EMPIRE
COMPANY LIMITED

FOR IMMEDIATE RELEASE
September 10, 2020

Empire Delivers Strong First Quarter Fiscal 2021 Earnings, Market Share Growth Continues

First Quarter Summary

- Same-store sales excluding fuel increased by 11.0%
- Earnings per share of $0.71 compared to $0.48 last year
  - Gain on sale from a significant real estate transaction of $0.08 per share
  - Collective Bargaining Agreement ratified in Alberta; lump sum payment of $0.04 per share
  - Store closure and conversion costs of $0.03 per share (last year – $0.06 per share)
- Project Horizon growth plan underway
- Sobeys Inc. debt upgraded to investment grade
- First 4 FreshCo stores open in Saskatchewan; 22 stores now open with 8 in development
- Launched *Voilà by Sobeys* online grocery delivery service in the GTA and started testing curbside pickup services in Nova Scotia

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the first quarter ended August 1, 2020. For the quarter, the Company recorded net earnings of $191.9 million ($0.71 per share) compared to $130.6 million ($0.48 per share) last year, an increase of 47%.

"The momentum at Empire – at all levels of the Company – is remarkable," said Michael Medline, President & CEO, Empire. "The team is moving with velocity and is laser-focused on our Project Horizon goals. Since fiscal 2021 started, we launched Project Horizon, our new three-year strategy for growth, *Voilà by Sobeys* went live in the GTA, our Farm Boy and FreshCo expansions continued, we ratified a key labour agreement in the West, launched a new national brand campaign for our Compliments private label lineup, and our debt was upgraded to investment grade. On top of that, we continue to see strong market share growth."

In the first quarter of fiscal 2021, the Company launched its new three-year strategy, Project Horizon, a growth plan focused on core business expansion and e-commerce acceleration. The Company is targeting an incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by (i) growing market share and (ii) building on its cost and margin discipline.

The Company also announced today the next two locations for the expansion of its FreshCo discount banner in Western Canada. With this announcement, the Company has now confirmed 30 of approximately 65 locations in Western Canada.

The Alberta FreshCo store location announced today is a new site located in Grand Prairie. The store is expected to open in the winter of fiscal 2022. The second FreshCo location announced today is located in Saskatchewan and will be converting from a Regina Sobeys store. The Sobeys store will close for renovation in the winter of fiscal 2022 and will re-open as FreshCo that summer.

Costs related to the Sobeys store closure and conversion to FreshCo will be charged to earnings in the second quarter of fiscal 2021 and are estimated to be approximately $1.3 million before tax.

CONSOLIDATED OPERATING RESULTS

($ in millions, except per share amounts)	13 Weeks Ended August 1, 2020	13 Weeks Ended August 3, 2019	$ Change
Sales	**$ 7,354.2**	$ 6,744.1	$ 610.1
Gross profit(1)	**1,848.6**	1,660.4	188.2
Operating income	**377.6**	266.1	111.5
EBITDA(1)	**582.5**	460.0	122.5
Net earnings(2)	**191.9**	130.6	61.3
Diluted earnings per share			
EPS(2)(3)	**$ 0.71**	$ 0.48	$ 0.23
Diluted weighted average number of shares outstanding (in millions)	**269.8**	272.9	
Dividend per share	**$ 0.13**	$ 0.12	

	13 Weeks Ended August 1, 2020	13 Weeks Ended August 3, 2019
Same-store sales(1) growth	**8.6%**	1.7%
Same-store sales growth, excluding fuel	**11.0%**	2.4%
Gross margin(1)	**25.1%**	24.6%
EBITDA margin(1)	**7.9%**	6.8%
Effective income tax rate	**29.4%**	26.5%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(2) Attributable to owners of the Company.
(3) Earnings per share ("EPS").

Effective this quarter and for comparative purposes, all adjusted non-GAAP financial measures and adjusted financial metrics within this document have been removed due to their immaterial nature.

