FOR IMMEDIATE RELEASE
December 14, 2023

Empire Reports Fiscal 2024 Second Quarter Results

- Earnings per share ("EPS") and adjusted EPS(1) of $0.72 and $0.71 respectively
- Prior year EPS and adjusted EPS of $0.73
- Same-store sales, excluding fuel, increased by 2.0%
- Gross margin, excluding fuel, increased by 5 basis points

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the second quarter ended November 4, 2023. For the quarter, the Company recorded net earnings of $181.1 million ($0.72 per share) compared to $189.9 million ($0.73 per share) last year. For the quarter, the Company recorded adjusted net earnings of $178.3 million ($0.71 per share) compared to $189.9 million ($0.73 per share) last year. The Company is excluding from its Adjusted Metrics(1): insurance recoveries related to the Cybersecurity Event(2) and costs incurred to plan and implement strategies to optimize the organization and improve efficiencies.

"While higher interest rates and overall economic uncertainty are impacting customer purchasing behaviours, the fundamentals of our business remain strong" said Michael Medline, President & CEO, Empire. "We continue to attract more customers in our stores, our promotions are constantly improving, and we continue to protect our margins. We have a clear strategy to deliver against and our team is executing with focus and precision."

(1) Adjusted Metrics include adjusted operating income, adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted net earnings, and adjusted earnings per share ("EPS"). See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(2) On November 4, 2022, Empire experienced IT system issues related to a cybersecurity event (the "Cybersecurity Event").

COMPANY PRIORITIES

Over the last six years, the Company has successfully completed two transformation strategies, Project Sunrise and Project Horizon. These strategies have comprehensively reset Empire's foundation, enhanced the Company's data capabilities, deepened the understanding of customers, and prepared the business to effectively capture emerging trends. With these transformation strategies now accomplished and the turnaround complete, the Company aims to grow total adjusted EPS over the long-term through net earnings growth and share repurchases. The Company intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as:

Continued Focus on Stores:

Over recent years, the Company has accelerated investments in renovations, conversions, and new stores along with store processes, communications, training, technology and tools. Investing in the store network will remain a priority, demonstrated by a sustained emphasis on renovations and continued store expansion in Discount. The Own Brands program enhancement will remain a priority through increased distribution, shelf placement and product innovation.The Company intends to invest capital in its store network and is planning to renovate approximately 20% to 25% of the network over the next three years. This capital investment includes important sustainability initiatives such as refrigeration system upgrades, heating, ventilation and air conditioning ("HVAC") system upgrades and other energy efficiency initiatives.

Enhanced Focus on Digital and Data:

The focus on digital and data will include continued e-commerce expansion with Voilà, loyalty, through *Scene+* (see "Business Updates – Voilà" and "Business Updates – *Scene+*" for more information), personalization, improved space productivity and the continued improvement of promotional optimization. Space productivity will further enhance the customer experience by improving store layouts, optimizing category and product adjacencies and tailoring product assortment for each store. The advanced analytics tools built for promotional optimization will continue to be refined through the partnership between the advanced analytics team and category merchants.

Efficiency and Cost Control:

The Company has significantly improved its efficiency and cost effectiveness through sourcing efficiencies, optimizing supply chain productivity and improving systems and processes. The Company will continue to focus on driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure.

SUMMARY RESULTS – SECOND QUARTER

($ in millions, except per share amounts)	13 Weeks Ended		$	26 Weeks Ended		$
	Nov. 4, 2023	Nov. 5, 2022	Change	**Nov. 4, 2023**	Nov. 5, 2022	Change
Sales	**$ 7,751.2**	$ 7,642.8	$ 108.4	**$ 15,826.7**	$ 15,580.4	$ 246.3
Gross profit[1]	**2,003.5**	1,955.2	48.3	**4,078.0**	3,933.1	144.9
Operating income	**312.4**	333.9	(21.5)	**768.9**	678.0	90.9
Adjusted operating income[1]	**308.6**	333.9	(25.3)	**683.5**	678.0	5.5
EBITDA[1]	**580.4**	584.2	(3.8)	**1,303.4**	1,178.2	125.2
Adjusted EBITDA[1]	**576.6**	584.2	(7.6)	**1,218.0**	1,178.2	39.8
Net earnings[2]	**181.1**	189.9	(8.8)	**442.1**	377.4	64.7
Adjusted net earnings[1][2][3]	**178.3**	189.9	(11.6)	**374.5**	377.4	(2.9)
Diluted earnings per share						
EPS[2]	**$ 0.72**	$ 0.73	$ (0.01)	**$ 1.76**	$ 1.44	$ 0.32
Adjusted EPS[1][2][3]	**$ 0.71**	$ 0.73	$ (0.02)	**$ 1.49**	$ 1.44	$ 0.05
Diluted weighted average number of shares outstanding (in millions)	**249.9**	260.6		**251.1**	261.9	
Dividend per share	**$ 0.183**	$ 0.165		**$ 0.366**	$ 0.330	

