

---

**Empire Company Limited**  
**Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**

---

## **CONTENTS**

Condensed Consolidated Balance Sheets.....	1
Condensed Consolidated Statements of Earnings .....	2
Condensed Consolidated Statements of Comprehensive Income .....	3
Condensed Consolidated Statements of Changes in Shareholders' Equity .....	4
Condensed Consolidated Statements of Cash Flows.....	5
Notes to the Unaudited Interim Condensed Consolidated Financial Statements.....	6 - 15

**Empire Company Limited**  
**Condensed Consolidated Balance Sheets**  
**As At**  
**Unaudited (in millions of Canadian dollars)**

	February 4 2023	May 7 2022	January 29 2022
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 210.6	\$ 812.3	\$ 865.6
Receivables	693.6	558.8	564.0
Inventories (Note 4)	1,730.4	1,591.5	1,470.0
Prepaid expenses	124.0	127.6	103.1
Leases and other receivables	77.4	73.8	90.6
Income taxes receivable	95.7	48.7	58.7
Assets held for sale	3.0	-	-
	<u>2,934.7</u>	<u>3,212.7</u>	<u>3,152.0</u>
Leases and other receivables	514.6	549.1	532.9
Investments, at equity (Note 5)	697.1	681.5	598.9
Other assets	26.0	21.7	19.8
Property and equipment	3,248.7	3,159.2	3,107.5
Right-of-use assets	4,913.0	4,999.7	5,042.9
Investment property	165.4	146.8	148.7
Intangibles	1,376.5	1,338.5	1,248.5
Goodwill	2,067.8	2,059.0	2,059.3
Deferred tax assets	411.5	425.4	523.3
	<u>\$ 16,355.3</u>	<u>\$ 16,593.6</u>	<u>\$ 16,433.8</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	\$ 2,907.3	\$ 2,988.9	\$ 2,816.8
Income taxes payable	68.0	127.6	193.9
Provisions	29.0	32.7	53.9
Long-term debt due within one year (Note 6)	103.1	581.0	53.8
Lease liabilities due within one year	545.0	509.5	556.2
Other liabilities due within one year	70.0	-	-
	<u>3,722.4</u>	<u>4,239.7</u>	<u>3,674.6</u>
Provisions	42.7	44.2	41.3
Long-term debt (Note 6)	908.8	595.7	1,090.3
Long-term lease liabilities	5,653.3	5,775.9	5,793.3
Other long-term liabilities	294.3	366.0	388.9
Employee future benefits	168.9	178.2	237.3
Deferred tax liabilities	275.9	260.0	280.0
	<u>11,066.3</u>	<u>11,459.7</u>	<u>11,505.7</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (Note 7)	1,951.5	2,026.1	2,028.8
Contributed surplus	43.7	37.2	32.7
Retained earnings	3,138.2	2,914.2	2,712.6
Accumulated other comprehensive income	18.3	14.0	15.8
	<u>5,151.7</u>	<u>4,991.5</u>	<u>4,789.9</u>
Non-controlling interest	137.3	142.4	138.2
	<u>5,289.0</u>	<u>5,133.9</u>	<u>4,928.1</u>
	<u>\$ 16,355.3</u>	<u>\$ 16,593.6</u>	<u>\$ 16,433.8</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

On Behalf of the Board

(signed) "James Dickson"  
Director

(signed) "Michael Medline"  
Director

Empire Company Limited Condensed Consolidated Statements of Earnings Unaudited (in millions of Canadian dollars, except per share amounts)	13 Weeks Ended		39 Weeks Ended	
	February 4	January 29	February 4	January 29
	2023	2022	2023	2022
Sales	\$ 7,489.3	\$ 7,377.3	\$ 23,069.7	\$ 22,321.6
Other income (Note 8)	8.4	32.8	20.9	61.0
Share of earnings from investments, at equity	18.2	43.0	70.5	78.4
Operating expenses				
Cost of sales	5,588.7	5,484.6	17,236.0	16,665.9
Selling and administrative expenses	1,694.4	1,613.7	5,014.3	4,765.0
Operating income	232.8	354.8	910.8	1,030.1
Finance costs, net (Note 9)	67.8	66.0	196.8	200.1
Earnings before income taxes	165.0	288.8	714.0	830.0
Income tax expense	34.2	75.1	174.2	212.1
Net earnings	\$ 130.8	\$ 213.7	\$ 539.8	\$ 617.9
Earnings for the period attributable to:				
Non-controlling interest	\$ 5.1	\$ 10.3	\$ 36.7	\$ 50.6
Owners of the Company	125.7	203.4	503.1	567.3
	\$ 130.8	\$ 213.7	\$ 539.8	\$ 617.9
Earnings per share (Note 10)				
Basic	\$ 0.49	\$ 0.77	\$ 1.93	\$ 2.14
Diluted	\$ 0.49	\$ 0.77	\$ 1.93	\$ 2.13
Weighted average number of common shares outstanding, in millions (Note 10)				
Basic	257.9	264.1	260.1	265.7
Diluted	258.4	264.9	260.7	266.6

