EMPIRE
COMPANY LIMITED

FOR IMMEDIATE RELEASE
September 13, 2018

Empire Company Reports Fiscal 2019 First Quarter Results

First Quarter Summary

- Same-store sales excluding fuel increased 1.3% (1.8% excluding pharmacy)
- Highest tonnage increase in 6 years
- Earnings per share of $0.35 compared to $0.20 last year
- Adjusted earnings per share of $0.37 compared to $0.32 last year
- Project Sunrise transformation on track
- First two western FreshCo stores to open in Winnipeg in the spring of 2019

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the first quarter ended August 4, 2018. For the quarter, the Company recorded adjusted net earnings, net of non-controlling interest, of $100.2 million ($0.37 per diluted share) compared to $87.5 million ($0.32 per diluted share) in the first quarter last year.

"We continue to make good progress on all fronts while recording increasing earnings and strong cash flows," said Michael Medline, President and CEO. "We were pleased with our same-store food sales growth of 1.8% and our highest tonnage in six years, reflecting real momentum in all of our customer metrics. Our margins were a little lower than we would have liked, but moving forward, expect that we will begin to recover the cost pressures that have been incurred. We continue to be confident that we will realize benefits of our Sunrise category improvement initiatives in the second half of the year."

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 at least $500 million in annualized benefits by fiscal 2020. The transformation is on track and benefits are tracking to management's expectations. The Company realized approximately 20% of its target during fiscal 2018, and management anticipates up to a further 30% to be realized during fiscal 2019, principally during the second half of the year.

The discount channel continues to be a relatively higher growth area in food retailing. In fiscal 2018, Sobeys announced plans to expand its discount banner to Western Canada and will convert up to 25% of its 255 Safeway and Sobeys full service format stores in Western Canada to its FreshCo banner over the next five years with the first two stores expected to open in Winnipeg, Manitoba in the spring of 2019.

OPERATING RESULTS

($ in millions, except per share amounts)	13 Weeks Ended August 4, 2018	13 Weeks Ended August 5, 2017	$ Change
Sales	**$ 6,460.3**	$ 6,273.2	$ 187.1
Gross profit[1]	**1,512.3**	1,531.0	(18.7)
Operating income	**174.7**	125.2	49.5
Adjusted operating income [1]	**181.0**	171.7	9.3
EBITDA[1]	**278.7**	238.8	39.9
Adjusted EBITDA[1]	**278.7**	278.8	(0.1)
Net earnings[2]	**95.6**	54.0	41.6
Adjusted net earnings[1][2]	**100.2**	87.5	12.7
Diluted earnings per share			
EPS[2][3]	**$ 0.35**	$ 0.20	$ 0.15
Adjusted EPS[1][2]	**$ 0.37**	$ 0.32	$ 0.05
Diluted weighted average number of shares outstanding (in millions)	**272.3**	271.6	

	13 Weeks Ended August 4, 2018	13 Weeks Ended August 5, 2017
Same-store sales[1] growth	**2.3%**	0.5%
Same-store sales growth, excluding fuel	**1.3%**	0.5%
Same-store sales growth, excluding fuel and pharmacy	**1.8%**	0.5%
Gross margin[1][4]	**23.4%**	24.4%
EBITDA margin[1][4]	**4.3%**	3.8%
Adjusted EBITDA margin[1][4]	**4.3%**	4.4%
Effective income tax rate	**27.4%**	31.2%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(2) Net of non-controlling interest.
(3) Earnings per share ("EPS").
(4) Consolidated operating results as a percentage of sales.

Sales

Sales for the 13 weeks ended August 4, 2018 increased by 3.0%, driven by successful promotional and marketing activity across the business, increases in traffic and basket size, along with increased fuel sales attributable to higher fuel prices. Same-store sales were higher in most areas of the country and tonnage was positive for the quarter. Partially offsetting these positive effects were the deflationary impact of drug reform and the wind down and closure of ten stores in Western Canada during the quarter. Internal inflation for the quarter was flat.

Gross Profit

Gross profit for the quarter was lower by 1.2%, principally as a result of the wind down and closure of ten stores in Western Canada, increased transportation and other costs, and lower margins in the Company's pharmacy business due to healthcare reform and the Alberta Air Miles inducement ban.

Gross margin decreased to 23.4%, driven by an increase in lower margin fuel sales, increased transportation and other costs, and changes in product mix in Quebec. Although results in Quebec were strong, average margin rates were affected by changes in the ratio of corporate to affiliate stores and higher sales of lower margin product. Conventional margins outside of Quebec were stable and broadly consistent with last year.

