks Ended		26 Weeks Ended	
($ in millions, except per share amounts)	**Nov. 4, 2017**	Nov. 5, 2016	**Nov. 4, 2017**	Nov. 5, 2016
Net (loss) earnings(1)	**$ (23.6)**	$ 33.1	**$ 30.4**	$ 98.5
EPS(1)(2) (fully diluted)	**$ (0.09)**	$ 0.12	**$ 0.11**	$ 0.36
Adjustments (net of income taxes):				
Costs related to Project Sunrise	**92.8**	-	**121.5**	-
Intangible amortization associated with the Canada Safeway acquisition	**4.7**	4.7	**9.5**	9.4
Gain on disposal of manufacturing facilities	**-**	(5.5)	**-**	(5.5)
Historical organizational realignment costs	**-**	0.6	**-**	2.6
Distribution centre restructuring	**-**	-	**-**	1.5
	97.5	(0.2)	**131.0**	8.0
Adjusted net earnings(1)	**$ 73.9**	$ 32.9	**$ 161.4**	$ 106.5
Adjusted EPS (fully diluted)	**$ 0.27**	$ 0.12	**$ 0.59**	$ 0.39
Diluted weighted average number of shares outstanding (in millions)	**271.8**	272.2	**271.9**	272.2

(1) Net of non-controlling interest.

(2) For the 13 weeks ended November 4, 2017, the weighted average number of shares used for the purpose of basic and diluted loss per share is equal, as the impact of all potential common shares would be anti-dilutive.

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 November 4, 2017 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

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 4, 2017**	Nov. 5, 2016	Change	**Nov. 4, 2017**	Nov. 5, 2016	Change
Sales	**$ 6,026.1**	$ 5,930.9	$ 95.2	**$ 12,299.3**	$ 12,117.5	$ 181.8
Gross profit	**1,473.5**	1,400.7	72.8	**3,004.5**	2,891.5	113.0
EBITDA	**98.5**	164.5	(66.0)	**323.4**	387.9	(64.5)
Adjusted EBITDA	**227.7**	157.9	69.8	**492.6**	386.1	106.5
Operating (loss) income	**(11.7)**	53.3	(65.0)	**99.6**	165.1	(65.5)
Adjusted operating income	**124.0**	53.1	70.9	**281.8**	176.2	105.6
Net (loss) earnings[1]	**(31.9)**	19.1	(51.0)	**17.8**	75.7	(57.9)
Adjusted net earnings[1]	**65.6**	18.9	46.7	**148.8**	83.7	65.1

(1) Net of non-controlling interest.

Investments and Other Operations

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 4, 2017**	Nov. 5, 2016	Change	**Nov. 4, 2017**	Nov. 5, 2016	Change
Operating income (loss)						
Crombie REIT	**$ 8.9**	$ 9.8	$ (0.9)	**$ 17.3**	$ 21.0	$ (3.7)
Real estate partnerships	**6.5**	13.6	(7.1)	**10.6**	19.3	(8.7)
Other operations, net of corporate expenses	**(1.1)**	(0.3)	(0.8)	**0.3**	(2.4)	2.7
	$ 14.3	$ 23.1	$ (8.8)	**$ 28.2**	$ 37.9	$ (9.7)

For the 13 weeks ended November 4, 2017, operating income for Investments and Other Operations decreased primarily due to a sale of development land by Genstar in the prior year.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)	**November 4, 2017**	May 6, 2017	November 5, 2016[1]
Shareholders' equity, net of non-controlling interest	**$ 3,640.8**	$ 3,644.2	$ 3,646.0
Book value per common share[2]	**$ 13.40**	$ 13.41	$ 13.42
Long-term debt, including current portion	**$ 1,804.1**	$ 1,870.8	$ 1,961.2
Funded debt to total capital[2]	**33.1%**	33.9%	35.0%
Net funded debt to net total capital[2]	**29.7%**	31.3%	32.4%
Funded debt to adjusted EBITDA[2][3]	**2.0x**	2.3x	2.0x
Adjusted EBITDA to interest expense[2][4]	**8.7x**	7.7x	8.8x
Trailing four-quarter adjusted EBITDA	**$ 893.6**	$ 796.9	$ 956.8
Trailing four-quarter interest expense	**$ 103.1**	$ 103.1	$ 109.3
Current assets to current liabilities	**0.8x**	0.9x	0.9x
Total assets	**$ 8,635.0**	$ 8,695.5	$ 8,853.4
Total non-current financial liabilities	**$ 1,958.9**	$ 2,502.1	$ 2,675.5

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

Free Cash Flow

Management uses free cash flow[1] as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities.