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Empire Company Limited Condensed Consolidated Statements of Comprehensive Income Unaudited (in millions of Canadian dollars)	13 Weeks Ended		39 Weeks Ended	
	February 4	January 29	February 4	January 29
	2023	2022	2023	2022
Net earnings	\$ 130.8	\$ 213.7	\$ 539.8	\$ 617.9
Other comprehensive income (loss), net				
Items that will be reclassified subsequently to net earnings				
Unrealized gains on derivatives designated as cash flow hedges (net of tax - Note 11)	3.5	0.7	2.2	0.4
Share of other comprehensive income of investments, at equity (net of tax - Note 11)	0.5	0.6	2.4	0.9
Exchange differences on translation of foreign operations (net of tax - Note 11)	(0.3)	-	(0.3)	(0.1)
	<u>3.7</u>	<u>1.3</u>	<u>4.3</u>	<u>1.2</u>
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains on defined benefit plans (net of tax - Note 11)	(11.9)	(1.0)	4.8	4.5
	<u>(11.9)</u>	<u>(1.0)</u>	<u>4.8</u>	<u>4.5</u>
Total comprehensive income	<u>\$ 122.6</u>	<u>\$ 214.0</u>	<u>\$ 548.9</u>	<u>\$ 623.6</u>
Total comprehensive income for the period attributable to:				
Non-controlling interest	\$ 5.1	\$ 10.3	\$ 36.7	\$ 50.6
Owners of the Company	<u>117.5</u>	<u>203.7</u>	<u>512.2</u>	<u>573.0</u>
	<u>\$ 122.6</u>	<u>\$ 214.0</u>	<u>\$ 548.9</u>	<u>\$ 623.6</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