COVID-19

The novel coronavirus ("COVID-19" or "pandemic") began to impact the Company in February and resulted in restrictions by government authorities and the encouragement for Canadians to stay at home. This led to increased safety protocols in stores and distribution centres, shifts in consumer demand and consumption, and volatile financial markets. The Company has taken a proactive approach, mobilizing a cross-functional pandemic planning task force with a mandate to monitor, and effectively mitigate, risks posed to employees, customers and the business. Management's top priorities remain the health and safety of employees, customers and communities while maintaining a resilient supply chain to meet the needs of Canadians and supporting charitable organizations. The Company continues to invest in increased safety and sanitization products and procedures to ensure customers and employees are protected while shopping and working in stores. Management is closely monitoring the impact of the pandemic on food retail around the world and continues to learn from best practices.

The future impact of COVID-19 is uncertain and dependent on the duration, the spread and intensity of the virus, and ultimately, when a vaccine is widely accessible. The Company's balance sheet and cash flow remain strong. As of August 1, 2020, the Company had $1,077 million in cash and cash equivalents, and had access to approximately $770 million in unutilized, aggregate credit facilities that do not expire until fiscal 2023. In addition, non-revolving credit facilities of approximately $525 million expire at the end of calendar 2020, and the Company anticipates refinancing these facilities before their expiry.

The pandemic has fundamentally impacted how Canadians shop for food. Canadians are shopping less frequently and with larger basket sizes. With this shift in shopping behaviour, many are gravitating to one-stop-shop grocery stores that meet all their household needs and online grocery.

In Canada, online grocery sales have continued to grow, although at a slower pace than when COVID-19 began. The Company's e-commerce businesses in Quebec and British Columbia ("B.C.") experienced sales growth of approximately 370% in the first quarter.

As Canada and the world adapt and progress in these unprecedented times, it is too early to forecast sales in the medium term. Over the past 14 weeks ended September 5, 2020, the Company's same-store sales growth, excluding fuel, averaged approximately 8 to 10%. Management continues to anticipate that even as Canadians return to work and school, that a percentage of the consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores.

The investment in Hero Pay for the first part of the first quarter combined with the cost of maintaining sanitization and safety measures increased selling and administrative expenses by approximately $67 million. It is expected that the Company will continue to incur approximately $15 million to $20 million in selling and administrative expenses per quarter related to the increased cost of maintaining sanitization and safety measures and other COVID-19 related costs.

Sales

Sales for the quarter ended August 1, 2020 increased by 9.0% driven by the impact of COVID-19 on the Food retailing segment, the expansion of FreshCo in Western Canada and opening of new stores. These increases were partially offset by lower fuel sales as a result of COVID-19 and temporary store closures in Western Canada pending their conversion to FreshCo.

Gross Profit

Gross profit for the first quarter increased by 11.3% primarily as a result of the impact of COVID-19 on sales and sales mix between banners. These increases were partially offset by temporary store closures in Western Canada pending their conversion to FreshCo.

Gross margin for the quarter increased to 25.1% from 24.6% last year. The increase was primarily a result of the effect of COVID-19 sales mix changes between banners, a less promotional environment and category reset benefits. These positive effects were partially offset by service department closures.

Operating Income

For the quarter ended August 1, 2020, operating income increased mainly due to improved earnings from the Food retailing segment as a result of higher sales driven by the impact of COVID-19, higher margins due to sales mix between banners, and a $30.3 million ($0.08 per share, after tax) gain on a significant sale of property recorded through other income, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of increased retail labour costs, investments in sanitization and safety measures and costs associated with the Alberta labour agreement. The increased retail labour costs substantially relate to the Company's Hero Pay program and the related one-time bonus costs in the first part of the quarter for frontline employees in stores and distribution centres.

Operating income from the Investments and other operations segment decreased primarily as a result of reduced equity earnings from Crombie Real Estate Investment Trust ("Crombie REIT") as subsequently discussed in the "Investments and Other Operations" section.

