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**Empire Company Limited**  
**Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**

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

	August 1 2020	May 2 2020	August 3 2019
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 1,076.6	\$ 1,008.4	\$ 694.7
Receivables	534.3	535.3	467.6
Inventories (Note 4)	1,492.9	1,489.4	1,413.7
Prepaid expenses	134.7	113.1	124.6
Leases and other receivables	71.4	68.4	71.2
Income taxes receivable	28.6	34.8	32.1
Assets held for sale	-	6.1	19.5
	<u>3,338.5</u>	<u>3,255.5</u>	<u>2,823.4</u>
Leases and other receivables	599.7	580.8	575.5
Investments, at equity (Note 5)	590.9	607.5	578.9
Other assets	26.7	28.7	24.3
Property and equipment	2,869.9	2,883.4	2,849.7
Right-of-use assets	4,140.6	4,033.5	3,756.9
Investment property	113.2	114.0	109.9
Intangibles	982.9	968.8	926.1
Goodwill	1,576.3	1,573.7	1,571.3
Deferred tax assets	561.6	587.0	742.4
	<u>\$ 14,800.3</u>	<u>\$ 14,632.9</u>	<u>\$ 13,958.4</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	\$ 2,783.5	\$ 2,951.9	\$ 2,511.0
Income taxes payable	80.8	23.2	32.9
Provisions	65.6	48.7	94.0
Long-term debt due within one year (Note 6)	569.2	570.0	29.5
Lease liabilities due within one year	425.4	466.2	461.6
	<u>3,924.5</u>	<u>4,060.0</u>	<u>3,129.0</u>
Provisions	52.1	54.7	62.8
Long-term debt (Note 6)	1,087.2	1,105.2	1,947.4
Long-term lease liabilities	4,956.6	4,800.0	4,482.8
Other long-term liabilities	96.8	97.5	111.6
Employee future benefits	324.9	304.1	313.6
Deferred tax liabilities	191.8	197.5	205.9
	<u>10,633.9</u>	<u>10,619.0</u>	<u>10,253.1</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (Note 7)	2,015.6	2,013.2	2,039.2
Contributed surplus	20.0	23.2	23.1
Retained earnings	2,013.4	1,872.1	1,548.6
Accumulated other comprehensive income	16.7	16.1	12.3
	<u>4,065.7</u>	<u>3,924.6</u>	<u>3,623.2</u>
Non-controlling interest	100.7	89.3	82.1
	<u>4,166.4</u>	<u>4,013.9</u>	<u>3,705.3</u>
	<u>\$ 14,800.3</u>	<u>\$ 14,632.9</u>	<u>\$ 13,958.4</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)**

	<i>13 Weeks Ended</i>	
	<b>August 1 2020</b>	<b>August 3 2019</b>
Sales	\$ 7,354.2	\$ 6,744.1
Other income (Note 8)	34.3	14.6
Share of earnings from investments, at equity	6.8	14.8
Operating expenses		
Cost of sales	5,505.6	5,083.7
Selling and administrative expenses	1,512.1	1,423.7
Operating income	377.6	266.1
Finance costs, net (Note 9)	70.7	71.7
Earnings before income taxes	306.9	194.4
Income tax expense	90.1	51.6
Net earnings	<u>\$ 216.8</u>	<u>\$ 142.8</u>
Earnings for the period attributable to:		
Non-controlling interest	\$ 24.9	\$ 12.2
Owners of the Company	191.9	130.6
	<u>\$ 216.8</u>	<u>\$ 142.8</u>
Earnings per share (Note 10)		
Basic	\$ 0.71	\$ 0.48
Diluted	\$ 0.71	\$ 0.48
Weighted average number of common shares outstanding, in millions (Note 10)		
Basic	269.0	271.8
Diluted	269.8	272.9