Operating Income

For the 13 weeks ended August 4, 2018, operating income increased due to several reasons. The sales increase and higher equity earnings from Crombie Real Estate Investment Trust ("Crombie REIT") had a positive impact on operating income. This was partially offset by lower gross profit. Selling and administrative expenses were lower due to items such as the reversal of previously impaired assets in Western Canada, costs incurred related to Project Sunrise in the prior year, Project Sunrise benefits achieved and a decrease in depreciation expense. These expenses were partially offset by increased operational labour costs, asset restructuring costs, discount conversion costs and some severance costs.

	13 Weeks Ended			
($ in millions)		**August 4, 2018**		August 5, 2017
Operating income	**$**	**174.7**	$	125.2
Adjustments:				
Intangible amortization associated with the Canada Safeway acquisition		**6.3**		6.5
Costs related to Project Sunrise		**-**		40.0
		6.3		46.5
Adjusted operating income	**$**	**181.0**	$	171.7

EBITDA

EBITDA increased in the 13 weeks ended August 4, 2018 as a result of the previously mentioned factors affecting operating income.

	13 Weeks Ended			
($ in millions)		**August 4, 2018**		August 5, 2017
EBITDA	**$**	**278.7**	$	238.8
Adjustments:				
Costs related to Project Sunrise		**-**		40.0
		-		40.0
Adjusted EBITDA	**$**	**278.7**	$	278.8

Income Taxes

The effective income tax rate for the 13 weeks ended August 4, 2018 was 27.4% compared to 31.2% for the 13 weeks ended August 5, 2017. The prior period's effective rate was higher than the statutory rate due to the flow-through effects to the Company from the completion of a tax reorganization by Crombie REIT.

Net Earnings

The following is a reconciliation of adjusted net earnings:

	13 Weeks Ended			
($ in millions, except per share amounts)		**August 4, 2018**		August 5, 2017
Net earnings(1)	**$**	**95.6**	$	54.0
EPS (fully diluted)	**$**	**0.35**	$	0.20
Adjustments (net of income taxes):				
Intangible amortization associated with the Canada Safeway acquisition		**4.6**		4.8
Costs related to Project Sunrise		**-**		28.7
		4.6		33.5
Adjusted net earnings(1)	**$**	**100.2**	$	87.5
Adjusted EPS (fully diluted)	**$**	**0.37**	$	0.32
Diluted weighted average number of shares outstanding (in millions)		**272.3**		271.6

(1) Net of non-controlling interest.

Free Cash Flow

($ in millions)	13 Weeks Ended August 4, 2018	August 5, 2017
Cash flows from operating activities	**$ 156.7**	$ 175.5
Add: proceeds on disposal of property, equipment and investment property	**18.4**	5.7
Less: property, equipment and investment property purchases	**(42.8)**	(61.5)
Free cash flow	**$ 132.3**	$ 119.7

Free cash flow[1] increased for the 13 weeks ended August 4, 2018 compared to the same period last year due to lower capital spending and an increase in proceeds on the sale of property to Crombie REIT partially offset by decreased cash flows from operating activities.

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.

FINANCIAL PERFORMANCE BY SEGMENT

Food Retailing

	13 Weeks Ended		$
($ in millions)	**August 4, 2018**	August 5, 2017	Change
Sales	**$ 6,460.3**	$ 6,273.2	$ 187.1
Gross profit	**1,512.3**	1,531.0	(18.7)
Operating income	**152.4**	111.3	41.1
Adjusted operating income	**158.7**	157.8	0.9
EBITDA	**256.4**	224.9	31.5
Adjusted EBITDA	**256.4**	264.9	(8.5)
Net earnings[1]	**80.7**	49.7	31.0
Adjusted net earnings[1]	**85.3**	83.2	2.1

(1) Net of non-controlling interest.

Investments and Other Operations

	13 Weeks Ended		$
($ in millions)	**August 4, 2018**	August 5, 2017	Change
Crombie REIT	**$ 20.3**	$ 8.4	$ 11.9
Real estate partnerships (Genstar)	**2.6**	4.1	(1.5)
Other operations, net of corporate expenses	**(0.6)**	1.4	(2.0)
	$ 22.3	$ 13.9	$ 8.4