<b>Empire Company Limited Condensed Consolidated Statements of Changes in Shareholders' Equity Unaudited (in millions of Canadian dollars)</b>	<b>Capital Stock</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Total Attributable to Owners of the Company</b>	<b>Non- controlling Interest</b>	<b>Total Equity</b>
<b>Balance at May 1, 2021</b>	\$ 1,969.8	\$ 25.2	\$ 14.6	\$ 2,363.1	\$ 4,372.7	\$ 125.3	\$ 4,498.0
Issuance of common shares on business acquisitions	129.6	-	-	-	129.6	-	129.6
Dividends declared on common shares	-	-	-	(119.2)	(119.2)	-	(119.2)
Equity based compensation, net	1.7	7.5	-	-	9.2	-	9.2
Repurchase of common shares (Note 7)	(72.4)	-	-	(160.0)	(232.4)	-	(232.4)
Shares held in trust, net	0.1	-	-	-	0.1	-	0.1
Capital transactions with structured entities	-	-	-	-	-	(25.9)	(25.9)
Non-controlling interest recognized on business acquisitions	-	-	-	86.7	86.7	-	86.7
Revaluation of put options	-	-	-	(29.8)	(29.8)	(11.8)	(41.6)
Transactions with owners	59.0	7.5	-	(222.3)	(155.8)	(37.7)	(193.5)
Net earnings	-	-	-	567.3	567.3	50.6	617.9
Other comprehensive income	-	-	1.2	4.5	5.7	-	5.7
Total comprehensive income for the period	-	-	1.2	571.8	573.0	50.6	623.6
<b>Balance at January 29, 2022</b>	<b>\$ 2,028.8</b>	<b>\$ 32.7</b>	<b>\$ 15.8</b>	<b>\$ 2,712.6</b>	<b>\$ 4,789.9</b>	<b>\$ 138.2</b>	<b>\$ 4,928.1</b>
<b>Balance at May 7, 2022</b>	<b>\$ 2,026.1</b>	<b>\$ 37.2</b>	<b>\$ 14.0</b>	<b>\$ 2,914.2</b>	<b>\$ 4,991.5</b>	<b>\$ 142.4</b>	<b>\$ 5,133.9</b>
Dividends declared on common shares	-	-	-	(128.3)	(128.3)	-	(128.3)
Equity based compensation, net	0.4	6.5	-	-	6.9	-	6.9
Repurchase of common shares (Note 7)	(75.0)	-	-	(163.3)	(238.3)	-	(238.3)
Capital transactions with structured entities	-	-	-	-	-	(32.9)	(32.9)
Revaluation of put options	-	-	-	7.7	7.7	(8.9)	(1.2)
Transactions with owners	(74.6)	6.5	-	(283.9)	(352.0)	(41.8)	(393.8)
Net earnings	-	-	-	503.1	503.1	36.7	539.8
Other comprehensive income	-	-	4.3	4.8	9.1	-	9.1
Total comprehensive income for the period	-	-	4.3	507.9	512.2	36.7	548.9
<b>Balance at February 4, 2023</b>	<b>\$ 1,951.5</b>	<b>\$ 43.7</b>	<b>\$ 18.3</b>	<b>\$ 3,138.2</b>	<b>\$ 5,151.7</b>	<b>\$ 137.3</b>	<b>\$ 5,289.0</b>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Empire Company Limited Condensed Consolidated Statements of Cash Flows Unaudited (in millions of Canadian dollars)	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
<b>Operations</b>				
Net earnings	\$ 130.8	\$ 213.7	\$ 539.8	\$ 617.9
Adjustments for:				
Depreciation	229.6	215.4	679.0	644.5
Income tax expense	34.2	75.1	174.2	212.1
Finance costs, net (Note 9)	67.8	66.0	196.8	200.1
Amortization of intangibles	30.1	27.3	80.9	70.0
Net gain on disposal of assets	(4.5)	(16.0)	(9.2)	(19.4)
Net gain on lease terminations	-	(11.2)	-	(23.4)
Impairment losses (reversals) of non-financial assets, net	0.2	(1.1)	(2.8)	(0.4)
Amortization of deferred items	(1.7)	0.2	(0.5)	1.2
Equity earnings of other entities, net of distributions received	(3.8)	(15.6)	(5.2)	10.4
Employee future benefits	0.4	(2.9)	(2.8)	(9.5)
Decrease in long-term provisions	(1.4)	(3.1)	(2.6)	(3.5)
Equity based compensation	3.9	3.4	12.1	8.6
Net change in non-cash working capital	(12.8)	168.2	(304.8)	(8.9)
Income taxes (paid) recovered, net	(34.7)	34.5	(254.2)	(62.1)
Cash flows from operating activities	<u>438.1</u>	<u>753.9</u>	<u>1,100.7</u>	<u>1,637.6</u>
<b>Investment</b>				
Increase in equity investments (Note 5)	-	-	(2.4)	(41.5)
Property, equipment and investment property purchases	(175.4)	(160.1)	(468.7)	(504.5)
Intangible purchases	(12.2)	(20.7)	(130.8)	(69.9)
Proceeds on disposal of assets	2.2	125.3	19.5	140.1
Proceeds on lease terminations	-	10.0	-	10.0
Leases and other receivables, net	2.2	17.4	0.7	9.7
Other assets and other long-term liabilities	1.4	(0.1)	(3.3)	(26.8)
Business acquisitions (Note 13)	(0.2)	(5.1)	(16.3)	(236.0)
Payments received for finance subleases	21.1	19.3	62.9	52.1
Interest received	1.1	1.4	2.4	2.4
Cash flows used in investing activities	<u>(159.8)</u>	<u>(12.6)</u>	<u>(536.0)</u>	<u>(664.4)</u>
<b>Financing</b>				
Issuance of long-term debt	11.4	11.9	65.4	79.4
Repayments of long-term debt	(9.5)	(13.7)	(572.1)	(83.4)
(Repayments) advances on credit facilities, net	(110.9)	(15.1)	341.1	(113.6)
Interest paid	(10.3)	(6.1)	(48.6)	(34.2)
Payments of lease liabilities (principal portion)	(128.2)	(120.1)	(382.0)	(300.2)
Payments of lease liabilities (interest portion)	(57.3)	(56.1)	(170.7)	(168.7)
Repurchase of common shares (Note 7)	(80.6)	(80.1)	(238.3)	(232.4)
Dividends paid, common shares	(42.5)	(39.5)	(128.3)	(119.2)
Non-controlling interest	(6.8)	(2.9)	(32.9)	(25.8)
Cash flows used in financing activities	<u>(434.7)</u>	<u>(321.7)</u>	<u>(1,166.4)</u>	<u>(998.1)</u>
(Decrease) increase in cash and cash equivalents	(156.4)	419.6	(601.7)	(24.9)
Cash and cash equivalents, beginning of period	<u>367.0</u>	<u>446.0</u>	<u>812.3</u>	<u>890.5</u>
Cash and cash equivalents, end of period	<u>\$ 210.6</u>	<u>\$ 865.6</u>	<u>\$ 210.6</u>	<u>\$ 865.6</u>

See accompanying notes to the unaudited interim condensed consolidated financial statements.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
**(in millions of Canadian dollars, except share and per share amounts)**

---

**1. Reporting entity**

Empire Company Limited (“Empire” or the “Company”) is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited interim condensed consolidated financial statements for the period ended February 4, 2023 include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. (“Sobeys”), and certain enterprises considered structured entities where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and its joint ventures are accounted for using the equity method. As at February 4, 2023, the Company’s business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 12, Segmented information. The Company’s Food retailing business is affected by seasonality and the timing of holidays. The Company’s fiscal year ends on the first Saturday in May.