	13 Weeks Ended		26 Weeks Ended	
($ in millions)	**Nov. 4, 2017**	Nov. 5, 2016	**Nov. 4, 2017**	Nov. 5, 2016
Cash flows from operating activities	**$ 106.0**	$ 142.9	**$ 281.5**	$ 382.2
Add: proceeds on disposal of property, equipment and investment property	**63.7**	35.0	**69.4**	377.6
Less: property, equipment and investment property purchases	**(52.3)**	(159.0)	**(113.8)**	(285.3)
Free cash flow	**$ 117.4**	$ 18.9	**$ 237.1**	$ 474.5

The increase in free cash flow for the 13 weeks ended November 4, 2017 compared to the 13 weeks ended November 5, 2016 was primarily due to a decrease in capital purchases compared to previous periods and higher proceeds on disposals of assets.

(1) See "Non-GAAP Financial Measures & Financial Metrics" section.

OTHER SIGNIFICANT ITEM

Minimum Wage Increases

The Company will incur increased labour costs starting at the end of the third quarter of fiscal 2018 as a result of minimum wage increases in Ontario and Alberta and other effects associated with the Fair Workplaces, Better Jobs Act, 2017 ("Bill 148") that was recently passed into law in Ontario. As noted last quarter, the Company estimates the unmitigated financial impact of the minimum wage increases in Ontario and Alberta could be up to $25 million in fiscal 2018 and $70 million in fiscal 2019. These estimates represent only the wage increase for people in the business earning less than the anticipated new wage rates, and do not assume any changes in the compensation of other wage bands. Other incremental impacts of Bill 148, including wage parity, could increase the potential impact by up to $20 million in fiscal 2019.

The Company has developed plans to mitigate the immediate impact of the minimum wage and Bill 148 increases and expects these plans will offset the effect of increases in fiscal 2018. The Company continues to develop further plans to mitigate the full year impacts for fiscal 2019, but there is some risk that the Company may not be able to fully offset the effects on earnings considering the short transition period of the cost increases.

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 regarding the impact of Project Sunrise, including expected cost savings and efficiencies resulting from this transformation initiative, and the expected timing and amount of one-time costs, which could be impacted by several factors, including the time required by the Company to complete the project as well as the factors identified under the heading "Risk Management" in the fiscal 2017 annual MD&A; and

- The Company's expectations regarding the impact of minimum wage increases in Ontario and Alberta, and the Company's ability to mitigate the financial impact of these increases which may be impacted by factors described under the heading "Minimum Wage Increases".

By its 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 MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company's current expectations and is subject to change. 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 & FINANCIAL METRICS

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

Empire's definitions of the non-GAAP measures and metrics included in this news release are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods.
- Adjusted net earnings are net (loss) 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.
- 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 (loss) earnings before finance costs (net of finance income), income tax (recovery) 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.
- Adjusted operating income is operating income 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.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.
- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances and long-term debt.
- Total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest.
- Funded debt to total capital ratio is funded debt divided by total capital.

- Net funded debt is calculated as funded debt less cash and cash equivalents.
- Net total capital is total capital less cash and cash equivalents.
- 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.
- 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 or loss.
- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense.
- 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 measures and metrics, please see Empire's MD&A for the second quarter ended November 4, 2017.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Wednesday, December 13, 2017 beginning at 8:30 a.m. (Eastern Standard Time) during which senior management will discuss the Company's financial results for the second quarter of fiscal 2018. 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 8889408 until midnight December 20, 2017, 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 $24.0 billion in annualized sales and $8.6 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.

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