
Empire Company Limited
Interim Condensed Consolidated Financial Statements
February 3, 2024

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

	February 3 2024	May 6 2023	February 4 2023
ASSETS			
Current			
Cash and cash equivalents	\$ 249.1	\$ 221.3	\$ 210.6
Receivables	636.1	683.4	693.6
Inventories (Note 4)	1,738.9	1,743.3	1,730.4
Prepaid expenses	144.7	131.0	124.0
Leases and other receivables	94.1	85.2	77.4
Income taxes receivable	76.1	90.8	95.7
Assets held for sale	1.1	-	3.0
	<u>2,940.1</u>	<u>2,955.0</u>	<u>2,934.7</u>
Leases and other receivables	600.3	587.0	514.6
Investments, at equity (Note 5)	684.7	701.9	697.1
Other assets	38.9	26.3	26.0
Property and equipment	3,342.7	3,338.1	3,248.7
Right-of-use assets	5,010.2	4,860.9	4,913.0
Investment property	164.3	166.8	165.4
Intangibles	1,352.8	1,375.6	1,376.5
Goodwill	2,060.4	2,067.8	2,067.8
Deferred tax assets	313.6	404.3	411.5
	<u>\$ 16,508.0</u>	<u>\$ 16,483.7</u>	<u>\$ 16,355.3</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 2,784.9	\$ 3,028.6	\$ 2,907.3
Income taxes payable	73.7	61.3	68.0
Provisions	47.1	29.9	29.0
Long-term debt due within one year (Note 6)	123.1	101.0	103.1
Lease liabilities due within one year	580.7	563.7	545.0
Other liabilities due within one year	77.1	73.0	70.0
	<u>3,686.6</u>	<u>3,857.5</u>	<u>3,722.4</u>
Provisions	48.1	42.7	42.7
Long-term debt (Note 6)	818.6	911.3	908.8
Long-term lease liabilities	5,762.6	5,620.9	5,653.3
Other long-term liabilities	297.6	279.2	294.3
Employee future benefits	168.7	166.6	168.9
Deferred tax liabilities	279.2	268.8	275.9
	<u>11,061.4</u>	<u>11,147.0</u>	<u>11,066.3</u>
SHAREHOLDERS' EQUITY			
Capital stock (Note 7)	1,816.1	1,914.7	1,951.5
Contributed surplus	52.2	50.1	43.7
Retained earnings	3,432.5	3,216.0	3,138.2
Accumulated other comprehensive income	20.0	19.6	18.3
	<u>5,320.8</u>	<u>5,200.4</u>	<u>5,151.7</u>
Non-controlling interest (Note 15)	125.8	136.3	137.3
	<u>5,446.6</u>	<u>5,336.7</u>	<u>5,289.0</u>
	<u>\$ 16,508.0</u>	<u>\$ 16,483.7</u>	<u>\$ 16,355.3</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 3	February 4	February 3	February 4
	2024	2023	2024	2023
Sales	\$ 7,494.4	\$ 7,489.3	\$ 23,321.1	\$ 23,069.7
Other income (Note 8)	9.3	8.4	166.4	20.9
Share of earnings from investments, at equity	14.6	18.2	38.5	70.5
Operating expenses				
Cost of sales	5,507.1	5,588.7	17,255.8	17,236.0
Selling and administrative expenses	1,760.6	1,694.4	5,250.7	5,014.3
Operating income	250.6	232.8	1,019.5	910.8
Finance costs, net (Note 9)	69.6	67.8	208.1	196.8
Earnings before income taxes	181.0	165.0	811.4	714.0
Income tax expense	43.5	34.2	204.4	174.2
Net earnings	\$ 137.5	\$ 130.8	\$ 607.0	\$ 539.8
Earnings for the period attributable to:				
Non-controlling interest	\$ 3.3	\$ 5.1	\$ 30.7	\$ 36.7
Owners of the Company	134.2	125.7	576.3	503.1
	\$ 137.5	\$ 130.8	\$ 607.0	\$ 539.8
Earnings per share (Note 10)				
Basic	\$ 0.54	\$ 0.49	\$ 2.31	\$ 1.93
Diluted	\$ 0.54	\$ 0.49	\$ 2.31	\$ 1.93
Weighted average number of common shares outstanding, in millions (Note 10)				
Basic	246.3	257.9	249.2	260.1
Diluted	246.8	258.4	249.7	260.7