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	
	August 1 2020	August 3 2019
Net earnings	\$ 216.8	\$ 142.8
Other comprehensive income (loss)		
Items that will be reclassified subsequently to net earnings		
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of taxes of \$(0.5) (2019 - \$0.6))	1.4	(1.7)
Share of other comprehensive loss of investments, at equity (net of taxes of \$0.2 (2019 - \$(0.2)))	(0.2)	(0.1)
Exchange differences on translation of foreign operations (net of taxes of \$ nil (2019 - \$(0.2)))	(0.6)	(0.6)
	<u>0.6</u>	<u>(2.4)</u>
Items that will not be reclassified subsequently to net earnings		
Actuarial losses on defined benefit plans (net of taxes of \$5.7 (2019 - \$8.1))	(16.2)	(21.9)
	<u>(16.2)</u>	<u>(21.9)</u>
Total comprehensive income	<u>\$ 201.2</u>	<u>\$ 118.5</u>
Total comprehensive income for the period attributable to:		
Non-controlling interest	\$ 24.9	\$ 12.2
Owners of the Company	<u>176.3</u>	<u>106.3</u>
	<u>\$ 201.2</u>	<u>\$ 118.5</u>

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

<b>Empire Company Limited</b> <b>Condensed Consolidated Statements of Changes</b> <b>in Shareholders' Equity</b> <b>Unaudited (in millions of Canadian dollars)</b>	<b>Capital</b> <b>Stock</b>	<b>Contributed</b> <b>Surplus</b>	<b>Accumulated</b> <b>Other</b> <b>Comprehensive</b> <b>Income</b>	<b>Retained</b> <b>Earnings</b>	<b>Total</b> <b>Attributable</b> <b>to Owners of</b> <b>the Company</b>	<b>Non-</b> <b>controlling</b> <b>Interest</b>	<b>Total</b> <b>Equity</b>
<b>Balance as at May 5, 2019</b>	\$ 2,042.6	\$ 25.2	\$ 14.7	\$ 1,488.8	\$ 3,571.3	\$ 79.7	\$ 3,651.0
Dividends declared on common shares	-	-	-	(32.6)	(32.6)	-	(32.6)
Equity based compensation, net	2.0	(2.1)	-	-	(0.1)	-	(0.1)
Repurchase of capital stock	(6.6)	-	-	(12.3)	(18.9)	-	(18.9)
Shares held in trust, net	1.2	-	-	-	1.2	-	1.2
Capital transactions with structured entities	-	-	-	-	-	(9.1)	(9.1)
Transactions with owners	(3.4)	(2.1)	-	(44.9)	(50.4)	(9.1)	(59.5)
Net earnings	-	-	-	130.6	130.6	12.2	142.8
Revaluation of put options	-	-	-	(4.0)	(4.0)	(0.7)	(4.7)
Other comprehensive loss	-	-	(2.4)	(21.9)	(24.3)	-	(24.3)
Total comprehensive (loss) income for the period	-	-	(2.4)	104.7	102.3	11.5	113.8
Balance at August 3, 2019	<u>\$ 2,039.2</u>	<u>\$ 23.1</u>	<u>\$ 12.3</u>	<u>\$ 1,548.6</u>	<u>\$ 3,623.2</u>	<u>\$ 82.1</u>	<u>\$ 3,705.3</u>
<b>Balance at May 3, 2020</b>	<b>\$ 2,013.2</b>	<b>\$ 23.2</b>	<b>\$ 16.1</b>	<b>\$ 1,872.1</b>	<b>\$ 3,924.6</b>	<b>\$ 89.3</b>	<b>\$ 4,013.9</b>
Dividends declared on common shares	-	-	-	(35.0)	(35.0)	-	(35.0)
Equity based compensation, net	0.7	(3.2)	-	-	(2.5)	-	(2.5)
Shares held in trust, net	1.7	-	-	-	1.7	-	1.7
Capital transactions with structured entities (Note 7)	-	-	-	-	-	(12.1)	(12.1)
Transactions with owners	2.4	(3.2)	-	(35.0)	(35.8)	(12.1)	(47.9)
Net earnings	-	-	-	191.9	191.9	24.9	216.8
Revaluation of put options	-	-	-	0.6	0.6	(1.4)	(0.8)
Other comprehensive income (loss)	-	-	0.6	(16.2)	(15.6)	-	(15.6)
Total comprehensive income for the period	-	-	0.6	176.3	176.9	23.5	200.4
Balance at August 1, 2020	<u>\$ 2,015.6</u>	<u>\$ 20.0</u>	<u>\$ 16.7</u>	<u>\$ 2,013.4</u>	<u>\$ 4,065.7</u>	<u>\$ 100.7</u>	<u>\$ 4,166.4</u>