**2. Basis of preparation**

**Statement of compliance**

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements have been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended May 7, 2022, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2023.

**Basis of measurement**

The unaudited interim condensed consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: certain financial instruments (including derivatives) at fair value through profit and loss and cash settled stock-based compensation plans. Put option liabilities are carried at fair value through equity. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

**Use of estimates, judgments and assumptions**

The preparation of the unaudited interim condensed consolidated financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported on the condensed consolidated financial statements and accompanying notes. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized on the unaudited interim condensed consolidated financial statements are summarized in the Company’s annual consolidated financial statements for the year ended May 7, 2022 and remain unchanged for the period ended February 4, 2023.

**3. Summary of significant accounting policies**

These unaudited interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company’s annual consolidated financial statements for the year ended May 7, 2022, with the exception of the following:

**Customer loyalty programs**

Sobeys has implemented the *Scene+* loyalty program in certain geographic regions and banners. AIR MILES® collectors can earn and redeem points in Sobeys stores until the new *Scene+* program is available in that region. *Scene+* points are earned by Sobeys customers based on purchases instore and online. Sobeys pays a per point fee under the terms of the *Scene+* joint venture agreement. The cost of points is recorded as a reduction of revenue. The *Scene+* program follows the same policy as the outgoing AIR MILES® program.



**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
(in millions of Canadian dollars, except share and per share amounts)

**Changes to accounting standards adopted during fiscal 2023**

In May 2020, the IASB issued a package of narrow-scope amendments to three standards (IFRS 3, “Business Combinations”; IAS 16, “Property, Plant and Equipment”; and IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”) as well as the IASB’s Annual Improvements to IFRS Standards 2018 - 2020. These amendments to existing IFRS standards are to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. These amendments became effective for annual periods beginning on or after January 1, 2022. There was no impact on the Company’s financial statements.

**Standards, amendments and interpretations issued but not yet adopted**

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1, “Presentation of Financial Statements”) to clarify that covenants to be complied with after the reporting date for an entity’s right to defer settlement of a liability does not affect the classification of the liability as current or non-current at the reporting date. These narrow-scope amendments aim to improve information an entity provides with regards to the covenants through additional disclosures. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of these amendments.

In September 2022, the IASB issued narrow-scope amendments to IFRS 16, “Leases”. These amendments clarify how a seller-lessee subsequently measures the lease liability that arises from a sale and leaseback transaction, the seller-lessee determines “lease payments” and “revised lease payments” in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. These amendments only apply to sale and leaseback transactions for which the lease payments include variable lease payments that do not depend on an index or a rate. The amendment is effective for annual reporting periods beginning on or after January 1, 2024 with early adoption permitted. The Company expects no impact from these amendments.

In May 2021, the IASB issued narrow-scope amendments to IAS 12, “Income Taxes”. The amendments require deferred tax assets and liabilities to be recognized for transactions that result in both deductible and taxable temporary differences of the same amount at initial recognition. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company expects no impact from these amendments.

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, “Presentation of Financial Statements”). The narrow-scope amendment affects only the presentation of liabilities in the statement of financial position and not the amount or timing of recognition. Specifically, it clarifies:

- classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- that “settlement” refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

These amendments are effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. The Company is assessing the potential impact of this amendment.

**4. Inventories**

The cost of inventories recognized as an expense during the period and year-to-date ended February 4, 2023 was \$5,588.7 and \$17,236.0 (January 29, 2022 - \$5,484.6 and \$16,665.9) respectively. The Company recorded an expense (recovery) for the period and year-to-date ended February 4, 2023 of \$0.1 and \$2.4 (January 29, 2022 - \$(0.2) and \$1.9) respectively for write-down of inventories below cost to net realizable value for inventories on hand.

**5. Investments, at equity**

	February 4 2023	January 29 2022
<b>Investment in associates and joint ventures</b>		
Crombie Real Estate Investment Trust (“Crombie REIT”)	\$ 630.0	\$ 520.0
Canadian real estate partnerships	63.8	74.4
United States (“U.S.”) real estate partnerships	0.1	2.5
Joint ventures	3.2	2.0
<b>Total</b>	<b>\$ 697.1</b>	<b>\$ 598.9</b>

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
(in millions of Canadian dollars, except share and per share amounts)

The fair value of the investment in Crombie REIT, which is based on a published price quoted on the Toronto Stock Exchange ("TSX"), is as follows:

	<b>February 4 2023</b>	<b>January 29 2022</b>
Crombie REIT	<b>\$ 1,214.9</b>	<b>\$ 1,188.6</b>

The Canadian and U.S. real estate partnerships and joint ventures are not listed on a public stock exchange and hence published price quotes are not available.