	13 Weeks Ended		26 Weeks Ended	
	Nov. 4, 2023	Nov. 5, 2022	**Nov. 4, 2023**	Nov. 5, 2022
Gross margin[1]	**25.8%**	25.6%	**25.8%**	25.2%
EBITDA margin[1]	**7.5%**	7.6%	**8.2%**	7.6%
Adjusted EBITDA margin[1]	**7.4%**	7.6%	**7.7%**	7.6%
Same-store sales[1] growth	**2.2%**	3.9%	**1.7%**	3.5%
Same-store sales growth, excluding fuel	**2.0%**	3.1%	**3.0%**	1.7%
Effective income tax rate	**22.3%**	25.4%	**25.5%**	25.5%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(2) Attributable to owners of the Company.
(3) See "Adjusted Impacts on Net Earnings" section of this News Release.

Sales

Sales for the quarter ended November 4, 2023 increased by 1.4%, primarily driven by positive growth across the business, particularly in Discount. This increase was offset by lower fuel sales mainly driven by the sale of all its retail fuel sites in Western Canada (“Western Canada Fuel Sale”) in the first quarter of fiscal 2024.

Gross Profit

Gross profit for the quarter ended November 4, 2023 increased by 2.5%, primarily driven by higher sales and business expansion (FreshCo, Farm Boy and Voilà).

Gross margin for the quarter ended November 4, 2023 increased to 25.8% from 25.6% in the prior year. Gross margin increased primarily as a result of the mix impact of lower fuel sales mainly driven by the Western Canada Fuel Sale in the first quarter of fiscal 2024, as well as lower distribution costs driven primarily by efficiency initiatives in supply chain. Excluding the mix impact of fuel sales, gross margin for the quarter ended November 4, 2023 was 5 basis points higher than in the prior year.

Operating Income

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 4, 2023**	Nov. 5, 2022	Change	**Nov. 4, 2023**	Nov. 5, 2022	Change
Food retailing	$ **301.6**	$ 292.4	$ 9.2	$ **750.7**	$ 623.3	$ 127.4
Investments and other operations						
Crombie REIT	**12.2**	35.2	(23.0)	**21.1**	47.9	(26.8)
Genstar	**2.8**	3.5	(0.7)	**3.9**	4.6	(0.7)
Other operations, net of corporate expenses	**(4.2)**	2.8	(7.0)	**(6.8)**	2.2	(9.0)
	10.8	41.5	(30.7)	**18.2**	54.7	(36.5)
Operating income	**$ 312.4**	$ 333.9	$ (21.5)	**$ 768.9**	$ 678.0	$ 90.9
Adjustments:						
Western Canada Fuel Sale(1)	**-**	-	-	**(90.8)**	-	(90.8)
Cybersecurity Event(1)	**(20.6)**	-	(20.6)	**(21.1)**	-	(21.1)
Restructuring(1)	**16.8**	-	16.8	**26.5**	-	26.5
	(3.8)	-	(3.8)	**(85.4)**	-	(85.4)
Adjusted operating income(2)	**$ 308.6**	$ 333.9	$ (25.3)	**$ 683.5**	$ 678.0	$ 5.5

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release for a description of the types of costs included.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.

For the quarter ended November 4, 2023, operating income from the Food retailing segment increased mainly due to higher sales and gross profit and gains on lease modifications and terminations in the current year, partially offset by higher selling and administrative expenses in the current year. Selling and administrative expenses increased mainly due to continued investment in business expansion (Farm Boy, Voilà and FreshCo), restructuring costs, higher retail labour costs driven by wage rate increases, and higher depreciation and amortization driven by focused investments in the store network, tools and technology to support our strategic initiatives, partially offset by insurance recoveries related to the Cybersecurity Event.

Operating income from the Investments and other operations segment for the quarter ended November 4, 2023 decreased primarily as a result of lower equity earnings from Crombie REIT mainly due to fewer property sales in the current year.