EBITDA

For the quarter ended August 1, 2020, EBITDA increased to $582.5 million from $460.0 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin increased to 7.9% from 6.8%. Included in EBITDA for the quarter is $30.3 million for a significant real estate gain, $15.6 million related to the Alberta labour agreement and $11.4 million (2020 – $21.0 million) for Farm Boy and FreshCo conversion costs.

Income Taxes

The effective income tax rate for the quarter ended August 1, 2020 was 29.4% compared to 26.5% in the same quarter last year. The current quarter effective tax rate was higher than the statutory rate primarily due to the revaluation of deferred tax assets. The prior year's effective income tax rate was lower than the statutory rate primarily due to differing tax rates of various entities.

Net Earnings

($ in millions, except per share amounts)	13 Weeks Ended August 1, 2020		August 3, 2019
Net earnings[1]	**$**	**191.9**	$ 130.6
EPS (fully diluted)	**$**	**0.71**	$ 0.48
Diluted weighted average number of shares outstanding (in millions)		**269.8**	272.9

(1) Attributable to owners of the Company.

Capital Expenditures

The Company invested $119.8 million in capital expenditures[1] for the quarter ended August 1, 2020 (2019 – $91.4 million), including renovations, construction of new stores, construction of an e-commerce fulfilment centre and construction of FreshCo locations in Western Canada.

In fiscal 2021, capital spending is expected to be between $650 million and $675 million with approximately half of this investment allocated to renovations and new stores. The Company will open 10 to 15 FreshCo stores in Western Canada and expand the Farm Boy footprint by eight stores in Ontario. The Company will also invest approximately 15% of its estimated spending on advanced analytics technology and other technology systems. The Company's total investment in Voilà for fiscal 2021, including its share of the investment in the Montreal Customer Fulfilment Centre ("CFC"), is approximately $65 million.

(1) Capital expenditure is calculated on an accrual basis and includes acquisitions of property, equipment and investment properties, and additions to intangibles.

Free Cash Flow

($ in millions)	13 Weeks Ended August 1, 2020		August 3, 2019
Cash flows from operating activities	**$**	**399.4**	$ 405.3
Add: proceeds on disposal of assets[1] and lease terminations		**23.5**	40.2
Less: payments of lease liabilities, net of payments received for finance subleases		**(132.4)**	(129.9)
Less: acquisitions of property, equipment, investment property and intangibles		**(145.4)**	(91.4)
Free cash flow[2]	**$**	**145.1**	$ 224.2

(1) Proceeds on disposal of assets include property, equipment and investment property.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.

Free cash flow decreased for the quarter ended August 1, 2020 primarily as a result of an increase in capital investments and a decrease in working capital, primarily a reversal of favourable working capital impacts in the fourth quarter of fiscal 2020 when COVID-19 driven activity increased accounts payable. The working capital decrease is partly offset by a change in income taxes payable.

FINANCIAL PERFORMANCE BY SEGMENT

Food Retailing

($ in millions)	13 Weeks Ended August 1, 2020	August 3, 2019	$ Change
Sales	**$ 7,354.2**	$ 6,744.1	$ 610.1
Gross profit	**1,848.6**	1,660.4	188.2
Operating income	**371.9**	254.4	117.5
EBITDA	**576.6**	448.1	128.5
Net earnings(1)	**189.3**	122.2	67.1

(1) Attributable to owners of the Company.