Income from investments and other operations increased primarily as a result of higher equity earnings from Crombie REIT as several properties were disposed of during the quarter, for net gains on sale, resulting in an increase in the Company's share of equity earnings.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)		**August 4, 2018**		May 5, 2018		August 5, 2017
Shareholders' equity, net of non-controlling interest	**$**	**3,776.4**	$	3,702.8	$	3,683.5
Book value per common share[(1)]	**$**	**13.89**	$	13.62	$	13.57
Long-term debt, including current portion	**$**	**1,645.4**	$	1,666.9	$	1,818.3
Funded debt to total capital[(1)]		**30.3%**		31.0%		33.0%
Net funded debt to net total capital[(1)]		**20.4%**		21.9%		30.1%
Funded debt to adjusted EBITDA[(1)(2)]		**1.6x**		1.6x		2.2x
Adjusted EBITDA to interest expense[(1)(3)]		**11.0x**		10.5x		8.1x
Trailing four-quarter adjusted EBITDA	**$**	**1,014.6**	$	1,014.7	$	832.6
Trailing four-quarter interest expense	**$**	**92.3**	$	96.9	$	102.7
Current assets to current liabilities		**0.9x**		0.8x		0.9x
Total assets	**$**	**8,746.2**	$	8,662.0	$	8,688.8
Total non-current financial liabilities	**$**	**1,880.8**	$	1,929.9	$	2,455.7

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(2) Calculation uses trailing four-quarter adjusted EBITDA.
(3) Calculation uses trailing four-quarter adjusted EBITDA and interest expense.

On June 2, 2017, Sobeys established a new, senior, unsecured non-revolving credit facility for $500 million. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. Subsequent to the end of the first quarter, on August 8, 2018, Sobeys fully utilized the credit facility to repay long-term debt.

OTHER SIGNIFICANT ITEMS

Minimum Wage Increases

The Company expects to incur increased labour costs as a result of minimum wage increases in Ontario and Alberta and other effects associated with Fair Workplaces, Better Jobs Act, 2017 ("Bill 148") that was passed into law in Ontario on November 27, 2017. Management was successful in largely mitigating the financial impact of these increased labour costs in fiscal 2018 and continues to develop further plans to mitigate impacts for fiscal 2019 onward. However, it is not expected that the Company will be able to fully offset the effects on earnings considering the short transition period of the cost increases. The Company estimates the unmitigated financial impact of the minimum wage increases, and other impacts including wage parity, could be up to $90 million in fiscal 2019.

Healthcare Reform

On January 29, 2018, additional healthcare reform was introduced by the pan-Canadian Pharmaceutical Alliance with the Canadian Generic Pharmaceutical Association that came into effect on April 1, 2018. This resulted in the price reduction of almost 70 high volume generic drugs. The Company estimates that the effect, prior to any mitigation, of these changes may be to reduce annual income before taxes by up to $40 million.

DIVIDEND DECLARATION

The Board of Directors declared a quarterly dividend of $0.11 per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on October 31, 2018 to shareholders of record on October 15, 2018. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation.

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 of the realization of fiscal 2019 in-year incremental benefits, 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 2018 annual Management's Discussion and Analysis ("MD&A");

- The Company's expectations regarding its existing discount model and its plans to expand its discount model to Western Canada, which may be impacted by union negotiations, the current economic environment and future operating results;

- The Company's expectations regarding the impact of minimum wage increases in Ontario and Alberta, other incremental impacts of Bill 148 and the Company's ability to mitigate the financial impact of these increases which may be impacted by factors previously described under the heading "Minimum Wage Increases"; and

- The Company's expectations regarding the impact of healthcare reform that came into effect on April 1, 2018 which may be impacted by factors previously described under the heading "Healthcare Reform" and further described in the fiscal 2018 annual MD&A under the heading "Risk Management – Drug Regulation, Legislation and Healthcare Reform".

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 fiscal 2018 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 the 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 definition of the non-GAAP terms are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods.
- 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.
- Adjusted EPS (fully diluted) is calculated as adjusted net earnings divided by diluted weighted average number of shares outstanding.
- Gross profit is calculated as sales less cost of sales.
- Gross margin is gross profit divided by sales.
- 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.
- 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.
- EBITDA margin is EBITDA divided by sales.
- 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 EBITDA margin is adjusted EBITDA divided by sales.
- 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.
- 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.

For a more complete description of Empire's non-GAAP measures and metrics, please see Empire's MD&A for the fiscal year ended May 5, 2018.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, September 13, 2018 beginning at 1:00 p.m. (Eastern Daylight Time) during which senior management will discuss the Company's financial results for the first quarter of fiscal 2019. To join this conference call, dial (888) 390-0546 outside the Toronto area or (416) 764-8688 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 (888) 390-0541 and entering access code 784152 until midnight September 27, 2018, 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 $24.4 billion in annualized sales and $8.7 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 120,000 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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