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**

	August 1 2020	August 3 2019
<b>Operations</b>		
Net earnings	\$ 216.8	\$ 142.8
Adjustments for:		
Depreciation	185.8	174.7
Income tax expense	90.1	51.6
Finance costs, net (Note 9)	70.7	71.7
Amortization of intangibles	19.1	19.2
Net gain on disposal of assets and lease terminations	(31.4)	(10.4)
Impairment expense of non-financial assets, net	0.9	1.7
Amortization of deferred items	0.5	1.1
Equity in earnings of other entities, net of distributions received	15.7	11.5
Employee future benefits	(1.0)	(2.5)
Decrease in long-term provisions	(3.3)	(7.6)
Equity based compensation	2.5	1.5
Net change in non-cash working capital	(165.8)	(42.5)
Income taxes paid, net	(1.2)	(7.5)
Cash flows from operating activities	<u>399.4</u>	<u>405.3</u>
<b>Investment</b>		
Property, equipment and investment property purchases	(145.4)	(86.6)
Additions to intangibles	-	(4.8)
Proceeds on disposal of assets and lease terminations	23.5	40.2
Leases and other receivables, net	(2.7)	2.9
Other assets and other long-term liabilities	2.1	5.9
Business acquisitions	(3.1)	(3.0)
Payments received for finance subleases	19.6	18.6
Interest received	2.0	2.0
Cash flows used in investing activities	<u>(104.0)</u>	<u>(24.8)</u>
<b>Financing</b>		
Issuance of long-term debt	32.5	26.0
Repayments of long-term debt	(43.3)	(41.1)
Repayments on credit facilities, net	(8.3)	-
Interest paid	(9.0)	(14.9)
Payments of lease liabilities (principal portion)	(92.8)	(95.3)
Payments of lease liabilities (interest portion)	(59.2)	(53.2)
Repurchase of Non-Voting Class A shares (Note 7)	-	(18.9)
Dividends paid, common shares	(35.0)	(32.6)
Non-controlling interest	(12.1)	(9.1)
Cash flows used in financing activities	<u>(227.2)</u>	<u>(239.1)</u>
Increase in cash and cash equivalents	68.2	141.4
Cash and cash equivalents, beginning of period	<u>1,008.4</u>	<u>553.3</u>
Cash and cash equivalents, end of period	<u>\$ 1,076.6</u>	<u>\$ 694.7</u>

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

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**  
**(in millions of Canadian dollars, except share and per share amounts)**

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**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 August 1, 2020 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 August 1, 2020, the Company’s business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 11, *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 2, 2020, 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 September 9, 2020.

**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. 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 to 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 2, 2020 and remain unchanged for the period ended August 1, 2020.

The novel coronavirus pandemic continued to have a significant impact on the Company. The Company’s financial results show increased sales, driven by increased demand for food retailing product. Additional costs were incurred during the period, including incremental compensation incentives for employees for a portion of the period, combined with additional cost for safety and sanitization measures. The full economic impact the pandemic will have on the Company remains uncertain and is dependent on the severity and duration of the virus.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**  
(in millions of Canadian dollars, except share and per share amounts)

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**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 2, 2020.

**Future Standards**

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 are effective for annual periods beginning on or after January 1, 2022. The Company is assessing the potential impact of these narrow scope amendments.

**4. Inventories**

The cost of inventories recognized as an expense during the period ended August 1, 2020 was \$5,505.6 (August 3, 2019 - \$5,083.7). The Company recorded an expense of \$1.9 (August 3, 2019 - \$2.9) for the write-down of inventories below cost to net realizable value for inventories on hand. There were no reversals of inventories written down previously (August 3, 2019 - \$ nil).

**5. Investments, at equity**

	August 1 2020	August 3 2019
<b>Investment in associates</b>		
Crombie Real Estate Investment Trust ("Crombie REIT")	\$ 491.4	\$ 467.3
Canadian real estate partnerships	81.6	88.2
U.S. real estate partnerships	13.6	15.8
Joint ventures	4.3	7.6
<b>Total</b>	<b>\$ 590.9</b>	<b>\$ 578.9</b>

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:

	August 1 2020	August 3 2019
Crombie REIT	\$ 856.1	\$ 981.7

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

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**  
(in millions of Canadian dollars, except share and per share amounts)