Investments and Other Operations

($ in millions)	13 Weeks Ended August 1, 2020	August 3, 2019	$ Change
Crombie REIT	**$ 4.9**	$ 13.2	$ (8.3)
Genstar	**2.6**	1.2	1.4
Other operations, net of corporate expenses	**(1.8)**	(2.7)	0.9
	$ 5.7	$ 11.7	$ (6.0)

For the quarter ended August 1, 2020, income from Investments and other operations decreased principally as a result of decreased equity earnings from Crombie REIT primarily driven by bad debt expense resulting from the impact of COVID-19 on collection of outstanding receivable balances and the impact of the federal government's Canada Emergency Commercial Rent Assistance program.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)	August 1, 2020	May 2, 2020	August 3, 2019(1)
Shareholders' equity, net of non-controlling interest	**$ 4,065.7**	$ 3,924.6	$ 3,623.2
Book value per common share(2)	**$ 15.11**	$ 14.51	$ 13.33
Long-term debt, including current portion	**$ 1,656.4**	$ 1,675.2	$ 1,976.9
Long-term lease liabilities, including current portion	**$ 5,382.0**	$ 5,266.2	$ 4,944.4
Net funded debt to net total capital(2)	**59.5%**	60.2%	63.2%
Funded debt to EBITDA(2)(3)	**3.5x**	3.7x	5.5x
EBITDA to interest expense(2)(4)	**7.2x**	6.8x	9.1x
Trailing four-quarter EBITDA	**$ 2,014.9**	$ 1,892.4	$ 1,250.8
Trailing four-quarter interest expense	**$ 278.6**	$ 279.3	$ 137.0
Current assets to current liabilities	**0.9x**	0.8x	0.9x
Total assets	**$ 14,800.3**	$ 14,632.9	$ 13,958.4
Total non-current financial liabilities	**$ 6,709.4**	$ 6,559.0	$ 7,124.1

(1) Trailing four-quarter EBITDA and interest expense are impacted by the adoption of IFRS 16, "Leases" in the first quarter of fiscal 2020.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(3) Calculation uses trailing four-quarter EBITDA.
(4) Calculation uses trailing four-quarter EBITDA and interest expense.

Subsequent to the end of the quarter, Standard & Poor's ("S&P") upgraded Sobeys Inc.'s ("Sobeys") credit rating from BB+ with a positive outlook to BBB- with a stable outlook. Dominion Bond Rating Service ("DBRS") confirmed Sobeys' rating at BBB (low) with a stable trend. Sobeys now has an investment grade credit rating from all of its rating agencies. The following table shows Sobeys' credit ratings as at September 9, 2020:

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
DBRS	BBB (low)	Stable
S&P	BBB-	Stable

The Company has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of August 1, 2020, the outstanding amount of the credit facility was $53.9 million (2020 – $ nil). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0 million. Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates. The facility was fully utilized on August 8, 2018 to repay long-term debt. As of August 1, 2020, $375.0 million has been repaid on this facility.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0 million. Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates. The facility was fully utilized on December 10, 2018, with the proceeds used to fund part of the Farm Boy acquisition.

The outstanding non-revolving credit facilities mature in the third quarter of fiscal 2021 and the Company anticipates refinancing these facilities before their expiry.

Sobeys has a $650.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of August 1, 2020, the outstanding amount of the facility was $ nil (2020 – $ nil) and Sobeys has issued $76.1 million in letters of credit against the facility (2020 – $75.2 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

The Company believes its cash and cash equivalents on hand, approximately $770.0 million in unutilized, aggregate credit facilities as of August 1, 2020, and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

DIVIDEND DECLARATION

The Board of Directors declared a quarterly dividend of $0.13 per share on both the Non-Voting Class A shares ("Class A shares") and the Class B common shares that will be payable on October 30, 2020 to shareholders of record on October 15, 2020. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation.

NORMAL COURSE ISSUER BID ("NCIB")

On June 27, 2019, the Company filed a notice of intent with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 3.5 million Class A shares representing approximately 2.0% of shares outstanding. As of May 2, 2020, the Company purchased for cancellation 2,997,583 Class A shares at an average price of $33.36 for a total consideration of $100.0 million.

On June 18, 2020, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 5.0 million Class A shares representing approximately 3.0% of the Class A shares outstanding. The purchase will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. Purchases could commence on July 2, 2020 and shall terminate not later than July 1, 2021. The Company did not purchase for cancellation any Class A shares during the first quarter of fiscal 2021. In the first quarter of fiscal 2020, the Company purchased for cancellation 547,300 Class A shares at an average price of $34.62 for a total consideration of $18.9 million.