EBITDA

($ in millions)	13 Weeks Ended Nov. 4, 2023	Nov. 5, 2022	$ Change	26 Weeks Ended Nov. 4, 2023	Nov. 5, 2022	$ Change
EBITDA[1]	**$ 580.4**	$ 584.2	$ (3.8)	**$ 1,303.4**	$ 1,178.2	$ 125.2
Adjustments:						
Western Canada Fuel Sale[2]	**-**	-	-	**(90.8)**	-	(90.8)
Cybersecurity Event[2]	**(20.6)**	-	(20.6)	**(21.1)**	-	(21.1)
Restructuring[2]	**16.8**	-	16.8	**26.5**	-	26.5
	(3.8)	-	(3.8)	**(85.4)**	-	(85.4)
Adjusted EBITDA[1]	**$ 576.6**	$ 584.2	$ (7.6)	**$ 1,218.0**	$ 1,178.2	$ 39.8

(1) See “Non-GAAP Financial Measures & Financial Metrics” section of this News Release.
(2) See “Non-GAAP Financial Measures & Financial Metrics” section of this News Release for a description of the types of costs included.

For the quarter ended November 4, 2023, EBITDA decreased to $580.4 million from $584.2 million in the prior year mainly as a result of the same factors affecting operating income (excluding the increase in depreciation and amortization of $17.7 million). EBITDA margin decreased to 7.5% from 7.6% in the prior year.

For the quarter ended November 4, 2023, adjusted EBITDA decreased to $576.6 million from $584.2 million in the prior year. Adjusted EBITDA margin decreased to 7.4% from 7.6% in the prior year.

Income Taxes

The effective income tax rate for the quarter ended November 4, 2023 was 22.3% compared to 25.4% in the same quarter last year. The effective tax rate for the current and prior year quarter was lower than the statutory rate primarily due to capital items taxed at lower rates and the benefits of investment tax credits.

Net Earnings

($ in millions, except per share	13 Weeks Ended Nov. 4, 2023	Nov. 5, 2022	$ Change	26 Weeks Ended Nov. 4, 2023	Nov. 5, 2022	$ Change
Net earnings[1]	**$ 181.1**	$ 189.9	$ (8.8)	**$ 442.1**	$ 377.4	$ 64.7
EPS (fully diluted)	**$ 0.72**	$ 0.73	$ (0.01)	**$ 1.76**	$ 1.44	$ 0.32
Adjustments:[2]						
Western Canada Fuel Sale[3]	**-**	-	-	**(71.5)**	-	(71.5)
Cybersecurity Event[3]	**(15.2)**	-	(15.2)	**(15.6)**	-	(15.6)
Restructuring[3]	**12.4**	-	12.4	**19.5**	-	19.5
	(2.8)	-	(2.8)	**(67.6)**	-	(67.6)
Adjusted net earnings[1][4][5]	**$ 178.3**	$ 189.9	$ (11.6)	**$ 374.5**	$ 377.4	$ (2.9)
Adjusted EPS (fully diluted)[4]	**$ 0.71**	$ 0.73	$ (0.02)	**$ 1.49**	$ 1.44	$ 0.05
Diluted weighted average number of shares outstanding (in millions)	**249.9**	260.6		**251.1**	261.9	

(1) Attributable to owners of the Company.
(2) Total adjustments for the quarter and year-to-date are net of income taxes of $1.0 and $17.8 respectively.
(3) See “Non-GAAP Financial Measures & Financial Metrics” section of this News Release for a description of the types of costs included.
(4) See “Non-GAAP Financial Measures & Financial Metrics” section of this News Release.
(5) See "Adjusted Impacts on Net Earnings" section of this News Release.

Adjusted Impacts on Net Earnings

On July 30, 2023, Empire completed the sale of its Western Fuel Business to Canadian Mobility Services Limited, a wholly-owned subsidiary of Shell Canada. The sale of all 56 retail fuel sites in Western Canada was completed for approximately $100.0 million, which resulted in a pre-tax gain of $90.8 million. The impact to net earnings for the first quarter ended August 5, 2023 was $71.5 million.

In the first quarter of fiscal 2024, Empire began to pursue strategies to optimize its organization and improve efficiencies, including changes to its leadership team and organizational structure (the “Restructuring”). Expenses in the second quarter relate to costs incurred to plan and implement the Restructuring. The impact to net earnings for the quarter and year-to-date ended November 4, 2023 was ($12.4) million and ($19.5) million respectively.

On November 4, 2022, Empire experienced IT system issues related to a Cybersecurity Event. The Company included in its Adjusted Metrics an adjustment for direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, and labour costs, net of insurance recoveries. The impact to net earnings for the quarter and year-to-date ended November 4, 2023, related to the Cybersecurity Event was a recovery of $15.2 million and $15.6 million respectively. Empire continues to work with its insurance providers to make claims under its policies. Due to the complexity of the cyber insurance coverage and related claims, there is a time lag between the initial incurrence of costs and the recognition of anticipated insurance proceeds.

