
Empire Company Limited
Interim Condensed Consolidated Financial Statements
August 6, 2022

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

	August 6 2022	May 7 2022	July 31 2021
ASSETS			
Current			
Cash and cash equivalents	\$ 371.5	\$ 812.3	\$ 505.1
Receivables	609.7	558.8	532.9
Inventories (Note 4)	1,607.8	1,591.5	1,573.6
Prepaid expenses	163.3	127.6	132.0
Leases and other receivables	79.7	73.8	91.4
Income taxes receivable	74.3	48.7	67.3
Assets held for sale	-	-	3.4
	<u>2,906.3</u>	<u>3,212.7</u>	<u>2,905.7</u>
Leases and other receivables	536.5	549.1	551.0
Investments, at equity (Note 5)	663.8	681.5	584.0
Other assets	25.6	21.7	24.2
Property and equipment	3,191.8	3,159.2	3,075.0
Right-of-use assets	5,003.5	4,999.7	4,886.4
Investment property	146.7	146.8	153.2
Intangibles	1,332.7	1,338.5	1,233.7
Goodwill	2,067.0	2,059.0	2,028.7
Deferred tax assets	428.1	425.4	480.7
	<u>\$ 16,302.0</u>	<u>\$ 16,593.6</u>	<u>\$ 15,922.6</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 2,985.1	\$ 2,988.9	\$ 2,810.7
Income taxes payable	69.9	127.6	34.3
Provisions	29.8	32.7	47.5
Long-term debt due within one year (Note 6)	283.0	581.0	101.1
Lease liabilities due within one year	519.6	509.5	560.6
	<u>3,887.4</u>	<u>4,239.7</u>	<u>3,554.2</u>
Provisions	44.2	44.2	45.6
Long-term debt (Note 6)	583.5	595.7	1,127.0
Long-term lease liabilities	5,767.3	5,775.9	5,607.6
Other long-term liabilities	377.4	366.0	354.3
Employee future benefits	187.0	178.2	261.9
Deferred tax liabilities	263.9	260.0	255.0
	<u>11,110.7</u>	<u>11,459.7</u>	<u>11,205.6</u>
SHAREHOLDERS' EQUITY			
Capital stock (Note 7)	2,004.9	2,026.1	2,060.8
Contributed surplus	37.9	37.2	26.5
Retained earnings	2,991.7	2,914.2	2,484.7
Accumulated other comprehensive income	14.5	14.0	15.5
	<u>5,049.0</u>	<u>4,991.5</u>	<u>4,587.5</u>
Non-controlling interest	142.3	142.4	129.5
	<u>5,191.3</u>	<u>5,133.9</u>	<u>4,717.0</u>
	<u>\$ 16,302.0</u>	<u>\$ 16,593.6</u>	<u>\$ 15,922.6</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	
	August 6	July 31
	2022	2021
Sales	\$ 7,937.6	\$ 7,626.0
Other income (Note 8)	4.3	19.0
Share of earnings from investments, at equity	13.4	13.3
Operating expenses		
Cost of sales	5,959.7	5,713.8
Selling and administrative expenses	1,651.5	1,597.1
Operating income	344.1	347.4
Finance costs, net (Note 9)	64.0	66.8
Earnings before income taxes	280.1	280.6
Income tax expense	71.8	68.7
Net earnings	\$ 208.3	\$ 211.9
Earnings for the period attributable to:		
Non-controlling interest	\$ 20.8	\$ 23.4
Owners of the Company	187.5	188.5
	\$ 208.3	\$ 211.9
Earnings per share (Note 10)		
Basic	\$ 0.72	\$ 0.71
Diluted	\$ 0.71	\$ 0.70
Weighted average number of common shares outstanding, in millions (Note 10)		
Basic	262.2	267.0
Diluted	263.0	268.1

