FOR IMMEDIATE RELEASE
December 13, 2018

Empire Company Reports Strong Fiscal 2019 Second Quarter Results

Second Quarter Summary

- Same-store sales excluding fuel increased by 2.5% (3.0% excluding pharmacy)
- Second consecutive quarter of tonnage growth
- Earnings per share of $0.38 compared to a loss per share of $0.09 last year
- Adjusted earnings per share of $0.40, up 48% from $0.27 last year
- Completed the acquisition of Farm Boy, Ontario's fastest growing food retailer

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the second quarter ended November 3, 2018. For the quarter, the Company recorded adjusted net earnings, net of non-controlling interest, of $110.4 million ($0.40 per diluted share) compared to $73.9 million ($0.27 per diluted share) in the second quarter last year.

"In what has been our strongest quarter since we began the transformation of Empire, we are extremely pleased with the top and bottom line numbers the team put up on the board. Our trajectory and momentum continue to trend in the right direction with strong sales and tonnage growth, stabilized margins, a significant decline in our costs, and a 48% earnings improvement," said Michael Medline, President and CEO, Empire Company Limited. "We have a ways to go, but we are setting ourselves up for long-term success through strategic moves such as Project Sunrise, FreshCo 2.0, our Ocado-driven e-commerce platform and the recent acquisition of Farm Boy."

The Company's transformative initiative, Project Sunrise, expected to generate at least $500 million in annualized benefits by the end of fiscal 2020, is on track and yielding benefits consistent with management's expectations. The Company realized approximately 20% of these benefits 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.

On September 24, 2018, Empire, through a subsidiary, signed an agreement to acquire Ontario-based Farm Boy based on a total enterprise value of $800 million. Following receipt of a no-action letter from the Competition Bureau, the transaction closed on December 10, 2018. Farm Boy strengthens Empire's reach and growth plans in the key Ontario and Greater Toronto Area markets and, coupled with a best in class e-commerce strategy, enables Sobeys' strategy to win in urban and suburban markets.

In fiscal 2018, Sobeys announced plans to expand its discount banner to Western Canada and 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. The first two Manitoba FreshCo stores are on track to open in Winnipeg in the spring of 2019.

OPERATING RESULTS

($ in millions, except per share amounts)	13 Weeks Ended Nov. 3, 2018	13 Weeks Ended Nov. 4, 2017	13 Weeks Ended $ Change	26 Weeks Ended Nov. 3, 2018	26 Weeks Ended Nov. 4, 2017	26 Weeks Ended $ Change
Sales	**$ 6,214.0**	$ 6,026.1	$ 187.9	**$ 12,674.3**	$ 12,299.3	$ 375.0
Gross profit(1)	**1,482.1**	1,473.5	8.6	**2,994.4**	3,004.5	(10.1)
Operating income	**173.4**	2.6	170.8	**348.1**	127.8	220.3
Adjusted operating income(1)	**182.5**	138.3	44.2	**363.5**	310.0	53.5
EBITDA(1)	**276.1**	113.0	163.1	**554.8**	351.8	203.0
Adjusted EBITDA(1)	**279.1**	242.2	36.9	**557.8**	521.0	36.8
Net earnings (loss)(2)	**103.8**	(23.6)	127.4	**199.4**	30.4	169.0
Adjusted net earnings(1)(2)	**110.4**	73.9	36.5	**210.6**	161.4	49.2
Diluted earnings per share						
EPS(2)(3)(4)	**$ 0.38**	$ (0.09)	$ 0.47	**$ 0.73**	$ 0.11	$ 0.62
Adjusted EPS(1)(2)	**$ 0.40**	$ 0.27	$ 0.13	**$ 0.77**	$ 0.59	$ 0.18
Diluted weighted average number of shares outstanding (in millions)	**272.2**	271.8		**272.3**	271.9	

	13 Weeks Ended Nov. 3, 2018	13 Weeks Ended Nov. 4, 2017	26 Weeks Ended Nov. 3, 2018	26 Weeks Ended Nov. 4, 2017
Same-store sales(1) growth	**3.2%**	0.6%	**2.7%**	0.6%
Same-store sales growth, excluding fuel	**2.5%**	0.4%	**1.9%**	0.5%
Same-store sales growth, excluding fuel and pharmacy	**3.0%**	0.5%	**2.4%**	0.5%
Gross margin(1)	**23.9%**	24.5%	**23.6%**	24.4%
EBITDA margin(1)	**4.4%**	1.9%	**4.4%**	2.9%
Adjusted EBITDA margin(1)	**4.5%**	4.0%	**4.4%**	4.2%
Effective income tax rate	**26.4%**	31.3%	**26.9%**	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) 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 for the 13 weeks ended November 3, 2018 increased by 3.1% driven by stronger performance across the business and increased fuel sales attributable to higher fuel prices. Internal food inflation was positive which contributed to the increase in sales. Same-store sales were higher in most areas of the country and tonnage increased for the second consecutive quarter. These increases were partly offset by the effects of store closures in Western Canada during the first half of fiscal 2019 and the deflationary impact of healthcare reform.