## 6. Long-term debt

The following table reconciles the changes in cash flows from financing activities for long-term debt:

	<b>13 Weeks Ended</b>		<b>39 Weeks Ended</b>	
	<b>February 4 2023</b>	<b>January 29 2022</b>	<b>February 4 2023</b>	<b>January 29 2022</b>
Opening balance	<b>\$ 1,120.9</b>	<b>\$ 1,160.9</b>	<b>\$ 1,176.7</b>	<b>\$ 1,225.3</b>
Issuance of debt	<b>11.4</b>	<b>11.9</b>	<b>65.4</b>	<b>79.4</b>
Repayments of long-term debt	<b>(9.5)</b>	<b>(13.7)</b>	<b>(572.1)</b>	<b>(83.4)</b>
(Repayments) advances on credit facilities, net	<b>(110.9)</b>	<b>(15.1)</b>	<b>341.1</b>	<b>(113.6)</b>
Total cash flow used in long-term debt financing activities	<b>(109.0)</b>	<b>(16.9)</b>	<b>(165.6)</b>	<b>(117.6)</b>
Acquired through business acquisitions	<b>-</b>	<b>-</b>	<b>-</b>	<b>35.8</b>
Deferred financing costs	<b>-</b>	<b>0.1</b>	<b>0.8</b>	<b>0.6</b>
Closing balance	<b>\$ 1,011.9</b>	<b>\$ 1,144.1</b>	<b>\$ 1,011.9</b>	<b>\$ 1,144.1</b>
Current			<b>\$ 103.1</b>	<b>\$ 53.8</b>
Non-current			<b>908.8</b>	<b>1,090.3</b>
Total			<b>\$ 1,011.9</b>	<b>\$ 1,144.1</b>

Pursuant to an agreement dated November 3, 2022, the Company amended and restated its senior, unsecured revolving term credit agreement, extending the maturity date to November 4, 2027. The principal amount available was reduced from \$250.0 to \$150.0. As of February 4, 2023, the outstanding amount of this facility was \$94.1 (January 29, 2022 - \$10.2). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

Pursuant to an agreement dated November 3, 2022, Sobeys amended and restated its senior, unsecured revolving term credit agreement in the amount of \$650.0, extending the maturity date to November 4, 2027. As of February 4, 2023, the outstanding amount of this facility was \$279.7 (January 29, 2022 - \$ nil) and the Company has issued \$69.9 (January 29, 2022 - \$65.1) in letters of credit against the facility. Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

## 7. Capital stock

On June 22, 2021, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 8,468,408 Non-Voting Class A shares representing 5.0% of the 169,368,174 Non-Voting Class A shares outstanding. As of July 1, 2022, under this filing, the Company purchased 5,659,764 Non-Voting Class A shares at a weighted average price of \$39.11 (July 1, 2021 - \$38.00) for a total consideration of \$221.3 (July 1, 2021 - \$230.4).

On June 21, 2022, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 10,500,000 Non-Voting Class A shares representing 7.0% of the public float of 150,258,764 Non-Voting Class A shares outstanding as of June 17, 2022. 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 the Company will pay for any such shares will be the market price at the time of acquisition. Purchases were eligible to commence on July 2, 2022 and terminate not later than July 1, 2023.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
(in millions of Canadian dollars, except share and per share amounts)

The following table reflects shares purchased under the NCIB:

	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
Number of shares	2,228,582	2,115,534	6,334,622	5,965,883
Weighted average price	\$ 36.14	\$ 37.91	\$ 37.62	\$ 38.98
Reduction of share capital	\$ 26.4	\$ 25.8	\$ 75.0	\$ 72.4
Premium charged to retained earnings	54.2	54.3	163.3	160.0
Cash consideration paid	\$ 80.6	\$ 80.1	\$ 238.3	\$ 232.4

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

Subsequent to the period ended February 4, 2023, the Company purchased for cancellation 1,021,572 Non-Voting Class A shares at a weighted average price of \$36.47 for a total consideration of \$37.3.

The Company's issued and outstanding shares are as follows:

	Number of Shares		Share Capital	
	13 Weeks Ended		13 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
Balance, beginning of period, Non-Voting				
Class A shares	160,486,539	166,858,697	\$ 1,971.2	\$ 2,048.2
Repurchase of common shares	(2,228,582)	(2,115,534)	(26.4)	(25.8)
Issuance of shares for stock-based compensation	12,524	1,650	0.2	(0.1)
Balance, end of period, Non-Voting Class A shares	158,270,481	164,744,813	\$ 1,945.0	\$ 2,022.3
Class B common shares, without par value	98,138,079	98,138,079	\$ 7.3	\$ 7.3
Shares held in trust	(29,681)	(38,837)	(0.8)	(0.8)
Total capital stock			\$ 1,951.5	\$ 2,028.8