Capital Expenditures

The Company invested $134.6 million in capital expenditures(1) for the quarter ended November 4, 2023, (November 5, 2022 – $254.7 million) including renovations and construction of new stores, investments in advanced analytics technology and other technology systems, FreshCo stores in Western Canada and Voilà CFCs. The decrease in year-to-date capital spend compared to the prior year is primarily related to differences in planned timing of the capital spend.

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

Free Cash Flow

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 4, 2023**	Nov. 5, 2022	Change	**Nov. 4, 2023**	Nov. 5, 2022	Change
Cash flows from operating activities	**$ 260.8**	$ 275.9	$ (15.1)	**$ 849.0**	$ 662.6	$ 186.4
Add: proceeds on disposal of assets(1) and lease modifications and terminations	**15.7**	14.6	1.1	**121.3**	17.3	104.0
Less: interest paid	**(15.7)**	(13.7)	(2.0)	**(26.7)**	(38.3)	11.6
payments of lease liabilities, net of payments received for finance subleases	**(167.7)**	(161.5)	(6.2)	**(336.0)**	(325.4)	(10.6)
acquisitions of property, equipment, investment property and intangibles	**(155.0)**	(242.3)	87.3	**(329.7)**	(411.9)	82.2
Free cash flow(2)	**$ (61.9)**	$ (127.0)	$ 65.1	**$ 277.9**	$ (95.7)	$ 373.6

(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 for the quarter ended November 4, 2023 increased versus prior year primarily as a result of a decrease in capital investments in the current year, partially offset by a decrease in cash flows from operating activities.

FINANCIAL PERFORMANCE BY SEGMENT

Food Retailing

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov 4, 2023**	Nov 5, 2022	Change	**Nov 4, 2023**	Nov 5, 2022	Change
Sales	**$ 7,751.2**	$ 7,642.8	$ 108.4	**$ 15,826.7**	$ 15,580.4	$ 246.3
Gross profit	**2,003.5**	1,955.2	48.3	**4,078.0**	3,933.1	144.9
Operating income	**301.6**	292.4	9.2	**750.7**	623.3	127.4
Adjusted Operating Income(1)	**297.8**	292.4	5.4	**665.3**	623.3	42.0
EBITDA(1)	**569.4**	542.5	26.9	**1,284.8**	1,123.2	161.6
Adjusted EBITDA(1)	**565.6**	542.5	23.1	**1,199.4**	1,123.2	76.2
Net earnings(1)(2)	**174.3**	158.0	16.3	**445.4**	336.3	109.1
Adjusted net earnings(1)(2)	**171.5**	158.0	13.5	**377.8**	336.3	41.5

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

Investments and Other Operations

($ in millions)	13 Weeks Ended Nov. 4, 2023	Nov. 5, 2022	$ Change	26 Weeks Ended Nov. 4, 2023	Nov. 5, 2022	$ Change
Crombie REIT	**$ 12.2**	$ 35.2	$ (23.0)	**$ 21.1**	$ 47.9	$ (26.8)
Genstar	**2.8**	3.5	(0.7)	**3.9**	4.6	(0.7)
Other operations, net of corporate expenses	**(4.2)**	2.8	(7.0)	**(6.8)**	2.2	(9.0)
	$ 10.8	$ 41.5	$ (30.7)	**$ 18.2**	$ 54.7	$ (36.5)

(1) Crombie Real Estate Investment Trust ("Crombie REIT")

For the quarter ended November 4, 2023, income from Investments and other operations decreased primarily as a result of lower equity earnings from Crombie REIT mainly due to fewer property sales compared to the prior year.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)	Nov. 4, 2023	May 6, 2023	Nov. 5, 2022
Shareholders' equity, net of non-controlling interest	**$ 5,367.4**	$ 5,200.4	$ 5,161.5
Book value per common share[1]	**$ 21.53**	$ 20.09	$ 19.84
Long-term debt, including current portion	**$ 1,092.9**	$ 1,012.3	$ 1,120.9
Long-term lease liabilities, including current portion	**$ 6,088.8**	$ 6,184.6	$ 6,255.4
Funded debt to total capital[1]	**57.2%**	58.1%	58.8%
Funded debt to adjusted EBITDA[1][2]	**2.9x**	3.1x	3.1x
Adjusted EBITDA to interest expense[1][3]	**8.9x**	8.8x	8.6x
Trailing four-quarter adjusted EBITDA[1]	**$ 2,447.3**	$ 2,263.0	$ 2,361.9
Trailing four-quarter interest expense	**$ 273.5**	$ 263.1	$ 274.7
Current assets to current liabilities	**0.8x**	0.8x	0.8x
Total assets	**$ 16,445.1**	$ 16,483.7	$ 16,735.2
Total non-current financial liabilities	**$ 7,231.9**	$ 7,289.5	$ 7,122.3

(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.