PROJECT HORIZON

Through Project Horizon, the Company is targeting an incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by (i) growing market share and (ii) building on its cost and margin discipline.

Growth in Market Share

Growth in market share is expected from supporting and investing further in the store network, improving store productivity, scaling up grocery e-commerce, growing the private label portfolio, continuing the Western discount business expansion, and increasing the Farm Boy footprint in Ontario.

Invest in the Company's Store Network

The Company will accelerate investment in physical assets, through renovations and conversions, and store processes, communications, training, technology and tools. This will provide the Company's store teammates with further capabilities and tools to better serve customers. Re-investment in the Company's stores was a key priority toward the end of Project Sunrise. These continuing re-investments, coupled with powerful refreshed brand marketing strategies and the expansion of the Farm Boy and FreshCo banners, are reflected in the Company's estimates of future capital spending, averaging $700 million annually over the next three years.

Improve Store Space Productivity

During Project Sunrise, the Company began building the foundation of its advanced analytics capabilities. Analytics will drive improvements in customer facing elements such as store footprints, customer promotions and availability of product on shelf. With category resets complete, which provides an improved and simplified product assortment for customers, the Company is able to further improve the customer experience by leveraging advanced analytics to optimize category and product adjacencies to tailor its assortment for each store format.

Win Canadian Grocery E-Commerce

The Company is accelerating its plans for the remaining two Voilà e-commerce CFC's – for a total of four CFCs across Canada – and introducing Ocado Group plc's ("Ocado's") proven store pick solution. This store pick solution will serve customers in areas where the CFCs will not deliver, or are not yet built, and will begin in Nova Scotia at the end of the summer, before expanding and moving West. Ocado's store pick solution is live and successful in various cities across the world.

Grow the Company's Private Label Portfolio

The Company has improved its private brands' positioning and branding. The Company will review the specific role of private brands in each category and determine in which categories and banners to expand based on consumer needs. Working closely with its supplier partners, the Company plans to further grow sales and profitability of its private label brands through increased distribution, shelf placement and product innovation.

Provide Best in Class Customer Personalization

The Company is moving forward aggressively with investments in analytics and technology to better identify customer preferences and support direct, personalized communication – evolving from mass communications to personalized connections with its customers. The goal is to deploy world-class personalized communications and offers to inspire customers and improve the experience and relevance of promotions.

Building on Cost and Margin Discipline

The Company has significantly improved its efficiency and cost competitiveness over the past three years through Project Sunrise. Further opportunity still remains to remove non-value added costs, contain costs as the top line grows and optimize margins.

Drive Non-Merchandising Sourcing Efficiencies

The strategic sourcing team, established in Project Sunrise, will continue to build further efficiencies and cost reductions in all indirect spend.

Continue to Build Merchandising Sourcing Efficiencies

The Company continues to invest in advanced data and analytics to support its category planning process. Merchants will continue to work with both national and private brand suppliers to sustain gains made through category by category reviews in Project Sunrise, while continuing to partner on new opportunities to ensure the Company brings the best value and offers to its customers.

Invest in Best in Class Analytics to Enable Effective Promotions

Pricing tools will help the Company shift pricing investment to products customers care most about with the goal of improving value for customers.

Advanced analytic tools will be leveraged by category merchants nationally across formats to improve the Company's net cost of promotions, while improving value for customers.

Optimize Supply Chain Productivity

The Company will optimize its supply chain and logistics networks and consolidate certain procurement processes.

Improve System and Process

By leveraging technology to improve systems and process, the Company will yield efficiencies and cost reductions in its back office and support functions.

BUSINESS UPDATE

Farm Boy

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the store network throughout Ontario with the Company planning to double the store count in five years, mainly in the Greater Toronto Area ("GTA"). During the quarter, the Company announced the conversion of three existing Sobeys stores to the Farm Boy banner in Ontario.