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 3	February 4	February 3	February 4
	2024	2023	2024	2023
Net earnings	\$ 137.5	\$ 130.8	\$ 607.0	\$ 539.8
Other comprehensive (loss) income, net				
Items that will be reclassified subsequently to net earnings				
Unrealized gains on derivatives designated as cash flow hedges (net of tax - Note 11)	0.8	3.5	1.0	2.2
Share of other comprehensive (loss) income of investments, at equity (net of tax - Note 11)	(1.4)	0.5	(0.6)	2.4
Exchange differences on translation of foreign operations (net of tax - Note 11)	(0.2)	(0.3)	-	(0.3)
	<u>(0.8)</u>	<u>3.7</u>	<u>0.4</u>	<u>4.3</u>
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains on defined benefit plans (net of tax - Note 11)	(21.0)	(11.9)	(4.7)	4.8
	<u>(21.0)</u>	<u>(11.9)</u>	<u>(4.7)</u>	<u>4.8</u>
Total comprehensive income	<u>\$ 115.7</u>	<u>\$ 122.6</u>	<u>\$ 602.7</u>	<u>\$ 548.9</u>
Total comprehensive income for the period attributable to:				
Non-controlling interest	\$ 3.3	\$ 5.1	\$ 30.7	\$ 36.7
Owners of the Company	<u>112.4</u>	<u>117.5</u>	<u>572.0</u>	<u>512.2</u>
	<u>\$ 115.7</u>	<u>\$ 122.6</u>	<u>\$ 602.7</u>	<u>\$ 548.9</u>

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

Empire Company Limited							
Condensed Consolidated Statements of Changes							
in Shareholders' Equity							
Unaudited (in millions of Canadian dollars)	Capital	Contributed	Accumulated	Retained	Total	Non-	Total
	Stock	Surplus	Other	Earnings	Attributable	controlling	Equity
			Comprehensive		to Owners of	Interest	
			Income		the Company		
Balance at May 7, 2022	\$ 2,026.1	\$ 37.2	\$ 14.0	\$ 2,914.2	\$ 4,991.5	\$ 142.4	\$ 5,133.9
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
Balance at February 4, 2023	\$ 1,951.5	\$ 43.7	\$ 18.3	\$ 3,138.2	\$ 5,151.7	\$ 137.3	\$ 5,289.0
Balance at May 6, 2023	\$ 1,914.7	\$ 50.1	\$ 19.6	\$ 3,216.0	\$ 5,200.4	\$ 136.3	\$ 5,336.7
Dividends declared on common shares	-	-	-	(136.9)	(136.9)	-	(136.9)
Equity based compensation, net	1.1	2.1	-	-	3.2	-	3.2
Repurchase of common shares (Note 7)	(98.9)	-	-	(200.9)	(299.8)	-	(299.8)
Shares held in trust, net	(0.8)	-	-	-	(0.8)	-	(0.8)
Capital transactions with structured entities	-	-	-	-	-	(30.2)	(30.2)
Revaluation/exercise of put options	-	-	-	(17.3)	(17.3)	(11.0)	(28.3)
Transactions with owners	(98.6)	2.1	-	(355.1)	(451.6)	(41.2)	(492.8)
Net earnings	-	-	-	576.3	576.3	30.7	607.0
Other comprehensive income (loss)	-	-	0.4	(4.7)	(4.3)	-	(4.3)
Total comprehensive income for the period	-	-	0.4	571.6	572.0	30.7	602.7
Balance at February 3, 2024	\$ 1,816.1	\$ 52.2	\$ 20.0	\$ 3,432.5	\$ 5,320.8	\$ 125.8	\$ 5,446.6