**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>August 1 2020</b>	<b>August 3 2019</b>
Opening balance	\$ 1,675.2	\$ 1,991.8
Issuance of debt	32.5	26.0
Repayments of long-term debt	(43.3)	(41.1)
Repayments on credit facilities	(8.3)	-
Total cash flow used in long-term debt financing activities	(19.1)	(15.1)
Deferred financing costs	0.3	0.2
Closing balance	\$ 1,656.4	\$ 1,976.9
Current	\$ 569.2	\$ 29.5
Non-current	1,087.2	1,947.4
Total	\$ 1,656.4	\$ 1,976.9

**7. Capital stock**

On June 27, 2019, the Company filed a notice of intent with the TSX to purchase for cancellation up to 3.5 million Non-Voting Class A shares representing approximately 2.0% of shares outstanding. As of May 2, 2020, the Company purchased for cancellation 2,997,583 Non-Voting Class A shares at an average price of \$33.36. The purchase price was \$100.0 of which \$35.4 of the purchase price was accounted for as a reduction to share capital and the remainder as a reduction to retained earnings.

On June 18, 2020, the Company renewed its normal course issuer bid by filing a notice of intention with the TSX to purchase for cancellation up to 5.0 million Non-Voting Class A shares representing approximately 3.0% of the Non-Voting Class A shares outstanding. The purchase will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. Purchases could commence on July 2, 2020 and shall terminate not later than July 1, 2021.

During the first quarter of fiscal 2021, no shares were purchased under the NCIB. During the first quarter of fiscal 2020, the Company purchased for cancellation 547,300 Non-Voting Class A shares at an average price of \$34.62 per share for a total consideration of \$18.9.

**8. Other income**

	<b>13 Weeks Ended</b>	
	<b>August 1 2020</b>	<b>August 3 2019</b>
Net gain on disposal of assets and lease terminations	\$ 31.4	\$ 10.4
Lease income from owned property	2.9	4.2
Total	\$ 34.3	\$ 14.6

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**  
(in millions of Canadian dollars, except share and per share amounts)

**9. Finance costs, net**

	<b>13 Weeks Ended</b>	
	<b>August 1 2020</b>	<b>August 3 2019</b>
<b>Finance income</b>		
Interest income on lease receivables	\$ 6.1	\$ 6.1
Interest income from cash and cash equivalents	2.0	2.0
Fair value gains on forward contracts	1.0	1.0
Accretion income on leases and other receivables	0.1	0.1
<b>Total finance income</b>	<b>9.2</b>	<b>9.2</b>
<b>Finance costs</b>		
Interest expense on lease liabilities	59.2	53.2
Interest expense on other financial liabilities at amortized cost	17.8	24.5
Net pension finance costs	2.0	2.2
Accretion expense on provisions	0.9	1.0
<b>Total finance costs</b>	<b>79.9</b>	<b>80.9</b>
<b>Finance costs, net</b>	<b>\$ 70.7</b>	<b>\$ 71.7</b>

**10. Earnings per share**

	<b>13 Weeks Ended</b>	
	<b>August 1 2020</b>	<b>August 3 2019</b>
Weighted average number of shares - basic	269,020,563	271,795,980
Shares deemed to be issued for no consideration in respect of stock-based payments	796,462	1,075,244
<b>Weighted average number of shares used in diluted earnings per share</b>	<b>269,817,025</b>	<b>272,871,224</b>

**11. Segmented information**

The Company's reportable segments are Food retailing and Investments and other operations. The Food retailing segment is comprised of six operating segments: Atlantic, Farm Boy, Lawtons, Ontario, Quebec, and West. 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, at equity, 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.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**  
(in millions of Canadian dollars, except share and per share amounts)

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

	<b>13 Weeks Ended</b>	
	<b>August 1 2020</b>	<b>August 3 2019</b>
<b>Segmented operating income</b>		
Food retailing	\$ 371.9	\$ 254.4
Investments and other operations		
Crombie REIT	4.9	13.2
Real estate partnerships	2.6	1.2
Other operations, net of corporate expenses	(1.8)	(2.7)
	5.7	11.7
<b>Total</b>	<b>\$ 377.6</b>	<b>\$ 266.1</b>

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

	<b>13 Weeks Ended</b>	
	<b>August 1 2020</b>	<b>August 3 2019</b>
Total operating income	\$ 377.6	\$ 266.1
Finance costs, net	70.7	71.7
<b>Total</b>	<b>\$ 306.9</b>	<b>\$ 194.4</b>