With this announcement, the Company now has 42 confirmed locations in Ontario:

- 3 Farm Boy stores, net of 1 relocation, to open in calendar 2020
- 7 Farm Boy stores to open in calendar 2021
- 32 Farm Boy stores currently open and operating at September 9, 2020, in Ontario

FreshCo

In fiscal 2018, Sobeys announced plans to expand its discount format to Western Canada and expects to convert up to 25% of its 255 Safeway and Sobeys full-service format stores in Western Canada to its FreshCo discount format. During the quarter, the Company announced the next six locations for the expansion of its FreshCo discount banner in Western Canada, including the first FreshCo locations in Alberta. Subsequent to the end of the quarter, another two locations were announced. The Company has now confirmed 30 of approximately 65 locations in Western Canada and is on track to open 10 to 15 FreshCo stores in fiscal 2021.

Of the 30 confirmed FreshCo locations:

- 22 stores open and operating at September 9, 2020:
  - 16 in B.C.
  - 4 in Saskatchewan
  - 2 in Manitoba
- 6 stores expected to open in fiscal 2021:
  - 4 in Manitoba
  - 2 in Alberta
- 2 stores expected to open in fiscal 2022:
  - 1 in Alberta
  - 1 in Saskatchewan

Of the 22 stores operating as at September 9, 2020, two were opened subsequent to the end of the quarter.

Approximately $11.4 million ($0.03 per share, after tax) was charged to earnings in the first quarter related to store closures and conversion costs of the Safeway and Sobeys stores that will be converted to the FreshCo and Farm Boy banners. Approximately $21.0 million ($0.06 per share, after tax) was charged to earnings in the first quarter of the prior year.

Ratification of New Collective Bargaining Agreement in Alberta

During the quarter, the Company announced the ratification of a new Collective Bargaining Agreement ("CBA") for Alberta Safeway stores with UFCW 401, the Union representing the majority of Safeway teammates in Alberta. The five-year CBA is competitive within the Alberta market, now placing the Company on a level playing field and providing flexibility and stability to better manage operational and labour costs in the province. The CBA also provides a pathway to advance the Company’s plans to expand the FreshCo discount banner in Alberta.

The CBA includes a one-time retroactive lump sum payment to Safeway Alberta teammates for hours worked over the past three years. The cost of the one-time lump sum payment is estimated to be approximately $15.6 million pre-tax ($0.04 per share, after tax) and was charged to operating earnings during the quarter.

Voilà

On June 22, 2020, the Company introduced the future of online grocery home delivery to the GTA through the Company’s newest e-commerce platform, *Voilà by Sobeys*. The customer launch of Voilà was accelerated to meet the rapidly increasing online grocery demand from customers for home delivery. Voilà is powered by Ocado’s industry-leading technology and fills orders through its state-of-the-art automated CFC in Vaughan, Ontario. Robots assemble orders efficiently and safely, resulting in minimal product handling, while Voilà teammates safely deliver orders directly to the customer’s home.

Construction of Voilà’s second CFC in Montreal was delayed due to the temporary shutdown of non-essential construction in Quebec due to COVID-19. Construction has resumed and it is expected to deliver to customers in early 2022. This second CFC will support the launch of *Voilà par IGA* which will serve Ottawa and cities in the province of Quebec.

The Company is accelerating its plans for the remaining two Voilà e-commerce CFCs – for a total of four CFCs across Canada. With only four CFCs, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians’ spend.

The Company also announced plans to test and implement a Voilà store pick solution in Nova Scotia before expanding to hundreds of stores across the country over the next few years. The store pick solution is powered by Ocado’s technology. Responding to the growth in Canada’s online grocery market, the Company accelerated its e-commerce strategy to be able to reach even more Canadians sooner. The store pick solution will serve customers in areas where future CFCs will not deliver or are not yet built.