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 3	February 4	February 3	February 4
	2024	2023	2024	2023
Operations				
Net earnings	\$ 137.5	\$ 130.8	\$ 607.0	\$ 539.8
Adjustments for:				
Depreciation	240.4	229.6	714.5	679.0
Income tax expense	43.5	34.2	204.4	174.2
Finance costs, net (Note 9)	69.6	67.8	208.1	196.8
Amortization of intangibles	30.5	30.1	90.9	80.9
Net gain on disposal of net assets (Note 8)	(4.3)	(4.5)	(97.7)	(9.2)
Net gain on lease modifications and terminations (Note 8)	(0.4)	-	(39.4)	-
Impairment losses (reversals) of non-financial assets, net	0.2	0.2	0.2	(2.8)
Amortization of deferred items	0.5	(1.7)	1.0	(0.5)
Equity earnings of other entities, net of distributions received	7.4	(3.8)	19.1	(5.2)
Employee future benefits	(3.1)	0.4	(4.3)	(2.8)
Increase (decrease) in long-term provisions	4.1	(1.4)	4.3	(2.6)
Equity based compensation	1.3	3.9	6.7	12.1
Net change in non-cash working capital (Note 13)	84.1	(12.8)	(122.3)	(304.8)
Income taxes recovered (paid), net	57.5	(34.7)	(74.7)	(254.2)
Cash flows from operating activities	<u>668.8</u>	<u>438.1</u>	<u>1,517.8</u>	<u>1,100.7</u>
Investment				
Increase in equity investments	(0.8)	-	(3.7)	(2.4)
Property, equipment and investment property purchases	(147.2)	(175.4)	(427.8)	(468.7)
Intangible purchases	(20.2)	(12.2)	(69.3)	(130.8)
Proceeds on disposal of assets	6.5	2.2	114.2	19.5
Proceeds on lease modifications and terminations	20.7	-	34.3	-
Leases and other receivables, net	(20.2)	2.2	(28.3)	0.7
Other assets	(4.3)	1.6	(12.3)	(3.0)
Other liabilities	(0.8)	(0.2)	(5.8)	(0.3)
Business acquisitions (Note 14)	(10.2)	(0.2)	(14.5)	(16.3)
Payments received for finance subleases	22.7	21.1	67.7	62.9
Interest received	2.4	1.1	3.1	2.4
Cash flows used in investing activities	<u>(151.4)</u>	<u>(159.8)</u>	<u>(342.4)</u>	<u>(536.0)</u>
Financing				
Issuance of long-term debt	19.9	11.4	86.8	65.4
Repayments of long-term debt	(21.5)	(9.5)	(86.6)	(572.1)
(Repayments) advances on credit facilities, net	(149.6)	(110.9)	(70.9)	341.1
Interest paid	(11.5)	(10.3)	(38.2)	(48.6)
Payments of lease liabilities (principal portion)	(130.8)	(128.2)	(395.4)	(382.0)
Payments of lease liabilities (interest portion)	(60.0)	(57.3)	(176.4)	(170.7)
Repurchase of common shares (Note 7)	(97.9)	(80.6)	(299.8)	(238.3)
Dividends paid, common shares	(45.3)	(42.5)	(136.9)	(128.3)
Non-controlling interest	(8.3)	(6.8)	(30.2)	(32.9)
Cash flows used in financing activities	<u>(505.0)</u>	<u>(434.7)</u>	<u>(1,147.6)</u>	<u>(1,166.4)</u>
Increase (decrease) in cash and cash equivalents	12.4	(156.4)	27.8	(601.7)
Cash and cash equivalents, beginning of period	<u>236.7</u>	<u>367.0</u>	<u>221.3</u>	<u>812.3</u>
Cash and cash equivalents, end of period	<u>\$ 249.1</u>	<u>\$ 210.6</u>	<u>\$ 249.1</u>	<u>\$ 210.6</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 3, 2024
(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 3, 2024 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 3, 2024, 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 6, 2023, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“IFRS Accounting Standards”).

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on March 13, 2024.

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 in the unaudited interim condensed consolidated financial statements are summarized in the Company’s annual consolidated financial statements for the year ended May 6, 2023 and remain unchanged for the period ended February 3, 2024.

3. Summary of material accounting policy information

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 6, 2023, with the exception of the following:

Changes to accounting standards adopted during fiscal 2024

Amendments to IAS 12 Income taxes (“IAS 12”)

In May 2021, the IASB issued narrow-scope amendments to IAS 12. 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 became effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. There was no impact on the Company’s unaudited interim condensed consolidated financial statements.