Sobeys' credit rating remained unchanged from the prior quarter. The following table shows Sobeys' credit ratings as at December 13, 2023:

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

Normal Course Issuer Bid ("NCIB")

On June 21, 2023, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 12,600,000 Class A shares representing approximately 9.0% of the public float of 139,497,542 Class A shares outstanding as of June 19, 2023. The Company intends to repurchase approximately $400.0 million of Class A shares in fiscal 2024. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that the Company will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interest of the Company and its shareholders. The NCIB expires on July 1, 2024. As of November 4, 2023, the Company purchased 3,305,547 Class A shares (November 5, 2022 – 2,885,713) under this filing at a weighted average price of $37.04 (November 5, 2022 - $37.52) for a total consideration of $122.5 million (November 5, 2022 - $108.3 million).

Shares purchased are shown in the table below:

	13 Weeks Ended		26 Weeks Ended	
($ in millions, except per share amounts)	**Nov. 4, 2023**	Nov. 5, 2022	**Nov. 4, 2023**	Nov. 5, 2022
Number of shares	**2,742,144**	2,302,793	**5,580,972**	4,106,040
Weighted average price per share	**$ 37.14**	$ 36.98	**$ 36.17**	$ 38.42
Cash consideration paid	**$ 101.9**	$ 85.1	**$ 201.9**	$ 157.7

The Company engages in an automatic share purchase plan with its designated broker allowing the purchases of Class A shares for cancellation under its NCIB program during trading black-out periods.

Including purchases made subsequent to the end of the quarter, as at December 12, 2023 the Company has purchased 6,666,571 Class A shares in fiscal 2024 (December 13, 2022 – 4,423,140) at a weighted average price of $36.45 (December 13, 2022 – $38.20) for a total consideration of $243.0 million (December 13, 2022 – $169.0 million).

BUSINESS UPDATES

Scene+

In June 2022, the Company launched a new loyalty strategy through *Scene*+, one of Canada's leading loyalty programs. Along with Scotiabank and Cineplex, the Company is now a co-owner of *Scene*+. With its final launch in Quebec and Thrifty Foods in March 2023, the new loyalty program was successfully launched nationally. *Scene*+ has now grown to over 14 million members.

The Company's key priority with *Scene*+ is to accelerate program engagement by focusing on scaling personalization. By using machine learning and AI algorithms, personalization recommendations will be improved, delivering the right message, to the right customer, at the right time through the right channels.

FreshCo

In fiscal 2018, the Company announced plans to expand its FreshCo discount format to Western Canada with expectations of converting up to 25% of the 255 Safeway and Sobeys full-service format stores in Western Canada to the FreshCo banner.

Through the FreshCo expansion program, the discount business in Western Canada has been on a sharp growth trajectory, driven by store conversions and regional expansion. The value proposition and strong multicultural assortment, along with the addition of the *Scene*+ loyalty program, has supported the growth and expansion of the discount format.

As at December 13, 2023, FreshCo has 46 stores operating in Western Canada. In fiscal 2024, the Company expects to open one additional FreshCo store in Western Canada.

Voilà

In fiscal 2021, the Company introduced its new e-commerce platform, Voilà, which is the future of online grocery home delivery in Canada. Voilà is powered by industry-leading technology provided by Ocado Group plc ("Ocado") through its automated CFCs. The Company will operate four CFCs across Canada with supporting spokes and curbside pickup. The Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians' projected e-commerce spend.

The Company has three active CFCs located in Toronto, Montreal and Calgary. The fourth CFC in Vancouver will service customers in British Columbia (B.C.) starting in calendar year 2025. To service the remaining Canadian households located outside of the core CFC service areas, the Company also launched Voilà curbside pickup, which currently services 98 stores in locations across Canada and is also powered by Ocado technology.

In the first quarter of fiscal 2024, the Company completed its merger of Longo's e-commerce business, Grocery Gateway, into Voilà, thereby capturing logistics and delivery synergies. Operating as a 'shop in shop' has increased the reach of Longo's within Ontario and increased Voilà's product count. The Company now offers products from Sobeys, Farm Boy and Longo's through the Voilà platform.