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 6 2022	July 31 2021
Net earnings	\$ 208.3	\$ 211.9
Other comprehensive income (loss)		
Items that will be reclassified subsequently to net earnings		
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of tax - Note 11)	(1.0)	1.0
Share of other comprehensive income of investments, at equity (net of tax - Note 11)	1.5	0.1
Exchange differences on translation of foreign operations (net of tax - Note 11)	-	(0.2)
	<u>0.5</u>	<u>0.9</u>
Items that will not be reclassified subsequently to net earnings		
Actuarial losses on defined benefit plans (net of tax - Note 11)	(8.5)	(9.1)
	<u>(8.5)</u>	<u>(9.1)</u>
Total comprehensive income	<u>\$ 200.3</u>	<u>\$ 203.7</u>
Total comprehensive income for the period attributable to:		
Non-controlling interest	\$ 20.8	\$ 23.4
Owners of the Company	<u>179.5</u>	<u>180.3</u>
	<u>\$ 200.3</u>	<u>\$ 203.7</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 1, 2021	\$ 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	-	-	-	(39.9)	(39.9)	-	(39.9)
Equity based compensation, net	0.9	1.3	-	-	2.2	-	2.2
Repurchase of common shares (Note 7)	(39.5)	-	-	(90.5)	(130.0)	-	(130.0)
Capital transactions with structured entities	-	-	-	-	-	(14.9)	(14.9)
Non-controlling interest recognized on business acquisitions	-	-	-	84.0	84.0	-	84.0
Revaluation of put options	-	-	-	(11.4)	(11.4)	(4.3)	(15.7)
Transactions with owners	91.0	1.3	-	(57.8)	34.5	(19.2)	15.3
Net earnings	-	-	-	188.5	188.5	23.4	211.9
Other comprehensive income (loss)	-	-	0.9	(9.1)	(8.2)	-	(8.2)
Total comprehensive income for the period	-	-	0.9	179.4	180.3	23.4	203.7
Balance at July 31, 2021	\$ 2,060.8	\$ 26.5	\$ 15.5	\$ 2,484.7	\$ 4,587.5	\$ 129.5	\$ 4,717.0
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	-	-	-	(43.1)	(43.1)	-	(43.1)
Equity based compensation, net	0.2	0.7	-	-	0.9	-	0.9
Repurchase of common shares (Note 7)	(21.4)	-	-	(51.2)	(72.6)	-	(72.6)
Capital transactions with structured entities	-	-	-	-	-	(17.4)	(17.4)
Revaluation of put options	-	-	-	(7.2)	(7.2)	(3.5)	(10.7)
Transactions with owners	(21.2)	0.7	-	(101.5)	(122.0)	(20.9)	(142.9)
Net earnings	-	-	-	187.5	187.5	20.8	208.3
Other comprehensive income (loss)	-	-	0.5	(8.5)	(8.0)	-	(8.0)
Total comprehensive income for the period	-	-	0.5	179.0	179.5	20.8	200.3
Balance at August 6, 2022	\$ 2,004.9	\$ 37.9	\$ 14.5	\$ 2,991.7	\$ 5,049.0	\$ 142.3	\$ 5,191.3