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

Amendments to IAS 1 Presentation of financial statements (“IAS 1”)

In February 2021, the IASB issued narrow-scope amendments to IAS 1. The amendments require disclosure of ‘material’ accounting policy information rather than ‘significant’ accounting policies and provides clarity on how to determine if accounting policy information is material. These amendments became effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The adoption of these amendments did not have a material impact on the Company’s unaudited interim condensed consolidated financial statements.

Standards, amendments and interpretations issued but not yet adopted

Amendments to IAS 1 Presentation of financial statements

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) 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 currently assessing the potential impact of these amendments.

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1). The narrow-scope amendment affects only the presentation of liabilities on the balance sheet 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 reporting periods beginning on or after January 1, 2024, with early adoption permitted. The Company is currently assessing the potential impact of these amendments.

Amendments to IFRS 16 Leases (“IFRS 16”)

In September 2022, the IASB issued narrow-scope amendments to IFRS 16. 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 material impact from these amendments.

4. Inventories

The cost of inventories recognized as an expense during the period and year-to-date ended February 3, 2024 was \$5,507.1 and \$17,255.8 (February 4, 2023 - \$5,588.7 and \$17,236.0) respectively. The Company recorded a (recovery) expense for the period and year-to-date ended February 3, 2024 of \$(0.2) and \$2.2 (February 4, 2023 - \$0.1 and \$2.4) respectively for write-down of inventories below cost to net realizable value for inventories on hand.

5. Investments, at equity

	February 3 2024	February 4 2023
Investment in associates and joint ventures		
Crombie Real Estate Investment Trust (“Crombie REIT”)	\$ 619.0	\$ 630.0
Canadian real estate partnerships	58.3	63.8
United States (“U.S.”) real estate partnerships	0.4	0.1
Joint ventures	7.0	3.2
Total	\$ 684.7	\$ 697.1

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February 3, 2024
(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:

	February 3 2024	February 4 2023
Crombie REIT	\$ 1,022.6	\$ 1,214.9

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:

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Opening balance	\$ 1,092.9	\$ 1,120.9	\$ 1,012.3	\$ 1,176.7
Issuance of debt	19.9	11.4	86.8	65.4
Repayments of long-term debt	(21.5)	(9.5)	(86.6)	(572.1)
(Repayments) advances on credit facilities, net	(149.6)	(110.9)	(70.9)	341.1
Total cash flow used in long-term debt financing activities	(151.2)	(109.0)	(70.7)	(165.6)
Deferred financing costs	-	-	0.1	0.8
Closing balance	\$ 941.7	\$ 1,011.9	\$ 941.7	\$ 1,011.9
Current			\$ 123.1	\$ 103.1
Non-current			818.6	908.8
Total			\$ 941.7	\$ 1,011.9

Through the acquisition of Longo's on May 10, 2021, Sobeys acquired their existing \$75.0 demand operating line of credit. On July 20, 2023, Longo's amended this line of credit agreement from \$75.0 to \$100.0. As of February 3, 2024, the outstanding amount of this facility was \$57.6 (February 4, 2023 - \$29.7). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

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 3, 2024, the outstanding amount of this facility was \$52.8 (February 4, 2023 - \$94.1). 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 3, 2024, the outstanding amount of this facility was \$232.4 (February 4, 2023 - \$279.7) and the Company has issued \$58.6 (February 4, 2023 - \$69.9) 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 21, 2022, the Company renewed its normal course issuer bid ("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 July 1, 2023, the Company purchased 10,500,000 (July 1, 2022 - 5,659,764) Non-Voting Class A shares under this filing at a weighted average price of \$36.18 (July 1, 2022 - \$39.11) for a total consideration of \$379.9 (July 1, 2022 - \$221.3).

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February 3, 2024
(in millions of Canadian dollars, except share and per share amounts)

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 Non-voting Class A shares representing 9.0% of the public float of 139,497,542 Non-voting Class A shares outstanding as of June 19, 2023. 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, 2023 and terminate not later than July 1, 2024. As of February 3, 2024, the Company purchased 6,015,656 Non-Voting Class A shares (February 4, 2023 - 5,114,295) under this filing at a weighted average price of \$36.63 (February 4, 2023 - \$36.92) for a total consideration of \$220.4 (February 4, 2023 - \$188.8).