On August 13, 2020, the Company began employee testing *Voilà by Sobeys* Curbside Pickup service at various store locations in Nova Scotia. The Company will begin curbside pickup for all customers at these stores in Nova Scotia at the end of the summer.

Voilà had a $0.05 dilutive impact after tax on earnings per share in the first quarter (2020 – $0.01) and is expected to have a dilutive effect of approximately $0.20 after tax for fiscal 2021 (2020 – $0.04).

Compliments Relaunch

On August 20, 2020, the Company launched a private label marketing campaign focused on its newly rebranded Compliments products.

Supply Chain

During the first quarter, the Company opened its new distribution centre in B.C., which consolidates three previous distribution centres into one facility, securing a centralized location which increases capacity and efficiency in the network.

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 financial impact of Project Horizon and its underlying initiatives, including expected growth in market share, cost and margin savings resulting from this strategy, and the expected timing of the realization of incremental benefits, which could be impacted by several factors, including the time required by the Company to complete the initiatives, impacts of COVID-19 including changes in customer behaviour;

- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, the projected number of store openings, and the location, feasibility and timing of construction and conversions, all of which may be impacted by COVID-19, construction schedules and permits, the economic environment and labour relations;

- The Company's expectations regarding the implementation its online grocery home delivery service and the expected dilutive effect on Empire's earnings per share of approximately $0.20 per share in fiscal 2021, which may be impacted by COVID-19, future operating and capital costs, the customer response to the service and the performance of its business partner, Ocado;

- The Company's anticipation that a percentage of food consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores, which may be impacted by the duration of the shutdown due to COVID-19, the severity of the pandemic on people's health across Canada, the ability for restaurants and hospitality businesses to re-open and resume operations as well as the ongoing demand for restaurants and hospitality services in the near term;

- The Company's expectation that it will continue to incur approximately $15 million to $20 million per quarter in selling and administrative expenses due to additional investments and expenses required to respond to COVID-19, which may be impacted by the duration of the shutdown due to COVID-19, the severity of the pandemic on people's health across Canada, and safety precautions required;

- The Company's plans to further grow sales and profitability of its private label brands, which may be impacted by future operating and capital costs, and customer response;

- The Company's estimates regarding future capital expenditures which includes renovations and new stores, spending on advanced analytics technology and other technology systems, acquisitions of property, equipment and investment properties as well as additions to intangibles, which may be impacted by operating results, impacts of the pandemic and the economic environment;

- The Company's expectation that it will refinance its credit facilities before their expiry which may be impacted by availability of debt in the market and the Company's liquidity position;

- The Company's expectation that its cash and cash equivalents on hand, unutilized credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the economic environment; and

- The Company's plans to purchase for cancellation Class A shares under the NCIB which may be impacted by market and economic conditions, availability of sellers, changes in laws and regulations, and the results of operations.

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 2020 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.
- 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, depreciation and amortization of intangibles.
- EBITDA margin is 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 acquisitions of property, equipment, investment property and intangibles.
- 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, long-term debt and long-term lease liabilities.
- Net funded debt is calculated as funded debt less cash and cash equivalents.
- Net total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest, 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 EBITDA ratio is funded debt divided by trailing four-quarter EBITDA.
- Interest expense is calculated as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities.
- EBITDA to interest expense ratio is trailing four-quarter 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 first quarter ended August 1, 2020.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, September 10, 2020 beginning at 12:00 p.m. (Eastern Daylight Time) during which senior management will discuss the Company's financial results for the first quarter of fiscal 2021. 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 596797 until midnight September 24, 2020, 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 $27.2 billion in annual sales and $14.8 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 127,000 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
Jacquelin Weatherbee
Vice President,
Communications & Corporate Affairs
Sobeys Inc.
(416) 200-0372

Investor Contact
Katie Brine
Director Finance, Investor Relations
Sobeys Inc.
(905) 238-7124 ext. 2092