	Number of Shares		Share Capital	
	39 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
Balance, beginning of period, Non-Voting				
Class A shares	164,563,680	167,323,301	\$ 2,019.6	\$ 1,963.4
Repurchase of common shares	(6,334,622)	(5,965,883)	(75.0)	(72.4)
Issuance of shares on business acquisition	-	3,187,348	-	129.6
Issuance of shares for stock-based compensation	41,423	200,047	0.4	1.7
Balance, end of period, Non-Voting Class A shares	158,270,481	164,744,813	\$ 1,945.0	\$ 2,022.3
Class B common shares, without par value	98,138,079	98,138,079	\$ 7.3	\$ 7.3
Shares held in trust	(29,681)	(38,837)	(0.8)	(0.8)
Total capital stock			\$ 1,951.5	\$ 2,028.8

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
(in millions of Canadian dollars, except share and per share amounts)

**8. Other income**

	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
Lease income from owned property	\$ 3.9	\$ 5.6	\$ 11.7	\$ 18.2
Net gain on disposal of assets	4.5	16.0	9.2	19.4
Net gain on lease terminations	-	11.2	-	23.4
<b>Total</b>	<b>\$ 8.4</b>	<b>\$ 32.8</b>	<b>\$ 20.9</b>	<b>\$ 61.0</b>

**9. Finance costs, net**

	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
<b>Finance income</b>				
Interest income on lease receivables	\$ 5.0	\$ 5.3	\$ 15.4	\$ 16.3
Interest income from cash and cash equivalents	1.1	1.4	2.4	2.4
Fair value gains on forward contracts	-	0.8	1.0	2.4
Accretion income on leases and other receivables	0.1	-	0.2	0.2
<b>Total finance income</b>	<b>6.2</b>	<b>7.5</b>	<b>19.0</b>	<b>21.3</b>
<b>Finance costs</b>				
Interest expense on lease liabilities	57.3	56.1	170.7	168.7
Interest expense on other financial liabilities at amortized cost	15.2	15.0	38.9	45.1
Pension finance costs, net	1.1	1.9	5.1	5.8
Accretion expense on provisions	0.4	0.5	1.1	1.8
<b>Total finance costs</b>	<b>74.0</b>	<b>73.5</b>	<b>215.8</b>	<b>221.4</b>
<b>Finance costs, net</b>	<b>\$ 67.8</b>	<b>\$ 66.0</b>	<b>\$ 196.8</b>	<b>\$ 200.1</b>

**10. Earnings per share**

Basic earnings per share and diluted earnings per share were calculated using the following number of shares:

	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
Weighted average number of shares - basic	257,909,528	264,086,238	260,071,340	265,656,971
Shares deemed to be issued for no consideration in respect of stock-based payments	500,198	817,476	629,305	968,043
<b>Weighted average number of shares - diluted</b>	<b>258,409,726</b>	<b>264,903,714</b>	<b>260,700,645</b>	<b>266,625,014</b>

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
(in millions of Canadian dollars, except share and per share amounts)

**11. Income taxes recognized in other comprehensive income (loss)**

Income tax (benefit) expense recognized in other comprehensive income (loss) is as follows:

	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
Unrealized gains on derivatives designated as cash flow hedges	\$ 1.4	\$ 0.1	\$ 0.5	\$ 0.2
Share of other comprehensive income of investments, at equity	0.2	0.3	1.0	0.4
Exchange differences on translation of foreign operations	(0.1)	-	(0.1)	-
Actuarial (losses) gains on defined benefit plans	(4.3)	(0.2)	1.7	2.8
<b>Total</b>	<b>\$ (2.8)</b>	<b>\$ 0.2</b>	<b>\$ 3.1</b>	<b>\$ 3.4</b>

**12. Segmented information**

The Company's reportable segments are Food retailing and Investments and other operations. The Food retailing segment is comprised of three operating segments: Sobeys National, Farm Boy and Longo's. These operating segments have been aggregated into one reportable segment, Food retailing, as they all share similar economic characteristics such as product offerings, customer base and distribution methods. The Investments and other operations segment principally consists of investments in Crombie REIT, real estate partnerships and various other corporate operations.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

All inter-segment transfers are carried out at arm's length prices. The measurement policies the Company uses for segment reporting under IFRS 8, "Operating Segments", are the same as those used on its consolidated financial statements.

No asymmetrical allocations of income, expense or assets have been applied between segments.