The following table reflects shares purchased under the NCIB:

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Number of shares	2,710,109	2,228,582	8,291,081	6,334,622
Weighted average price	\$ 36.14	\$ 36.14	\$ 36.16	\$ 37.62
Reduction of share capital	\$ 32.7	\$ 26.4	\$ 98.9	\$ 75.0
Premium charged to retained earnings	65.2	54.2	200.9	163.3
Cash consideration paid	\$ 97.9	\$ 80.6	\$ 299.8	\$ 238.3

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 3, 2024, the Company purchased for cancellation 1,173,587 Non-Voting Class A shares at a weighted average price of \$34.32 for a total consideration of \$40.3.

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

	Number of Shares		Share Capital	
	13 Weeks Ended		13 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Balance, beginning of period, Non-Voting Class A shares	149,615,377	160,486,539	\$ 1,842.6	\$ 1,971.2
Repurchase of common shares	(2,710,109)	(2,228,582)	(32.7)	(26.4)
Issuance of shares for stock-based compensation	29,049	12,524	0.5	0.2
Balance, end of period, Non-Voting Class A shares	146,934,317	158,270,481	\$ 1,810.4	\$ 1,945.0
Class B common shares, without par value	98,138,079	98,138,079	\$ 7.3	\$ 7.3
Shares held in trust	(42,326)	(29,681)	(1.6)	(0.8)
Total capital stock			\$ 1,816.1	\$ 1,951.5

	Number of Shares		Share Capital	
	39 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Balance, beginning of period, Non-Voting Class A shares	155,164,908	164,563,680	\$ 1,908.2	\$ 2,019.6
Repurchase of common shares	(8,291,081)	(6,334,622)	(98.9)	(75.0)
Issuance of shares for stock-based compensation	60,490	41,423	1.1	0.4
Balance, end of period, Non-Voting Class A shares	146,934,317	158,270,481	\$ 1,810.4	\$ 1,945.0
Class B common shares, without par value	98,138,079	98,138,079	\$ 7.3	\$ 7.3
Shares held in trust	(42,326)	(29,681)	(1.6)	(0.8)
Total capital stock			\$ 1,816.1	\$ 1,951.5

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8. Other income

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Net gain on disposal of net assets	\$ 4.3	\$ 4.5	\$ 97.7	\$ 9.2
Net gain on lease modifications and terminations (Note 17)	0.4	-	39.4	-
Lease income from owned property	4.6	3.9	12.7	11.7
Other (Note 17)	-	-	16.6	-
Total	\$ 9.3	\$ 8.4	\$ 166.4	\$ 20.9

During the period ended August 5, 2023, Empire completed the sale of its 56 retail fuel sites in Western Canada between a wholly owned subsidiary of Sobeys and Canadian Mobility Services Limited, a wholly owned subsidiary of Shell Canada. Total proceeds from this transaction was \$100.0, resulting in a pre-tax gain of \$90.8.

9. Finance costs, net

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Finance income				
Interest income on lease receivables	\$ 5.5	\$ 5.0	\$ 16.5	\$ 15.4
Interest income from cash and cash equivalents	2.4	1.1	3.1	2.4
Fair value gains on forward contracts	0.6	-	2.6	1.0
Accretion income on leases and other receivables	-	0.1	0.1	0.2
Total finance income	8.5	6.2	22.3	19.0
Finance costs				
Interest expense on lease liabilities	60.0	57.3	176.4	170.7
Interest expense on other financial liabilities at amortized cost	15.6	15.2	47.3	38.9
Pension finance costs, net	1.8	1.1	5.6	5.1
Accretion expense on provisions	0.7	0.4	1.1	1.1
Total finance costs	78.1	74.0	230.4	215.8
Finance costs, net	\$ 69.6	\$ 67.8	\$ 208.1	\$ 196.8

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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 3 2024	February 4 2023	February 3 2024	February 4 2023
Weighted average number of shares - basic	246,293,405	257,909,528	249,214,797	260,071,340
Shares deemed to be issued for no consideration in respect of stock-based payments	514,579	500,198	522,532	629,305
Weighted average number of shares - diluted	246,807,984	258,409,726	249,737,329	260,700,645

