FORM 27

MATERIAL CHANGE REPORT

1. Reporting Issuer:

Empire Company Limited
115 King Street
Stellarton, NS B0K 1S0

2. Date of Material Change:

January 24, 2001

3. Press Releases:

The press release describing the material change referred to herein was released and filed on SEDAR on January 24, 2001.

4. Summary of Material Change:

Sobeys Inc. (“Sobeys”), 62% owned by Empire Company Limited (“Empire”), announced its decision to discontinue further development and implementation of the SAP enterprise-wide software and systems initiative.

5. Full description of the Material Change:

On January 24, 2001, the board of directors of Sobeys resolved to discontinue further development and implementation of the SAP enterprise-wide software and systems initiative. SAP will be phased out of operation in Sobeys Atlantic Division and 30 corporate Sobeys stores in Ontario. The operations of Sobeys Quebec, Sobeys West, Serca Food Service and the remaining 379 stores in Ontario had not been converted to SAP. Sobeys has identified alternate software options which will fully meet all the business requirements. The present intentions of Sobeys are to continue to use only the financial statement and human resources modules of SAP software.

The decision to discontinue further development and implementation of the SAP enterprise-wide software was made following a comprehensive evaluation by Sobeys of the enterprise-wide software and systems initiative. The systemic complexities of the SAP software, combined with a serious 5-day database and systems disruption which began November 27, 2000 led to the comprehensive evaluation. The 5-day business disruption forced "work-around" accounting procedures and resulted in unprecedented out-of-stocks in Sobeys Atlantic and Ontario corporate stores. As a result of the evaluation, Sobeys came to the conclusion that what appeared to be growing pains with the implementation of the enterprise-wide systems are in fact systemic problems of a more serious nature. Sobeys determined that there is insufficient core functionality in the SAP software component of the enterprise-wide systems to effectively deal with the extremely high number of transactions in Sobeys retail operating environment.

In connection with this decision, an after-tax special charge of $49.9 million, or $0.82 per share ($89.1 million or $1.47 per share pre-tax) will be incurred by Sobeys in its current quarter to reflect the abandonment of assets related to the SAP enterprise-wide software and related systems initiative.

In conjunction with the SAP announcement, Sobeys also advised that its reconciliation of "work-around" processes to date currently indicates third quarter operating earnings of approximately $0.22 per share, well below Sobeys previously expected results. Sobeys expects that this was a one-time disruption, and accordingly Sobeys remains confident that fourth quarter earnings will materialize as expected.

Sobeys' decision will result in Empire recording in the current quarter an after-tax charge of $30.8 million ($55.1 million pre-tax) associated with the decision to abandon the SAP enterprise software and systems initiative.

Capital gains recorded in the quarter by Empire will reduce the financial impact of this Sobeys decision on the financial results of Empire. As of January 24th , Empire has realized net capital gains of approximately $25 million after tax comprised of the benefit associated with lower capital gains tax rates and net gains on sale of liquid portfolio investments.

Incorporating the third quarter earnings guidance provided today by Sobeys, Empire's management anticipates third quarter earnings of $0.48 per share before capital gains and other items, a reduction of $0.20 per share from previous expectations.

(This report contains certain forward-looking statements about the future performance of the Company. These statements are based on management's assumptions and beliefs in light of the information currently available to it. Empire assumes no obligation to update the information contained herein. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements.)

6. Reliance on Section 75 (3) of the Securities Act (Ontario), Section 81(3) of the Securities Act (Nova Scotia) and equivalent provisions in other jurisdictions:

N/A

7. Omitted Information:

N/A

8. Senior Officer:

For more information contact:

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9. Statement of Senior Officer:

The foregoing accurately discloses the material change referred to herein.

DATED at Stellarton, Nova Scotia as of this 24th day of January, 2001.

EMPIRE COMPANY LIMITED

[signed] "Paul V. Beesley"
Paul V. Beesley
Senior Vice-President, Chief Financial
Officer and Secretary

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