All segment revenues are generated by the Food retailing segment. Operating income generated by each of the Company's business segments is summarized as follows:

	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
<b>Segmented operating income</b>				
Food retailing	\$ 212.3	\$ 313.1	\$ 835.6	\$ 955.8
Investments and other operations				
Crombie REIT	18.5	32.7	66.4	50.3
Real estate partnerships	5.4	10.7	10.0	29.1
Other operations, net of corporate expenses	(3.4)	(1.7)	(1.2)	(5.1)
	20.5	41.7	75.2	74.3
<b>Total</b>	<b>\$ 232.8</b>	<b>\$ 354.8</b>	<b>\$ 910.8</b>	<b>\$ 1,030.1</b>

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
(in millions of Canadian dollars, except share and per share amounts)

Segment operating income can be reconciled to the Company's earnings before income taxes as follows:

	13 Weeks Ended		39 Weeks Ended	
	February 4 2023	January 29 2022	February 4 2023	January 29 2022
Total operating income	\$ 232.8	\$ 354.8	\$ 910.8	\$ 1,030.1
Finance costs, net	67.8	66.0	196.8	200.1
Total	\$ 165.0	\$ 288.8	\$ 714.0	\$ 830.0

	February 4 2023	January 29 2022
<b>Total assets by segment</b>		
Food retailing	\$ 15,570.7	\$ 15,703.6
Investments and other operations	784.6	730.2
Total	\$ 16,355.3	\$ 16,433.8

### 13. Business acquisitions

During the year-to-date ended February 4, 2023, the Company completed the acquisitions of certain franchise and non-franchise stores. The results of these acquisitions have been included in the financial results of the Company since their acquisition dates and were accounted for through the use of the acquisition method.

The following table represents the amount of identifiable assets and liabilities resulting from these acquisitions for the year-to-date ended February 4, 2023:

Receivables	\$ 0.1
Inventories	4.6
Property, equipment and investment property	5.9
Right-of-use assets	6.4
Goodwill	8.8
Accounts payable and accrued liabilities	(3.0)
Income taxes payable	(0.1)
Lease liabilities	(6.4)
Total consideration	\$ 16.3

From the date of acquisition, the businesses acquired contributed sales of \$26.0 and \$49.4 and net (loss) earnings of \$(0.4) and \$1.0 for the period and year-to-date ended February 4, 2023 respectively.

Goodwill relates to the acquired workforce, customer base and expected synergies. The estimated fair value of identifiable net assets and goodwill acquired have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

During the period ended August 6, 2022, the Company finalized the purchase price allocation for Longo's, a long-standing, family-built network of specialty grocery stores in the Greater Toronto Area, and its Grocery Gateway e-commerce business, acquired on May 10, 2021. No adjustments were made to the provisional amounts recognized in the annual audited consolidated financial statements for the fiscal year ended May 7, 2022.

### 14. Contingencies

The Company has submitted insurance claims in connection with losses incurred related to a cybersecurity event which occurred on November 4, 2022. The amount and timing of receipt for the insurance recoveries are uncertain and subject to approval by the insurance companies. As a result, recoveries will only be recognized on the consolidated statements of earnings when the amount and timing are virtually certain.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
(in millions of Canadian dollars, except share and per share amounts)

**15. Financial instruments**

The carrying amount of the Company's financial instruments approximates their fair values with the following exception:

<b>Long-term debt</b>	<b>February 4 2023</b>	<b>May 7 2022</b>	<b>January 29 2022</b>
Total carrying amount	\$ 1,011.9	\$ 1,176.7	\$ 1,144.1
Total fair value	\$ 1,072.3	\$ 1,210.3	\$ 1,282.7

The fair value of the non-controlling interest put liabilities associated with the acquisitions of Farm Boy and other acquisitions is equivalent to the present value of the non-controlling interest buyout price which is based on the estimated future earnings of these entities at a predetermined date. The fair value of the non-controlling interest put liability associated with the acquisition of Longo's was determined through a statistical simulation, which is based on the estimated future earnings of Longo's at a predetermined date. The fair value of these options is classified as Level 3 within the three-level hierarchy of IFRS 13.

**16. Stock-based compensation**

**Performance share unit plan**

The Company awards performance share units ("PSUs") to certain employees. The number of PSUs that vest under an award, for the most part, is dependent on time and the achievement of specific performance measures. Upon vesting, each employee is entitled to receive Non-Voting Class A shares equal to the number of their vested PSUs. During the year-to-date ended February 4, 2023, the Company granted 362,822 (January 29, 2022 - 272,879) PSUs. The weighted average fair value of \$39.86 (January 29, 2022 - \$37.70) per PSU issued during the year-to-date ended February 4, 2023 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$41.71
Expected life	2.77 years
Risk-free interest rate	3.34%
Expected volatility	29.72%
Dividend yield	1.64%

At February 4, 2023, there were 967,053 (January 29, 2022 - 616,754) PSUs outstanding. The compensation expense for the period and year-to-date ended February 4, 2023 related to PSUs was \$2.4 and \$7.3 (January 29, 2022 - \$1.8 and \$3.9) respectively.

**Stock option plan**

During the year-to-date ended February 4, 2023, the Company granted 587,153 (January 29, 2022 - 599,052) options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The weighted average fair value of \$9.98 (January 29, 2022 - \$10.06) per option issued during the year-to-date ended February 4, 2023 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$40.39
Expected life	4.64 years
Risk-free interest rate	3.27%
Expected volatility	27.93%
Dividend yield	1.62%

The compensation expense for the period and year-to-date ended February 4, 2023 related to the issuance of options was \$1.5 and \$4.8 (January 29, 2022 - \$1.6 and \$4.7) respectively.

