



**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FIRST QUARTER ENDED AUGUST 3, 2024**

<b>Forward-Looking Information .....</b>	<b>1</b>
<b>Overview of the Business.....</b>	<b>3</b>
Company Priorities .....	3
Business Updates.....	4
<b>Outlook.....</b>	<b>6</b>
<b>Summary Results – First Quarter .....</b>	<b>7</b>
Sales.....	8
Gross Profit.....	8
Operating Income .....	8
EBITDA.....	9
Finance Costs.....	9
Income Taxes .....	9
Net Earnings.....	9
Adjusted Impacts on Net Earnings .....	10
Investments and Other Operations .....	10
<b>Quarterly Results of Operations .....</b>	<b>11</b>
<b>Liquidity and Capital Resources .....</b>	<b>11</b>
Operating Activities.....	11
Investing Activities .....	12
Capital Expenditures .....	12
Store Network Activity and Square Footage .....	13
Financing Activities.....	13
Free Cash Flow .....	13
Employee Future Benefit Obligations.....	14
<b>Consolidated Financial Condition .....</b>	<b>14</b>
Key Financial Condition Measures.....	14
Shareholders’ Equity .....	15
Normal Course Issuer Bid .....	16
<b>Accounting Standards and Policies .....</b>	<b>16</b>
Changes to Accounting Standards Adopted During Fiscal 2025 .....	16
Standards, Amendments and Interpretations Issued but not yet Adopted.....	17
Critical Accounting Estimates.....	17
Internal Control Over Financial Reporting.....	18
<b>Related Party Transactions .....</b>	<b>18</b>
<b>Contingencies.....</b>	<b>18</b>
<b>Risk Management.....</b>	<b>18</b>
<b>Designation for Eligible Dividends .....</b>	<b>18</b>
<b>Non-GAAP Financial Measures &amp; Financial Metrics .....</b>	<b>19</b>
Financial Measures .....	19
Food Retailing Segment Adjustment Reconciliation .....	21
Quarterly Results of Operations Adjustment Reconciliation .....	22
Financial Metrics.....	22

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) and its subsidiaries, including wholly-owned Sobeys Inc. ("Sobeys") for the quarter ended August 3, 2024 compared to the quarter ended August 5, 2023. The MD&A should be read in conjunction with the Company's unaudited Interim Condensed Consolidated Financial Statements and notes thereto for the quarter ended August 3, 2024 and the audited annual Consolidated Financial Statements and the related MD&A for the fiscal year ended May 4, 2024. Additional information about the Company can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or on the Company's website at [www.empireco.ca](http://www.empireco.ca).

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") and are reported in Canadian dollars. 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 4, 2024, 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 include the accounts of Empire and its subsidiaries and structured entities which the Company is required to consolidate.

The information contained in this MD&A is current to September 11, 2024 unless otherwise noted. There have been no material changes to disclosures as contained in the "Critical Accounting Estimates", "Contingencies" or "Risk Management" sections of the Company's MD&A for the fiscal year ended May 4, 2024 other than as noted in this MD&A.

## FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's aim to increase total adjusted earnings per share ("EPS") through net earnings, growth, and share repurchases, as well as its intention to continue improving sales, gross margin (excluding fuel) and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") margin, all of which could be impacted by several factors including a prolonged unfavourable macro-economic environment and unforeseen business challenges, as well as the factors identified in the "Risk Management" section of the fiscal 2024 annual MD&A;
- The Company's plans to further grow and enhance the Own Brands portfolio, which may be impacted by future operating costs and customer response;
- The Company's plan to invest \$700 million capital in its network in fiscal 2025, including store expansions and renovations and renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026 which could be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;
- The Company's expectation that it will meet targeted growth of FreshCo, which may be impacted by customer response, availability of contractors, operating results, and other macro-economic impacts;
- The Company's expectation that it will continue its e-commerce expansion with Voilà, that actions are expected to have a significant, positive impact on Voilà's profitability in fiscal 2025 and 2026 and its ability to gain access to a larger segment of the grocery e-commerce market, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado Group plc ("Ocado");