Voilà's future earnings will primarily be impacted by the rate of sales growth, with operational efficiencies, strong margins, and cost discipline serving as important drivers to manage financial performance.

In the second quarter ended November 4, 2023, Voilà experienced a sales increase of 15.4% compared to the same quarter in the prior year. According to third-party market data, Voilà continued to increase its national market share within the e-commerce channel.

Cybersecurity Event

On November 4, 2022, Empire experienced IT system issues related to a Cybersecurity Event. Upon discovery, the Company immediately activated its incident response and business continuity plans, including the engagement of world-class experts, isolated the source and implemented measures to prevent further spread.

The Company maintains a variety of insurance coverages, including cyber insurance. Empire is in the process of working with its insurance providers to finalize claims under its policies. Due to the complexity of the cyber insurance coverage and related claims, there is a time lag between the initial incurrence of costs and the recognition of anticipated insurance proceeds. While the operational impact of the Cybersecurity Event is behind the Company, management expects that there will be insurance recoveries recognized throughout fiscal 2024.

The financial impact of insurance recoveries on net earnings in the quarter and year-to-date ended November 4, 2023 was a recovery of $15.2 million and $15.6 million, respectively. Impacts of the Cybersecurity Event, including the related insurance proceeds, are excluded from Adjusted Metrics(1). The Company expects to recognize additional insurance recoveries throughout fiscal 2024, which will continue to be excluded from the Adjusted Metrics. Please refer to the "Summary Results – Second Quarter" section of this document for a more detailed discussion, including a reconciliation of these non-generally accepted accounting principles ("GAAP") financial measures.

Empire estimates, based on available information, that the final impact of the Cybersecurity Event on net earnings over fiscal 2023 and fiscal 2024 remains unchanged at approximately ($32.0) million, net of estimated insurance recoveries.

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

Other Items

Labour Buyouts
On October 20, 2023, United Food and Commercial Workers ("UFCW") 1518 and UFCW 247 ratified new agreements with the Company. The new agreements allow the Company to offer voluntary buyouts to senior B.C. Safeway unionized employees. Employee buyouts provide flexibility and stability for the Company to better manage labour and operational costs.

Distribution Centre Strike
On October 14, 2023, teammates at a distribution centre in Ontario went on strike after negotiations between the union and the Company were unsuccessful in agreeing on the terms of a new collective bargaining agreement. There are strong contingency plans in place to ensure Ontario stores have continuity of supply for customers. The strike is not expected to have a material financial impact.

Western Canada Fuel Sale
On December 13, 2022, the Company signed a definitive agreement between a wholly-owned subsidiary of Sobeys and Canadian Mobility Services Limited, a wholly-owned subsidiary of Shell Canada, to sell all 56 retail fuel sites in Western Canada for approximately $100.0 million. Following regulatory review and approval, the Western Canada Fuel Sale was completed on July 30, 2023.

OUTLOOK

Management aims to grow total adjusted EPS over the long-term through net earnings growth and share repurchases. The Company intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as: a continued focus on stores (investing in renovations, Discount expansion, and Own Brands program enhancement), an expanded focus on digital and data (through key strategic initiatives including Voilà, *Scene+*, personalization, space productivity and promotional optimization), and driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure.

For fiscal 2024, capital spend is expected to be approximately $775 million, with approximately half of this investment allocated to renovations and new store expansion, and approximately $50 million allocated toward sustainability initiatives such as refrigeration system upgrades, HVAC system upgrades and other energy efficiency initiatives. The Company is planning to renovate approximately 20% to 25% of the network over the next three years.

During fiscal 2024, the Company intends to purchase approximately $400 million in Class A shares under an NCIB. The Company has declared a quarterly dividend which reflects an increase in the annualized dividend rate of 10.6%, marking the 28th consecutive year of dividend increases.

The Company continues to be well positioned to pursue growth despite the impacts of global economic uncertainties. The industry continues to experience heightened levels of inflationary pressures, particularly related to cost of goods sold. During the second quarter of fiscal 2024, the Company complied with the federal government's request for all major Canadian grocery retailers to submit plans to help further stabilize food prices for Canadians. Although it is difficult to estimate how long these inflationary pressures will last, the Company continues to focus on supplier relationships and negotiations to ensure competitive pricing for customers whose shopping behaviours become more price sensitive in a heightened inflationary environment. In the second quarter of fiscal 2024, the Company's internal food inflation continued to be slightly below the reported Consumer Price Index for food purchased from stores of 6.1% (2023 – 11.1%).