**Deferred stock unit plans**

Deferred stock units ("DSU") issued to employees under the Executive DSU Plan, vest dependent on time and the achievement of specific performance measures. During the year-to-date ended February 4, 2023, the Company granted 125,599 (January 29, 2022 - 92,349) DSUs. At February 4, 2023, there were 1,889,853 (January 29, 2022 - 1,759,229) DSUs outstanding and the total carrying amount of the liability was \$66.2 (January 29, 2022 - \$59.1). The compensation expense (income) for the period and year-to-date ended February 4, 2023 related to DSUs was \$6.1 and \$(3.7) (January 29, 2022 - \$2.1 and \$2.4) respectively.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
**(in millions of Canadian dollars, except share and per share amounts)**

---

Members of the Board of Directors may elect to receive all or any portion of their fees in DSUs in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' or employees' fee payment date. During the year-to-date ended February 4, 2023, the Company granted 48,434 (January 29, 2022 - 38,806) DSUs. At February 4, 2023, there were 469,479 (January 29, 2022 - 407,625) DSUs outstanding and the total carrying amount of the liability was \$17.4 (January 29, 2022 - \$15.8). During the period and year-to-date ended February 4, 2023, the compensation expense (income) recorded was \$1.7 and \$(0.2) (January 29, 2022 - \$1.3 and \$1.7) respectively.

Under both DSU plans, vested DSUs cannot be redeemed until the employee has left the Company or the holder is no longer a director of the Company. The redemption value of a DSU equals the market value of an Empire Non-Voting Class A share at the time of redemption. On an ongoing basis, the Company values the DSU obligation at the current market value of a corresponding number of Non-Voting Class A shares and records any increase or decrease in the DSU obligation as selling and administrative expenses.

### **17. Related party transactions**

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. As at February 4, 2023, the Company holds a 41.5% (January 29, 2022 - 41.5%) ownership interest in Crombie REIT and accounts for its investment using the equity method.

Crombie REIT has instituted a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. The Company has enrolled in the DRIP to maintain its economic and voting interest in Crombie REIT.

During the period ended February 4, 2023, Sobeys, through a wholly-owned subsidiary, sold a property to Crombie REIT for cash consideration of \$2.1. This resulted in a pre-tax gain of \$0.2 which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

During the period ended February 4, 2023, Crombie REIT disposed of a property to a third party. This transaction resulted in the reversal of previously deferred pre-tax gain of \$4.6 which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

During the period ended November 5, 2022, Crombie REIT disposed of a property to a third party. This transaction resulted in the reversal of previously deferred pre-tax gain of \$1.5 which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

During the period and year-to-date ended January 29, 2022, Sobeys, through wholly-owned subsidiaries, engaged in lease modification termination transactions with Crombie REIT. These transactions resulted in pre-tax gains of \$11.2 and \$22.8 respectively which have been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

During the period ended January 29, 2022, Sobeys, through a wholly-owned subsidiary, sold and leased back six properties and sold a property to Crombie REIT for a combined total cash consideration of \$38.0 resulting in pre-tax gains of \$1.6 which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

During the period ended January 29, 2022, Crombie REIT disposed of two properties to third parties. These transactions resulted in the reversal of previously deferred pre-tax gains of \$1.7 which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

On January 25, 2022, Sobeys, through a wholly-owned subsidiary, sold and leased back 50% of a distribution centre to Crombie REIT for cash consideration of \$38.1. This resulted in a pre-tax gain of \$3.7 which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings. Crombie REIT now owns 100% of the property.

During the period ended July 31, 2021, Sobeys, through a wholly-owned subsidiary, sold and leased back a property to Crombie REIT for cash consideration of \$4.7 resulting in a pre-tax gain of \$0.3 which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.



**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**February 4, 2023**  
**(in millions of Canadian dollars, except share and per share amounts)**

---

On May 19, 2021, Crombie REIT announced it had closed a bought-deal public offering of units at a price of \$16.60 per unit for aggregate proceeds of \$100.0. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, \$41.5 of Class B Limited Partnership units to maintain a 41.5% ownership interest in Crombie REIT.

**18. Employee future benefits**

During the period and year-to-date ended February 4, 2023, the net employee future benefits expense reported in net earnings was \$12.2 and \$36.6 (January 29, 2022 - \$12.5 and \$37.4) respectively. Actuarial (losses) gains before taxes on defined benefit pension plans for the period and year-to-date ended February 4, 2023 were \$(16.2) and \$6.5 (January 29, 2022 - \$(1.2) and \$7.3) respectively. These (losses) gains have been recognized in other comprehensive income (loss).