	<b>August 1 2020</b>	<b>August 3 2019</b>
<b>Total assets by segment</b>		
Food retailing	\$ 14,115.1	\$ 13,292.4
Investments and other operations	685.2	666.0
<b>Total</b>	<b>\$ 14,800.3</b>	<b>\$ 13,958.4</b>

## 12. 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>August 1, 2020</b>	<b>May 2, 2020</b>	<b>August 3, 2019</b>
Total carrying amount	\$ 1,656.4	\$ 1,675.2	\$ 1,976.9
Total fair value	\$ 1,818.2	\$ 1,832.2	\$ 2,104.6

The fair value of the non-controlling interest put liabilities associated with the acquisitions of Farm Boy and Kim Phat is equivalent to the present value of the non-controlling interest buyout price which is based on the future earnings of these entities 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".

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**  
**(in millions of Canadian dollars, except share and per share amounts)**

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**13. 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 certain performance measures. Upon vesting, each employee is entitled to receive Non-Voting Class A shares equal to the number of their vested PSUs. The weighted average fair value of \$30.14 per PSU issued during the period ended August 1, 2020 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$31.44
Expected life	2.88 years
Risk-free interest rate	0.32%
Expected volatility	31.97%
Dividend yield	1.47%

At August 1, 2020, there were 302,382 (August 3, 2019 - 308,050) PSUs outstanding. The compensation expense for the period ended August 1, 2020 related to PSUs was \$1.1 (August 3, 2019 - \$0.5).

**Stock option plan**

During the period ended August 1, 2020, the Company granted 909,694 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 \$7.17 per option issued during the period was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$30.82
Expected life	4.73 years
Risk-free interest rate	0.36%
Expected volatility	31.49%
Dividend yield	1.47%

The compensation expense for the period ended August 1, 2020 related to the issuance of options was \$1.4 (August 3, 2019 - \$1.0).

**Deferred stock unit plans**

Deferred stock units (“DSU”) issued to employees, under the Executive DSU Plan, vest dependent on time and the achievement of certain performance measures. At August 1, 2020, there were 1,518,775 (August 3, 2019 - 1,350,877) DSUs outstanding related to this plan and the total carrying amount of the liability was \$35.8 (August 3, 2019 - \$25.9). The compensation expense for the period ended August 1, 2020 related to DSUs was \$7.4 (August 3, 2019 - \$7.0).

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. At August 1, 2020, there were 321,693 (August 3, 2019 - 257,726) DSUs outstanding and the total carrying amount of the liability was \$11.1 (August 3, 2019 - \$9.2). The compensation expense recorded for the period ended August 1, 2020 was \$1.6 (August 3, 2019 - \$1.7).

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.

**14. Related party transactions**

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. The Company holds a 41.5% (2020 – 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.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**August 1, 2020**  
**(in millions of Canadian dollars, except share and per share amounts)**

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During the period ended August 1, 2020, Sobeys, through a wholly-owned subsidiary, sold and leased back one property to Crombie REIT for cash consideration of \$2.9 resulting in a pre-tax gain of \$ nil.

On May 28, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 15-property portfolio to a third party purchaser which closed on October 7, 2019. Sobeys and Crombie REIT entered into lease amending agreements on properties disposed where Sobeys was a lessee to secure longer contractual terms, as well as additional option terms on the sites. As consideration for these amendments, Crombie REIT agreed to pay an aggregate amount to Sobeys over a period of three years. As of August 1, 2020, Sobeys has accrued a total of \$4.3 in current and long-term receivables related to these amounts.

During the period ended August 3, 2019, Sobeys, through a wholly-owned subsidiary, sold 50% of a property to Crombie REIT for cash consideration of \$9.5 resulting in a pre-tax gain of \$1.5.

**15. Employee future benefits**

During the period ended August 1, 2020, the net employee future benefits expense reported in net earnings was \$12.8 (August 3, 2019 - \$12.6). Actuarial losses before taxes on defined benefit pension plans for the period ended August 1, 2020 were \$(21.9) (August 3, 2019 - \$(30.0)). These losses have been recognized in other comprehensive income.

**16. Subsequent event**

On August 18, 2020, The Company announced that Standard & Poor's ("S&P") upgraded the issuer credit rating of Sobeys and the issue level ratings on Sobeys unsecured notes to BBB- from BB+. S&P also changed the outlook for Sobeys to Stable.