Gross Profit

Gross profit for the 13 weeks ended November 3, 2018 increased by 0.6% primarily as a result of the increase in sales. This was partially offset by store closures 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 for the quarter decreased to 23.9% from 24.5% in the prior year as a result of an increase in lower margin fuel sales and the effect of sales mix between banners. Gross margin increased 50 basis points compared to the first quarter of fiscal 2019.

Operating Income

Operating income increased for the 13 weeks ended November 3, 2018 primarily due to lower selling and administrative expenses. The lower expenses were primarily attributable to costs incurred related to Project Sunrise in the prior year, lower incentive compensation accruals this year, the reversal of previously impaired assets in Western Canada, Project Sunrise benefits achieved and a decrease in depreciation expense. These expenses were slightly offset by increased operational labour costs due to sales increases and increases in minimum wage rates.

	13 Weeks Ended		26 Weeks Ended	
($ in millions)	**Nov. 3, 2018**	Nov. 4, 2017	**Nov. 3, 2018**	Nov. 4, 2017
Operating income	**$ 173.4**	$ 2.6	**$ 348.1**	$ 127.8
Adjustments:				
Intangible amortization associated with the Canada Safeway acquisition	**6.1**	6.5	**12.4**	13.0
Farm Boy transaction costs	**3.0**	-	**3.0**	-
Cost related to Project Sunrise	**-**	129.2	**-**	169.2
	9.1	135.7	**15.4**	182.2
Adjusted operating income	**$ 182.5**	$ 138.3	**$ 363.5**	$ 310.0

EBITDA

EBITDA increased in the 13 weeks ended November 3, 2018 as a result of the same factors affecting operating income.

	13 Weeks Ended		26 Weeks Ended	
($ in millions)	**Nov. 3, 2018**	Nov. 4, 2017	**Nov. 3, 2018**	Nov. 4, 2017
EBITDA	**$ 276.1**	$ 113.0	**$ 554.8**	$ 351.8
Adjustments:				
Farm Boy transaction costs	**3.0**	-	**3.0**	-
Cost related to Project Sunrise	**-**	129.2	**-**	169.2
	3.0	129.2	**3.0**	169.2
Adjusted EBITDA	**$ 279.1**	$ 242.2	**$ 557.8**	$ 521.0

Income Taxes

The effective income tax rate for the 13 weeks ended November 3, 2018 was 26.4% compared to 31.3% last year. The higher rate in the second quarter of the prior year related to Project Sunrise expenses that impacted the mix of earnings between legal entities and tax jurisdictions, resulting in a higher average effective tax rate.

Net Earnings

The following is a reconciliation of adjusted net earnings:

	13 Weeks Ended		26 Weeks Ended	
($ in millions, except per share amounts)	**Nov. 3, 2018**	Nov. 4, 2017	**Nov. 3, 2018**	Nov. 4, 2017
Net earnings (loss)(1)	**$ 103.8**	$ (23.6)	**$ 199.4**	$ 30.4
EPS (2) (fully diluted)	**$ 0.38**	$ (0.09)	**$ 0.73**	$ 0.11
Adjustments (net of income taxes):				
Intangible amortization associated with the Canada Safeway acquisition	**4.4**	4.7	**9.0**	9.5
Farm Boy transaction costs	**2.2**	-	**2.2**	-
Cost related to Project Sunrise	**-**	92.8	**-**	121.5
	6.6	97.5	**11.2**	131.0
Adjusted net earnings(1)	**$ 110.4**	$ 73.9	**$ 210.6**	$ 161.4
Adjusted EPS (fully diluted)	**$ 0.40**	$ 0.27	**$ 0.77**	$ 0.59
Diluted weighted average number of shares outstanding (in millions)	**272.2**	271.8	**272.3**	271.9

(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.

Free Cash Flow

($ in millions)	13 Weeks Ended Nov. 3, 2018	Nov. 4, 2017	26 Weeks Ended Nov. 3, 2018	Nov. 4, 2017
Cash flows from operating activities	**$ 113.4**	$ 106.0	**$ 270.1**	$ 281.5
Add: proceeds on disposal of property, equipment and investment property	**18.4**	63.7	**36.8**	69.4
Less: property, equipment and investment property purchases	**(66.8)**	(52.3)	**(109.6)**	(113.8)
Free cash flow	**$ 65.0**	$ 117.4	**$ 197.3**	$ 237.1

Free cash flow[1] decreased for the 13 weeks ended November 3, 2018 compared to the same period last year due to a decrease in proceeds on the sale of property and an increase in capital spending.