Same store sales will fluctuate over the short term, given the negative sales impact in the prior year related to the Cybersecurity Event, and the continued impacts of inflation on consumer behaviour and its effect on current year sales. Over the first five weeks of the third quarter of fiscal 2024, the Company's same-store sales growth, excluding fuel, has improved compared to the second quarter ended November 4, 2023.

DIVIDEND DECLARATION

The Board of Directors declared a quarterly dividend of $0.1825 per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on January 31, 2024 to shareholders of record on January 15, 2024. 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 aim to increase total adjusted EPS through net earnings, growth, and share repurchases, as well as its intention to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin, all of which could be impacted by several factors including a prolonged unfavourable macro-economic environment and unforeseen business challenges, as well as the factors identified in the "Risk Management" section of the fiscal 2023 annual MD&A;

- The Company's plans to further grow and enhance the Own Brands portfolio, which may be impacted by future operating costs and customer response;

- The Company's plan to invest $775 million capital in its network in fiscal 2024, including store expansions and renovations and renovate approximately 20% to 25% of the network over the next three years which could be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;

- The Company's expectation that it will continue its e-commerce expansion with Voilà, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado;

- The Company's expectation that it will continue to focus on driving efficiency and cost effectiveness initiatives which could be impacted by supplier relationships, labour relations, and other macro-economic impacts;

- The Company's expectations regarding the amount and timing of expenses relating to the completion of future CFCs, which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;

- Management's expectations regarding the impact of the Cybersecurity Event, and the estimate of the impact on its financial results in fiscal 2024. These statements and expectations may be impacted by several factors including the nature, amount and timing of the insurance outcome;

- The Company's expectation regarding the impact of the distribution centre strike, and the estimate of the impact on its financial results in fiscal 2024, which may be impacted by several factors including timing and outcome of negotiations;

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

- The Company's expectation of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macro-economic environment.

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 2023 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. Management believes that certain of these measures and metrics, including gross profit and EBITDA, are important indicators of the Company's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt and fund future capital expenditures and uses these metrics for these purposes.

In addition, management adjusts measures and metrics, including operating income, EBITDA and net earnings in an effort to provide management, investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

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 included in this News Release are as follows:

- The Western Canada Fuel Sale adjustment includes the impact of the gain on sale which is comprised of the purchase price less the write off of tangible assets and goodwill, legal and professional fees as well as lease termination impacts.
- The Cybersecurity Event adjustment includes the impact of incremental direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, labour costs and insurance recoveries. Management believes that the Cybersecurity Event adjustment results in a useful economic representation of the underlying business on a comparative basis. The adjustment does not include management's estimate of the full financial impact of the Cybersecurity Event, as it excludes the net earnings impacts related to the estimated decline in sales and operational effectiveness from impacts such as the temporary loss of advanced planning, promotion and fresh item management tools, the temporary closure of pharmacies, and customers' temporary inability to redeem gift cards and loyalty points.
- The Restructuring adjustment includes costs incurred to plan and implement strategies to optimize the organization and improve efficiencies, including professional fees and severance.
- Same-store sales are sales from stores in the same location in both reporting periods.
- Same-store sales, excluding fuel are sales from stores in the same location in both reporting periods excluding the fuel 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.
- Adjusted operating income is operating income excluding certain items to assist in analyzing trends in performance. These items are excluded to allow for useful period over period comparison of ongoing operating results. Adjusted operating income is reconciled to operating income in its respective subsection of the "Summary Results – Second Quarter" section.
- 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.

The following table reconciles net earnings to EBITDA on a consolidated basis and for the Food retailing segment:

	13 Weeks Ended					
	November 4, 2023			November 5, 2022		
($ in millions)	**Food retailing**	**Investment and other operations**	**Total**	Food retailing	Investment and other operations	Total
Net earnings	**$ 181.9**	**$ 6.8**	**$ 188.7**	$ 168.9	$ 31.8	$ 200.7
Income tax expense	**52.0**	**2.2**	**54.2**	59.1	9.1	68.2
Finance costs, net	**67.7**	**1.8**	**69.5**	64.4	0.6	65.0
Operating income	**301.6**	**10.8**	**312.4**	292.4	41.5	333.9
Depreciation	**238.1**	**0.2**	**238.3**	224.3	0.2	224.5
Amortization of intangibles	**29.7**	**-**	**29.7**	25.8	-	25.8
EBITDA	**$ 569.4**	**$ 11.0**	**$ 580.4**	$ 542.5	$ 41.7	$ 584.2