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 6	July 31
	2022	2021
Operations		
Net earnings	\$ 208.3	\$ 211.9
Adjustments for:		
Depreciation	224.9	213.5
Income tax expense	71.8	68.7
Finance costs, net (Note 9)	64.0	66.8
Amortization of intangibles	25.0	21.0
Net gain on disposal of assets	(0.5)	(2.2)
Net gain on lease terminations	-	(11.6)
Impairment losses of non-financial assets, net	0.1	1.7
Amortization of deferred items	0.9	0.6
Equity in earnings of other entities, net of distributions received	19.5	27.3
Employee future benefits	(2.7)	(4.0)
(Decrease) increase in long-term provisions	(0.4)	1.8
Equity based compensation	3.1	2.1
Net change in non-cash working capital	(76.0)	(113.3)
Income taxes paid, net	<u>(151.3)</u>	<u>(59.7)</u>
Cash flows from operating activities	<u>386.7</u>	<u>424.6</u>
Investment		
Increase in equity investments (Note 5)	-	(41.5)
Property, equipment and investment property purchases	(156.6)	(198.9)
Intangible purchases	(13.0)	(16.1)
Proceeds on disposal of assets	2.7	10.4
Leases and other receivables, net	(12.0)	(8.5)
Other assets and other long-term liabilities	(4.6)	(25.8)
Business acquisitions (Note 13)	(12.4)	(202.4)
Payments received for finance subleases	20.9	12.9
Interest received	<u>1.0</u>	<u>0.7</u>
Cash flows used in investing activities	<u>(174.0)</u>	<u>(469.2)</u>
Financing		
Issuance of long-term debt	20.8	44.7
Repayments of long-term debt	(533.8)	(54.8)
Advances (repayments) on credit facilities, net	202.0	(21.7)
Interest paid	(24.6)	(6.9)
Payments of lease liabilities (principal portion)	(128.8)	(60.9)
Payments of lease liabilities (interest portion)	(56.0)	(56.5)
Repurchase of common shares (Note 7)	(72.6)	(130.0)
Dividends paid, common shares	(43.1)	(39.9)
Non-controlling interest	<u>(17.4)</u>	<u>(14.8)</u>
Cash flows used in financing activities	<u>(653.5)</u>	<u>(340.8)</u>
Decrease in cash and cash equivalents	<u>(440.8)</u>	<u>(385.4)</u>
Cash and cash equivalents, beginning of period	<u>812.3</u>	<u>890.5</u>
Cash and cash equivalents, end of period	<u>\$ 371.5</u>	<u>\$ 505.1</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 6, 2022
(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 August 6, 2022 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 6, 2022, 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 September 14, 2022.

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 August 6, 2022.

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:

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 material impact on the Company’s financial statements.

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
August 6, 2022
(in millions of Canadian dollars, except share and per share amounts)

Standards, amendments and interpretations issued but not yet adopted

In May 2021, the IASB issued 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 is assessing the potential impact of these targeted 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:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least 12 months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- 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, 2023, with early adoption permitted. The Company is assessing the potential impact of this narrow-scope amendment.

4. Inventories

The cost of inventories recognized as an expense during the period ended August 6, 2022 was \$5,959.7 (July 31, 2021 - \$5,713.8). The Company recorded an expense during the period ended August 6, 2022 of \$2.0 (July 31, 2021 - \$2.0) for the write-down of inventories below cost to net realizable value for inventories on hand.

5. Investments, at equity

	August 6 2022	July 31 2021
Investment in associates and joint ventures		
Crombie Real Estate Investment Trust ("Crombie REIT")	\$ 601.6	\$ 505.6
Canadian real estate partnerships	59.1	74.1
United States ("U.S.") real estate partnerships	0.3	2.1
Joint ventures	2.8	2.2
Total	\$ 663.8	\$ 584.0

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 6 2022	July 31 2021
Crombie REIT	\$ 1,221.3	\$ 1,250.9

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.

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
August 6, 2022
(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:

	13 Weeks Ended	
	August 6 2022	July 31 2021
Opening balance	\$ 1,176.7	\$ 1,225.3
Issuance of debt	20.8	44.7
Repayments of long-term debt	(533.8)	(54.8)
Advances (repayments) on credit facilities, net	202.0	(21.7)
Total cash flow used in long-term debt financing activities	(311.0)	(31.8)
Acquired through business acquisitions	-	34.3
Deferred financing costs	0.8	0.3
Closing balance	\$ 866.5	\$ 1,228.1
Current	\$ 283.0	\$ 101.1
Non-current	583.5	1,127.0
Total	\$ 866.5	\$ 1,228.1

7. Capital stock

On June 18, 2020, the Company renewed its normal course issuer bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 5,000,000 Non-Voting Class A shares representing approximately 3.0% of the Non-Voting Class A shares outstanding. The NCIB was amended on April 19, 2021 to purchase up to 8,548,551 Non-Voting Class A shares, representing approximately 5.0% of the shares outstanding, and expired on July 1, 2021.

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 for a total consideration of \$221.3. The NCIB expired on July 1, 2022.

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 shall terminate not later than July 1, 2023.

The following table reflects shares purchased under the NCIB:

	13 Weeks Ended	
	August 6 2022	July 31 2021
Number of shares	1,803,247	3,271,082
Weighted average price	\$ 40.26	\$ 39.74
Reduction of share capital	\$ 21.4	\$ 39.5
Premium charged to retained earnings	51.2	90.5
Cash consideration paid	\$ 72.6	\$ 130.0

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 August 6, 2022, the Company purchased for cancellation 1,340,034 Non-Voting Class A shares at a weighted average price of \$38.26 for a total consideration of \$51.3.