- The Company's expectation that the *Scene+* program will accelerate engagement by focusing on scaling personalization, which may be impacted by customer response, *Scene+* app usage and the pace at which personalized offers are rolled out;
- The Company's expectation that it will continue to focus on driving efficiency and cost effectiveness initiatives which could be impacted by supplier relationships, labour relations, and other macro-economic impacts;
- The Company's expectation that Other income plus Share of earnings from investments, at equity will in aggregate, be in a range of \$135 million to \$155 million in fiscal 2025, which assumes completion of pending real estate transactions by the Company and Share of earnings from investments, at equity being consistent with historical values adjusted for significant transactions and may be impacted by the timing and terms of completion of real estate-related transactions and actual results from Crombie Real Estate Investment Trust ("Crombie REIT") and Real estate partnerships;
- The Company's expectations regarding the amount and timing of expenses relating to the completion of the future Customer Fulfilment Centre ("CFC"), which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;
- The Company's expectation of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macro-economic environment;
- The Company's expectation of contributions to its registered defined benefit plans, which could be impacted by fluctuations in capital markets;
- The Company's expectation that its cash and cash equivalents on hand, together with unutilized aggregate credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the macro-economic environment, operating results; and
- The Company's plans to purchase for cancellation Non-Voting Class A shares ("Class A shares") under the normal course issuer bid, which may be impacted by market and macro-economic conditions, availability of sellers, changes in laws and regulations, and the results of operations.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section of the fiscal 2024 annual MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company's current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.

## OVERVIEW OF THE BUSINESS

Empire's key businesses and financial results are segmented into two reportable segments: (i) Food retailing; and (ii) Investments and other operations. With approximately \$31.5 billion in annual sales and \$16.9 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 128,000 people.

Empire's Food retailing segment is carried out through Sobeys, a wholly-owned subsidiary. Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. Sobeys owns, affiliates or franchises more than 1,600 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, Farm Boy, Longo's and Lawtons Drugs, operates grocery e-commerce under the banners Voilà, Voilà par IGA and ThriftyFoods.com, and operates and/or supplies more than 350 retail fuel locations.

### Company Priorities

Since fiscal 2017, the Company has successfully completed two transformation strategies, Project Sunrise and Project Horizon. These strategies have comprehensively reset Empire's foundation, enhanced the Company's data capabilities, deepened the understanding of customers, and prepared the business to effectively capture emerging trends. With these transformation strategies now accomplished and the turnaround complete, the Company aims to grow total adjusted EPS over the long-term through net earnings growth and share repurchases. The Company intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as:

#### Continued Focus on Stores:

Over recent years, the Company has accelerated investments in renovations, conversions, and new stores along with store processes, communications, training, technology and tools. Investing in the store network will remain a priority, demonstrated by a sustained emphasis on renovations and continued store expansion in discount. The Own Brands program enhancement will remain a priority through increased distribution, shelf placement and product innovation.

The Company intends to invest capital in its store network and is on track with its plan to renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026. This capital investment includes important sustainability initiatives such as refrigeration system upgrades and other energy efficiency initiatives.

#### Enhanced Focus on Digital and Data:

The focus on digital and data will include continued e-commerce expansion with Voilà, personalization, loyalty, through *Scene+* (see "Business Updates – Voilà" and "Business Updates – *Scene+*" for more information), improved space productivity and the continued improvement of promotional optimization. Space productivity will further enhance the customer experience by improving store layouts, optimizing category and product adjacencies and tailoring product assortment for each store. The advanced analytics tools built for promotional optimization will continue to be refined through the partnership between the advanced analytics team and category merchants. Enhancing digital and data capabilities will allow the Company to deliver the best personalized experiences to elevate its in-store and e-commerce experience for its customers.

#### Efficiency and Cost Control:

The Company has significantly improved its efficiency and cost effectiveness through sourcing efficiencies, optimizing supply chain productivity and improving systems and processes. The Company will continue to focus on driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure. In addition, the Company is pursuing cost savings in the Voilà business by pausing the opening of its fourth CFC and has ended its mutual exclusivity with Ocado, amongst other initiatives.

## **Business Updates**

### **Voilà**

The Company has three active CFCs located in Toronto, Montreal and Calgary. In the fourth quarter of fiscal 2024, the Company decided to pause the opening of its fourth CFC in Vancouver, British Columbia to focus efforts on driving volume and performance in its three active CFCs. Construction of the external building for the fourth CFC has been substantially completed with the internal work related to the grid build and robot commissioning not yet started. Once the e-commerce penetration rates in Canada increase, the Company will be in a position to make a decision quickly on when it will proceed with the opening of its fourth CFC.

The Company has also taken actions to decrease costs and increase its flexibility to serve customers, including ending its mutual exclusivity agreement with Ocado slightly before it was originally estimated to end. This resulted in a non-cash pre-tax charge related to ending the exclusivity of \$11.9 million during the first quarter of fiscal 2025. To support continued e-commerce growth, the Company is also pursuing several other meaningful strategies to gain access to a larger segment of the grocery e-commerce market.