Earnings per share

Earnings attributable to Owners of the Company	\$ 134.2	\$ 125.7	\$ 576.3	\$ 503.1
Basic weighted average number of shares outstanding (in millions)	246.3	257.9	249.2	260.1
Basic earnings per share	\$ 0.54	\$ 0.49	\$ 2.31	\$ 1.93
Diluted weighted average number of shares outstanding (in millions)	246.8	258.4	249.7	260.7
Diluted earnings per share	\$ 0.54	\$ 0.49	\$ 2.31	\$ 1.93

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

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

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Unrealized gains on derivatives designated as cash flow hedges	\$ 0.3	\$ 1.4	\$ 0.4	\$ 0.5
Share of other comprehensive (loss) income of investments, at equity	(0.6)	0.2	(0.3)	1.0
Exchange differences on translation of foreign operations	-	(0.1)	0.1	(0.1)
Actuarial (losses) gains on defined benefit plans	(7.3)	(4.3)	(1.7)	1.7
Total	\$ (7.6)	\$ (2.8)	\$ (1.5)	\$ 3.1

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.

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All sales are generated by the Food retailing segment. Management assesses performance based on operating income generated by each of the Company's business segments which is summarized as follows:

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Segmented operating income				
Food retailing	\$ 233.7	\$ 212.3	\$ 984.4	\$ 835.6
Investments and other operations				
Crombie REIT	10.5	18.5	31.6	66.4
Real estate partnerships	5.3	5.4	9.2	10.0
Other operations, net of corporate expenses	1.1	(3.4)	(5.7)	(1.2)
	16.9	20.5	35.1	75.2
Total	\$ 250.6	\$ 232.8	\$ 1,019.5	\$ 910.8

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

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Total operating income	\$ 250.6	\$ 232.8	\$ 1,019.5	\$ 910.8
Finance costs, net	69.6	67.8	208.1	196.8
Earnings before income taxes	\$ 181.0	\$ 165.0	\$ 811.4	\$ 714.0

	February 3 2024	February 4 2023
Total assets by segment		
Food retailing	\$ 15,719.6	\$ 15,570.7
Investments and other operations	788.4	784.6
Total	\$ 16,508.0	\$ 16,355.3

13. Supplementary cash flow information

Net change in non-cash working capital includes the following:

	13 Weeks Ended		39 Weeks Ended	
	February 3 2024	February 4 2023	February 3 2024	February 4 2023
Receivables	\$ 74.1	\$ 138.9	\$ 47.3	\$ (134.7)
Inventories	63.4	25.1	10.8	(134.3)
Prepaid expenses	14.3	16.0	(13.7)	3.6
Accounts payable and accrued liabilities	(58.2)	(184.2)	(168.7)	(37.4)
Other	(9.5)	(8.6)	2.0	(2.0)
Net change in non-cash working capital	\$ 84.1	\$ (12.8)	\$ (122.3)	\$ (304.8)

14. Business acquisitions

During the period ended February 3, 2024, 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.

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

	February 3 2024	February 4 2023
Receivables	\$ -	\$ 0.1
Inventories	6.4	4.6
Property, equipment and investment property	7.2	5.9
Right-of-use assets	-	6.4
Goodwill	0.9	8.8
Accounts payable and accrued liabilities	-	(3.0)
Income taxes payable	-	(0.1)
Lease liabilities	-	(6.4)
Total consideration	\$ 14.5	\$ 16.3

From the date of acquisition, the businesses acquired contributed sales of \$15.1 and \$22.7 (February 4, 2023 - \$26.0 and \$49.4) and net (loss) earnings of \$(1.0) and \$(1.2) (February 4, 2023 - \$(0.4) and \$1.0) for the period and year-to-date ended February 3, 2024 respectively.

Goodwill recorded on the acquisitions of franchise and non-franchise stores and other businesses relates to the acquired work force and customer base of the existing store location, along with the synergies expected from combining efforts of the acquired stores with existing stores. 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.

15. Financial instruments

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

Long-term debt	February 3 2024	May 6 2023	February 4 2023
Total carrying amount	\$ 941.7	\$ 1,012.3	\$ 1,011.9
Total fair value	\$ 989.1	\$ 1,061.9	\$ 1,072.3

The fair value of the non-controlling interest put liabilities associated with certain 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, "Fair value measurement". There are many inputs used to calculate the fair value, the most sensitive of which is EBITDA.