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
August 6, 2022
(in millions of Canadian dollars, except share and per share amounts)

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

	Number of Shares		Share Capital	
	13 Weeks Ended		13 Weeks Ended	
	August 6 2022	July 31 2021	August 6 2022	July 31 2021
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	(1,803,247)	(3,271,082)	(21.4)	(39.5)
Issuance of shares on business acquisition	-	3,187,348	-	129.6
Issuance of shares for stock-based compensation	21,382	76,338	0.2	0.9
Balance, end of period, Non-Voting Class A shares	162,781,815	167,315,905	\$ 1,998.4	\$ 2,054.4
Class B common shares, without par value	98,138,079	98,138,079	\$ 7.3	\$ 7.3
Shares held in trust	(39,211)	(46,576)	(0.8)	(0.9)
Total capital stock			\$ 2,004.9	\$ 2,060.8

8. Other income

	13 Weeks Ended	
	August 6 2022	July 31 2021
Lease income from owned property	\$ 3.8	\$ 5.2
Net gain on disposal of assets	0.5	2.2
Net gain on lease terminations	-	11.6
Total	\$ 4.3	\$ 19.0

9. Finance costs, net

	13 Weeks Ended	
	August 6 2022	July 31 2021
Finance income		
Interest income on lease receivables	\$ 5.2	\$ 5.5
Interest income from cash and cash equivalents	1.0	0.7
Fair value gains on forward contracts	0.2	1.1
Accretion income on leases and other receivables	0.1	0.1
Total finance income	6.5	7.4
Finance costs		
Interest expense on lease liabilities	56.0	56.5
Interest expense on other financial liabilities at amortized cost	12.4	15.0
Pension finance costs, net	1.7	1.9
Accretion expense on provisions	0.4	0.8
Total finance costs	70.5	74.2
Finance costs, net	\$ 64.0	\$ 66.8

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
August 6, 2022
(in millions of Canadian dollars, except share and per share amounts)

10. Earnings per share

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

	13 Weeks Ended	
	August 6 2022	July 31 2021
Weighted average number of shares - basic	262,183,965	266,979,966
Shares deemed to be issued for no consideration in respect of stock-based payments	792,498	1,128,375
Weighted average number of shares - diluted	262,976,463	268,108,341

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	
	August 6 2022	July 31 2021
Unrealized (losses) gains on derivatives designated as cash flow hedges	\$ (0.3)	\$ 0.4
Share of other comprehensive income of investments, at equity	0.6	0.1
Exchange differences on translation of foreign operations	-	(0.1)
Actuarial losses on defined benefit plans	(3.0)	(2.8)
Total	\$ (2.7)	\$ (2.4)

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.

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
August 6, 2022
(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:

	13 Weeks Ended	
	August 6 2022	July 31 2021
Segmented operating income		
Food retailing	\$ 330.9	\$ 337.3
Investments and other operations		
Crombie REIT	12.7	7.4
Real estate partnerships	1.1	5.9
Other operations, net of corporate expenses	(0.6)	(3.2)
	13.2	10.1
Total	\$ 344.1	\$ 347.4

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

	13 Weeks Ended	
	August 6 2022	July 31 2021
Total operating income	\$ 344.1	\$ 347.4
Finance costs, net	64.0	66.8
Earnings before income taxes	\$ 280.1	\$ 280.6

	August 6 2022	July 31 2021
Total assets by segment		
Food retailing	\$ 15,552.5	\$ 15,250.5
Investments and other operations	749.5	672.1
Total	\$ 16,302.0	\$ 15,922.6

13. Business acquisitions

During the period ended August 6, 2022, the Company completed the acquisitions of 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 period ended August 6, 2022:

Receivables	\$	0.2
Inventories		3.1
Property, equipment and investment property		4.2
Right-of-use assets		6.4
Goodwill		8.0
Accounts payable and accrued liabilities		(3.0)
Income taxes payable		(0.1)
Lease liabilities		(6.4)
Total consideration	\$	12.4

From the date of acquisition, the businesses acquired contributed sales of \$8.2 and net earnings of \$0.7 for the period ended August 6, 2022.