In the quarter ended August 3, 2024, Voilà experienced a sales increase of 26.2% compared to the same quarter in the prior year.

In the first quarter of fiscal 2024, the Company completed its merger of Longo's e-commerce business, Grocery Gateway, into Voilà, thereby capturing logistics and delivery synergies. Operating as a 'shop in shop' has increased the reach of Longo's within Ontario and increased Voilà's product count. The Company now offers products from Sobeys, Farm Boy and Longo's through the Voilà platform.

The actions that the Company is taking as outlined above are expected to have a significant, positive impact on Voilà's profitability in fiscal 2025 and 2026. Voilà's future earnings will primarily be impacted by sales volume, with strong margins, operational efficiencies and cost discipline serving as important drivers to manage financial performance. While the market penetration of Voilà continues to be strong, the size and growth of the Canadian grocery e-commerce market is smaller than anticipated, resulting in higher net earnings dilution than originally estimated.

### **Scene+**

Along with Scotiabank and Cineplex, Empire is a co-owner of Scene+, one of Canada's leading loyalty programs. Scene+ has been rewarding customers in almost all of the Company's banners since launching in stores in fiscal 2023. In that time, Scene+ has grown from 10 million to over 15 million members, while offering a breadth of rewards categories to its members, providing a strategic marketing and promotional tool for the Company.

The Company's key priority with Scene+ is to accelerate program engagement by focusing on personalization. By using machine learning and artificial intelligence algorithms, personalization recommendations will be improved, delivering the right message to the right customer at the right time, through the right channels.

### **FreshCo**

Since fiscal 2018, the Company has been expanding its FreshCo discount format to Western Canada, and its significant growth has been driven by store conversions and regional expansion. The value proposition and strong multicultural assortment, along with the addition of the Scene+ loyalty program, has supported the growth and expansion of the discount format. As at September 11, 2024, FreshCo has 48 stores operating in Western Canada and the Company expects to achieve its original targeted growth of converting up to 25% of 255 Safeway and Sobeys Full-Service format stores in Western Canada over the next several years.

## **Sustainable Business Reporting**

Environmental, Social and Governance (“ESG”) has deep roots in the Company’s history, and the principles of ESG have been a part of the organization since the Company started over 117 years ago.

The Company published its 2024 Sustainable Business Report in August 2024, highlighting significant advancements in achieving its ESG objectives. This year's report demonstrates continued progress across the three pillars of its ESG framework: People, Planet, and Products. Notable achievements include; reducing greenhouse gas emissions in Scope 1 and 2 by 27% as part of the Company's science-based climate targets, donating over 30 million pounds of surplus food to local charities through partnerships with Second Harvest, raising and donating nearly \$23 million to support health and wellness, and further embedding Diversity, Equity and Inclusion (“DE&I”) initiatives with 91% of Directors and above setting DE&I performance and accountability goals.

In fiscal 2024, the Company also initiated work to establish Scope 3 specific targets for GHG emissions related to the forestry, land and agriculture (FLAG) sector in accordance with science-based target initiatives guidance. Additionally, the newly established Sustainable Business Council continues to play a critical role in overseeing the Company’s sustainability initiatives and ensuring the accuracy of carbon emissions reporting for both internal and external stakeholders.

The Company remains focused on several key initiatives as part of its ongoing ESG journey, including expanding carbon reduction projects to meet Scope 1 and 2 climate targets, eliminating avoidable and hard-to-recycle plastics, fostering a fair, equitable, and inclusive environment, and integrating sustainable business mandates within performance management goals. These efforts underscore the Company's commitment to sustainability and its role in driving positive change for its stakeholders, business, and shareholders.

### **Other Items**

#### *Western Canada Fuel Sale*

On December 13, 2022, the Company signed a definitive agreement between a wholly-owned subsidiary of Sobeys and Canadian Mobility Services Limited, a wholly-owned subsidiary of Shell Canada, to sell all 56 retail fuel sites in Western Canada for approximately \$100.0 million. Following regulatory review and approval, the sale (“Western Canada Fuel Sale”) was completed in the first quarter of fiscal 2024.

## OUTLOOK

Management aims to grow total adjusted EPS over the long-term through net earnings and share purchases. The Company intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as; a continued focus on stores (investing in renovations, discount expansion, and Own Brands program enhancement), an expanded focus on digital and data (through key strategic initiatives including Voilà, *Scene+*, personalization, space productivity and promotional optimization), and driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure.