As part of the Farm Boy acquisition, members of the Farm Boy senior management team (the "Stakeholders"), retained a combined 12% interest in Farm Boy, resulting in a non-controlling interest. The parties entered into put and call options such that the Stakeholders could put, and Sobeys could call, the remaining 12% at any time after five years following the acquisition date. Since the date of acquisition, the Company recorded a financial put liability based on the present value of the amount payable on exercise of the put option in accordance with IFRS 9. On January 6, 2024, the Company received formal notice from the Stakeholders exercising their put options.

Subsequent to the period ended February 3, 2024, the Company acquired the remaining 12% non-controlling interest in Farm Boy for \$77.1 and the put option liability was settled in cash.

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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 is predominantly dependent on service over 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 3, 2024, the Company granted 407,275 (February 4, 2023 - 362,822) PSUs. The weighted average fair value of \$34.07 (February 4, 2023 - \$39.86) per PSU issued during the year-to-date ended February 3, 2024 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$35.81
Expected life	2.63 years
Risk-free interest rate	4.41%
Expected volatility	20.68%
Dividend yield	1.90%

At February 3, 2024, there were 1,008,123 (February 4, 2023 - 967,053) PSUs outstanding. The compensation expense for the period and year-to-date ended February 3, 2024 related to PSUs was \$3.5 and \$6.0 (February 4, 2023 - \$2.4 and \$7.3) respectively.

Stock option plan

During the year-to-date ended February 3, 2024, the Company granted 459,642 (February 4, 2023 - 587,153) 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 \$8.59 (February 4, 2023 - \$9.98) per option issued during the year-to-date ended February 3, 2024 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$34.65
Expected life	4.79 years
Risk-free interest rate	3.84%
Expected volatility	27.24%
Dividend yield	1.89%

The compensation expense for the period and year-to-date ended February 3, 2024 related to the issuance of options was \$1.3 and \$4.2 (February 4, 2023 - \$1.5 and \$4.8) 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 3, 2024, the Company granted 146,096 (February 4, 2023 - 125,599) DSUs. At February 3, 2024, there were 1,729,060 (February 4, 2023 - 1,889,853) DSUs outstanding and the total carrying amount of the liability was \$55.6 (February 4, 2023 - \$66.2). The compensation (recovery) expense for the period and year-to-date ended February 3, 2024 related to DSUs was \$(5.6) and \$(0.1) (February 4, 2023 - \$6.1 and \$(3.7)) respectively.

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 3, 2024, the Company granted 41,373 (February 4, 2023 - 48,434) DSUs. At February 3, 2024, there were 497,456 (February 4, 2023 - 469,479) DSUs outstanding and the total carrying amount of the liability was \$17.0 (February 4, 2023 - \$17.4). During the period and year-to-date ended February 3, 2024, the compensation (recovery) expense recorded was \$(2.1) and \$1.2 (February 4, 2023 - \$1.7 and \$(0.2)) 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.

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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 3, 2024, the Company holds a 41.5% (February 4, 2023 - 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 November 4, 2023, Sobeys, through wholly-owned subsidiaries, engaged in lease modification transactions with Crombie REIT. The lease modifications give Crombie REIT the right to terminate leases on certain properties for redevelopment in the future. These transactions resulted in pre-tax gains of \$34.3 and have been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

During the period ended August 5, 2023, Sobeys entered into an agreement with Crombie REIT to reassign certain subleases with third parties directly to Crombie REIT in exchange for a fee. This transaction resulted in pre-tax income of \$16.4 and has been recognized in other income on the unaudited interim condensed consolidated statement of earnings. The Company received payments of \$13.6 from Crombie REIT during the period ended November 4, 2023, and \$20.7 during the period ended February 3, 2024.

18. Employee future benefits

During the period and year-to-date ended February 3, 2024, the net employee future benefits expense reported in net earnings was \$12.1 and \$36.5 (February 4, 2023 - \$12.2 and \$36.6) respectively. Actuarial (losses) gains before taxes on defined benefit pension plans for the period and year-to-date ended February 3, 2024 were \$(28.3) and \$(6.4) (February 4, 2023 - \$(16.2) and \$6.5) respectively. These (losses) gains have been recognized in other comprehensive (loss) income, net.