	26 Weeks Ended					
	November 4, 2023			November 5, 2022		
($ in millions)	**Food retailing**	**Investment and other operations**	**Total**	Food retailing	Investment and other operations	Total
Net earnings	**$ 472.8**	**$ (3.3)**	**$ 469.5**	$ 368.0	$ 41.0	$ 409.0
Income tax expense	**142.7**	**18.2**	**160.9**	127.2	12.8	140.0
Finance costs, net	**135.2**	**3.3**	**138.5**	128.1	0.9	129.0
Operating income	**750.7**	**18.2**	**768.9**	623.3	54.7	678.0
Depreciation	**473.7**	**0.4**	**474.1**	449.1	0.3	449.4
Amortization of intangibles	**60.4**	**-**	**60.4**	50.8	-	50.8
EBITDA	**$ 1,284.8**	**$ 18.6**	**$ 1,303.4**	$ 1,123.2	$ 55.0	$ 1,178.2

- Adjusted EBITDA is EBITDA excluding certain items to assist in analyzing trends in performance. These items are excluded to allow for useful period over period comparison of ongoing operating results. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the "Summary Results – Second Quarter" section.

- Adjusted EBITDA margin is adjusted EBITDA divided by sales.

- Adjusted net earnings is net earnings, net of non-controlling interest, excluding certain items to assist in analyzing trends in performance. These items are excluded to allow for useful period over period comparison of ongoing operating results. Adjusted net earnings is reconciled in its respective subsection of the "Summary Results – Second Quarter" section.

- Adjusted EPS (fully diluted) is calculated as adjusted net earnings divided by diluted weighted average number of shares outstanding.

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property and lease modifications and terminations, less acquisitions of property, equipment, investment property and intangibles, interest paid and payments of lease liabilities, net of payments received from finance subleases.

- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.

The following table shows the calculation of Empire's book value per common share:

($ in millions, except per share information)		**November 4, 2023**		May 6, 2023		November 5, 2022
Shareholders' equity, net of non-controlling interest	**$**	**5,367.4**	$	5,200.4	$	5,161.5
Shares outstanding (basic)		**249.3**		258.8		260.1
Book value per common share	**$**	**21.53**	$	20.09	$	19.84

- Funded debt is all interest-bearing debt, which includes bank loans, bankers' acceptances, long-term debt and long-term lease liabilities.
- Total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest.

The following table reconciles the Company's funded debt and total capital to GAAP measures as reported on the balance sheets:

($ in millions)		**Nov. 4, 2023**		May 6, 2023		Nov. 5, 2022
Long-term debt due within one year	**$**	**109.5**	$	101.0	$	532.3
Long-term debt		**983.4**		911.3		588.6
Lease liabilities due within one year		**581.9**		563.7		543.7
Long-term lease liabilities		**5,506.9**		5,620.9		5,711.7
Funded debt	**$**	**7,181.7**	$	7,196.9	$	7,376.3
Total shareholders' equity, net of non-controlling interest		**5,367.4**		5,200.4		5,161.5
Total capital	**$**	**12,549.1**	$	12,397.3	$	12,537.8

- Funded debt to total capital ratio is funded debt divided by total capital.
- Funded debt to adjusted EBITDA ratio is funded debt divided by trailing four-quarter adjusted EBITDA.
- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense.
- Management calculates interest expense as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities.

The following table reconciles finance costs, net to interest expense:

	13 Weeks Ended				26 Weeks Ended			
($ in millions)		**Nov. 4, 2023**		Nov. 5, 2022		**Nov. 4, 2023**		Nov. 5, 2022
Finance costs, net	**$**	**69.5**	$	65.0	**$**	**138.5**	$	129.0
Plus: finance income, excluding interest income on lease receivables		**1.6**		1.1		**2.8**		2.4
Less: pension finance costs, net		**(1.9)**		(2.3)		**(3.8)**		(4.0)
Less: accretion expense on provisions		**(0.2)**		(0.3)		**(0.4)**		(0.7)
Interest expense	**$**	**69.0**	$	63.5	**$**	**137.1**	$	126.7

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, December 14, 2023 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 2024. To instantly join the conference call by phone, please use the following URL to easily register yourself and be connected into the conference call automatically: https://emportal.ink/3SEXZeq. You can also be entered to the call by an Operator by dialing (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, and then navigating to the "Empire Company Limited Quarterly Results Call" link.

The replay will be available by dialing (888) 390-0541 and entering access code 295603 until midnight December 28, 2023, 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, through wholly-owned subsidiary Sobeys Inc., and related real estate. With approximately $31.6 billion in annual sales and $16.4 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 131,000 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 the SEDAR+ website for Canadian regulatory filings at www.sedarplus.ca.

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