For fiscal 2025, capital spend is expected to be approximately \$700 million, with approximately half of this investment allocated to renovations and new store expansion, 25% allocated to IT and business development projects and the remainder allocated to central kitchens, logistics, sustainability and e-commerce. The Company is on track with its plan to renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026.

During fiscal 2025, the Company expects aggregate pre-tax earnings from Other income plus Share of earnings from investments, at equity (both found in the Company's Consolidated Statements of Earnings), to be in the range of \$135 million and \$155 million (2024 - \$140.1 million, excluding the gain of \$90.8 million on the Western Canada Fuel Sale).

The Company continues to comply with the federal government's request to identify ways to help further stabilize prices for consumers. Consistent with the overall trend of Consumer Price Index for food purchased from stores over the last several quarters, the Company's internal food inflation has continued to decrease. The Company is focused on supplier relationships and negotiations to ensure competitive pricing for customers. The Company continues to be well positioned to pursue long-term growth despite the impacts of global economic uncertainties.

## SUMMARY RESULTS – FIRST QUARTER

(\$ in millions, except per share amounts)	13 Weeks Ended		\$	%
	August 3, 2024	August 5, 2023		
Sales	\$ 8,136.9	\$ 8,075.5	\$ 61.4	0.8%
Gross profit <sup>(1)</sup>	2,126.3	2,074.5	51.8	2.5%
Operating income	369.1	456.5	(87.4)	(19.1)%
Adjusted operating income <sup>(2)</sup>	383.2	374.9	8.3	2.2%
EBITDA <sup>(1)</sup>	645.0	723.0	(78.0)	(10.8)%
Adjusted EBITDA <sup>(2)</sup>	659.1	641.4	17.7	2.8%
Finance costs, net	72.7	69.0	3.7	5.4%
Income tax expense	67.8	106.7	(38.9)	(36.5)%
Non-controlling interest	20.8	19.8	1.0	5.1%
Net earnings <sup>(3)</sup>	207.8	261.0	(53.2)	(20.4)%
Adjusted net earnings <sup>(1)(2)(3)(4)</sup>	218.7	196.2	22.5	11.5%

### Basic earnings per share

Net earnings <sup>(3)</sup>	\$ 0.86	\$ 1.04
Adjusted net earnings <sup>(2)(3)(4)</sup>	\$ 0.90	\$ 0.78
Basic weighted average number of shares outstanding (in millions)	241.9	251.7

### Diluted earnings per share

Net earnings <sup>(3)</sup>	\$ 0.86	\$ 1.03
Adjusted net earnings <sup>(2)(3)(4)</sup>	\$ 0.90	\$ 0.78
Diluted weighted average number of shares outstanding (in millions)	242.3	252.2
Dividend per share	\$ 0.2000	\$ 0.1825

	13 Weeks Ended	
	August 3, 2024	August 5, 2023
Gross margin <sup>(1)</sup>	26.1%	25.7%
EBITDA margin <sup>(1)</sup>	7.9%	9.0%
Adjusted EBITDA margin <sup>(2)</sup>	8.1%	7.9%
Same-store sales <sup>(1)</sup> growth	0.5%	3.0%
Same-store sales growth, excluding fuel	1.0%	4.1%
Effective income tax rate	22.9%	27.5%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.

(3) Attributable to owners of the Company.

(4) See "Adjusted Impacts on Net Earnings" section of this MD&A.

## Food Retailing

The following is a review of Empire's Food retailing segment's financial performance for the quarter ended:

(\$ in millions)	13 Weeks Ended		\$	%
	August 3, 2024	August 5, 2023		
Sales	\$ 8,136.9	\$ 8,075.5	\$ 61.4	0.8%
Gross profit	2,126.3	2,074.5	51.8	2.5%
Operating income	357.9	449.1	(91.2)	(20.3)%
Adjusted operating income <sup>(1)</sup>	372.0	367.5	4.5	1.2%
EBITDA <sup>(1)</sup>	633.8	715.4	(81.6)	(11.4)%
Adjusted EBITDA <sup>(1)</sup>	647.9	633.8	14.1	2.2%
Net earnings <sup>(2)</sup>	197.1	271.1	(74.0)	(27.3)%
Adjusted net earnings <sup>(1)(2)</sup>	208.0	206.3	1.7	0.8%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a reconciliation of the adjusted metrics presented in this table.

(2) Attributable to owners of the Company.



## Empire Company Limited Operating Results

### Sales

Sales for the quarter ended August 3, 2024 increased by 0.8% primarily driven by strong performance across the business, particularly in FreshCo and Full-Service. This increase is slightly offset by lower fuel sales due to the Western Canada Fuel Sale in the first quarter of the prior year.