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

FINANCIAL PERFORMANCE BY SEGMENT

Food Retailing

($ in millions)	13 Weeks Ended Nov. 3, 2018	Nov. 4, 2017	$ Change	26 Weeks Ended Nov. 3, 2018	Nov. 4, 2017	$ Change
Sales	**$ 6,214.0**	$ 6,026.1	$ 187.9	**$ 12,674.3**	$ 12,299.3	$ 375.0
Gross profit	**1,482.1**	1,473.5	8.6	**2,994.4**	3,004.5	(10.1)
Operating income (loss)	**162.0**	(11.7)	173.7	**314.4**	99.6	214.8
Adjusted operating income	**171.1**	124.0	47.1	**329.8**	281.8	48.0
EBITDA	**264.4**	98.5	165.9	**520.8**	323.4	197.4
Adjusted EBITDA	**267.4**	227.7	39.7	**523.8**	492.6	31.2
Net earnings (loss)[1]	**96.0**	(31.9)	127.9	**176.7**	17.8	158.9
Adjusted net earnings[1]	**102.6**	65.6	37.0	**187.9**	148.8	39.1

(1) Net of non-controlling interest.

Investments and Other Operations

($ in millions)	13 Weeks Ended Nov. 3, 2018	Nov. 4, 2017	$ Change	26 Weeks Ended Nov. 3, 2018	Nov. 4, 2017	$ Change
Crombie REIT	**$ 5.0**	$ 8.9	$ (3.9)	**$ 25.3**	$ 17.3	$ 8.0
Real estate partnerships	**6.4**	6.5	(0.1)	**9.0**	10.6	(1.6)
Other operations, net of corporate expenses	**-**	(1.1)	1.1	**(0.6)**	0.3	(0.9)
	$ 11.4	$ 14.3	$ (2.9)	**$ 33.7**	$ 28.2	$ 5.5

For the 13 weeks ended November 3, 2018, income from investments and other operations decreased due to accelerated depreciation recorded by Crombie Real Estate Investment Trust (“Crombie REIT”) as part of a property redevelopment.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)		**November 3, 2018**		May 5, 2018		November 4, 2017
Shareholders' equity, net of non-controlling interest	**$**	**3,849.6**	$	3,702.8	$	3,640.8
Book value per common share(1)	**$**	**14.16**	$	13.62	$	13.40
Long-term debt, including current portion	**$**	**1,638.6**	$	1,666.9	$	1,804.1
Funded debt to total capital(1)		**29.9%**		31.0%		33.1%
Net funded debt to net total capital(1)		**20.2%**		21.9%		29.7%
Funded debt to adjusted EBITDA(1)(2)		**1.6x**		1.6x		2.0x
Adjusted EBITDA to interest expense(1)(3)		**12.2x**		10.5x		8.7x
Trailing four-quarter adjusted EBITDA	**$**	**1,051.5**	$	1,014.7	$	893.6
Trailing four-quarter interest expense	**$**	**86.5**	$	96.9	$	103.1
Current assets to current liabilities		**1.1x**		0.8x		0.8x
Total assets	**$**	**8,733.9**	$	8,662.0	$	8,635.0
Total non-current financial liabilities	**$**	**2,360.0**	$	1,929.9	$	1,958.9

(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 senior, unsecured non-revolving credit facility for $500 million. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. As at August 8, 2018, Sobeys fully utilized the credit facility to repay long-term debt.

OTHER SIGNIFICANT ITEM

Minimum Wage Increases

The Company is incurring increased labour costs 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 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 $70 million in fiscal 2019. This estimate has decreased from the $90 million previously disclosed as a result of the Making Ontario Open for Business Act ("Bill 47") that was passed into law in Ontario on November 21, 2018 that modified certain provisions of the initial legislation.

SUBSEQUENT EVENT

On September 24, 2018, Empire, through a subsidiary, signed an agreement to acquire the business of Farm Boy, a food retailer with a network of 26 stores in Ontario, for a total purchase price of $800 million. Farm Boy has been set up as a separate company within Empire's structure and Farm Boy's co-CEOs, together with members of their senior management team, have reinvested for a 12% interest of the continuing Farm Boy business. Sobeys will finance the transaction through a combination of cash on hand and a new $400 million senior, unsecured non-revolving credit facility. The Company incurred transaction costs of $3 million relating to external legal, consulting, due diligence and other costs during the 13 weeks ended November 3, 2018. The remainder of the transaction costs will be incurred in the third quarter of fiscal 2019.

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 January 31, 2019 to shareholders of record on January 15, 2019. 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 overall and 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 operations and its plans to expand its discount operations to Western Canada, which may be impacted by union negotiations, the current economic environment and future operating results; and

- The Company's expectations regarding the impact of minimum wage increases in Ontario and Alberta, other impacts of Bill 148 and Bill 47, and the Company's ability to mitigate the financial impact of these changes which may be impacted by factors previously 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 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 is 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 financial measures and financial metrics, please see Empire's MD&A for the second quarter ended November 3, 2018.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, December 13, 2018 beginning at 12:00 p.m. (Eastern Standard Time) during which senior management will discuss the Company's financial results for the second 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 "Quick Links" section of the Company's website located at www.empireco.ca.

Replay will be available by dialing (888) 390-0541 and entering access code 043292 until midnight December 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 $24.6 billion in annual 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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