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
August 6, 2022
(in millions of Canadian dollars, except share and per share amounts)

Goodwill recorded on the acquisitions of franchise and non-franchise stores relate to the acquired workforce and customer base of the existing store location, along with the synergies expected from combining the 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 amounts disclosed in the audited consolidated financial statements for the fiscal year ended May 7, 2022.

14. Financial instruments

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

Long-term debt	August 6 2022	May 7 2022	July 31 2021
Total carrying amount	\$ 866.5	\$ 1,176.7	\$ 1,228.1
Total fair value	\$ 912.5	\$ 1,210.3	\$ 1,432.6

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.

15. 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 period ended August 6, 2022, the Company granted 315,057 (July 31, 2021 - 264,050) PSUs. The weighted average fair value of \$40.41 (July 31, 2021 - \$37.69) per PSU issued during the period ended August 6, 2022 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$42.21
Expected life	2.75 years
Risk-free interest rate	3.27%
Expected volatility	30.92%
Dividend yield	1.58%

At August 6, 2022, there were 1,016,252 (July 31, 2021 - 607,862) PSUs outstanding. The compensation expense for the period ended August 6, 2022 related to PSUs was \$1.3 (July 31, 2021 - \$0.4).

Stock option plan

During the period ended August 6, 2022, the Company granted 452,961 (July 31, 2021 - 585,268) 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 \$10.04 (July 31, 2021 - \$10.09) per option issued during the period ended August 6, 2022 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$40.54
Expected life	4.64 years
Risk-free interest rate	3.28%
Expected volatility	27.95%
Dividend yield	1.61%

The compensation expense for the period ended August 6, 2022 related to the issuance of options was \$1.8 (July 31, 2021 - \$1.7).

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Deferred stock unit plans

Deferred stock units ("DSUs") issued to employees, under the Executive DSU Plan, vest dependent on time and the achievement of specific performance measures. During the period ended August 6, 2022, the Company granted 126,160 (July 31, 2021 - 87,474) DSUs. At August 6, 2022, there were 1,920,609 (July 31, 2021 - 1,796,009) DSUs outstanding and the total carrying amount of the liability was \$66.4 (July 31, 2021 - \$61.4). The compensation (income) expense for the period ended August 6, 2022 related to DSUs was \$(4.4) (July 31, 2021 - \$4.5).

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 period ended August 6, 2022, the Company granted 13,260 (July 31, 2021 - 12,255) DSUs. At August 6, 2022, there were 436,004 (July 31, 2021 - 378,167) DSUs outstanding and the total carrying amount of the liability was \$16.7 (July 31, 2021 - \$15.5). During the period ended August 6, 2022, the compensation (income) expense recorded was \$(1.0) (July 31, 2021 - \$1.4).

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.

16. 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 August 6, 2022, the Company holds a 41.5% (July 31, 2021 - 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 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.

During the period ended July 31, 2021, Sobeys, through wholly-owned subsidiaries, engaged in lease modification termination transactions with Crombie REIT. These transactions resulted in pre-tax other income of \$11.6 and have been recognized within other income on the unaudited interim condensed consolidated statements of earnings.

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.

17. Employee future benefits

During the period ended August 6, 2022, the net employee future benefits expense reported in net earnings was \$12.1 (July 31, 2021 - \$12.8). Actuarial losses before taxes on defined benefit pension plans for the period ended August 6, 2022 were \$(11.5) (July 31, 2021 - \$(11.9)). These losses have been recognized in other comprehensive income (loss).

18. Subsequent event

On August 11, 2022, the Company acquired 33% ownership of Scene Partnership Limited for a nominal investment. The Company launched the rollout of the *Scene+* loyalty program in Atlantic Canada and will continue across the country, culminating in late fiscal 2023 in most of the Company's banners. AIR MILES® collectors will continue to earn and redeem in the Company's stores until the new *Scene+* program is available.