### Gross Profit

Gross profit for the quarter ended August 3, 2024 increased by 2.5% primarily driven by higher sales, business expansion (Farm Boy, FreshCo and Voilà) and strong performance and operational discipline in Full-Service banners.

Gross margin for the quarter increased to 26.1% from 25.7% in the prior year, primarily as a result of strong execution in Full-Service banners from several targeted initiatives aimed at closely managing shrink and inventory and improving promotional mix. Gross margin, excluding the mix impact of fuel, increased by 46 basis points.

### Operating Income

(\$ in millions)	13 Weeks Ended		\$
	August 3, 2024	August 5, 2023	
Food retailing	\$ 357.9	\$ 449.1	\$ (91.2)
Investments and other operations:			
Crombie REIT	12.8	8.9	3.9
Real estate partnerships	3.5	1.1	2.4
Other operations, net of corporate expenses	(5.1)	(2.6)	(2.5)
	11.2	7.4	3.8
Operating income	\$ 369.1	\$ 456.5	\$ (87.4)
Adjustments:			
E-commerce Exclusivity <sup>(1)</sup>	\$ 11.9	\$ -	\$ 11.9
Restructuring <sup>(1)</sup>	2.2	9.7	(7.5)
Cybersecurity Event <sup>(1)</sup>	-	(0.5)	0.5
Western Canada Fuel Sale <sup>(1)</sup>	-	(90.8)	90.8
	14.1	(81.6)	95.7
Adjusted operating income <sup>(2)</sup>	\$ 383.2	\$ 374.9	\$ 8.3

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.

(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

For the quarter ended August 3, 2024, operating income from the Food retailing segment decreased due to higher selling and administrative expenses and a decrease in other income (driven by the gain from the Western Canada Fuel Sale in the prior year), partially offset by higher sales, gross profit and a gain on sale of a property in the current quarter. Selling and administrative expenses increased mainly due to increased investments in the store network, tools, technology and projects to support the Company's strategic initiatives, increase in compensation expense including retail labour costs, and a non-cash charge related to ending the exclusivity with Ocado, partially offset by lower utility costs and other cost saving initiatives.

For the quarter ended August 3, 2024, operating income from the Investments and other operations segment increased primarily as a result of higher equity earnings from Crombie REIT driven by increased property sales.

## EBITDA

(\$ in millions)	13 Weeks Ended		Change
	August 3, 2024	August 5, 2023	
EBITDA <sup>(1)</sup>	\$ 645.0	\$ 723.0	\$ (78.0)
Adjustments:			
E-commerce Exclusivity <sup>(2)</sup>	11.9	-	11.9
Restructuring <sup>(2)</sup>	2.2	9.7	(7.5)
Cybersecurity Event <sup>(2)</sup>	-	(0.5)	0.5
Western Canada Fuel Sale <sup>(2)</sup>	-	(90.8)	90.8
	14.1	(81.6)	95.7
Adjusted EBITDA <sup>(1)(2)</sup>	\$ 659.1	\$ 641.4	\$ 17.7

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.

For the quarter ended August 3, 2024, EBITDA decreased to \$645.0 million from \$723.0 million in the prior year mainly as a result of the same factors affecting operating income. Adjusted EBITDA margin increased to 8.1% from 7.9% in the prior year.

## Finance Costs

For the quarter ended August 3, 2024, net finance costs increased 5.4% from the prior year as a result of higher interest expense on lease liabilities.

## Income Taxes

The effective income tax rate for the quarter ended August 3, 2024 was 22.9% compared to 27.5% in the same quarter in the prior year. The effective tax rate was lower than the statutory rate primarily due to non-taxable capital items, the revaluation of tax estimates, not all of which are recurring, and consolidated structured entities which are taxed at lower rates. The effective tax rate in the same quarter last year was higher than the statutory rate primarily due to the revaluation of tax estimates, not all of which are recurring, partially offset by non-taxable capital items.

## Net Earnings

(\$ in millions, except per share amounts)	13 Weeks Ended		Change
	August 3, 2024	August 5, 2023	
Net earnings <sup>(1)</sup>	\$ 207.8	\$ 261.0	\$ (53.2)
EPS (fully diluted)	\$ 0.86	\$ 1.03	
Adjustments <sup>(2)</sup> (net of income taxes)			
E-commerce Exclusivity <sup>(3)</sup>	8.8	-	8.8
Restructuring <sup>(3)</sup>	2.1	7.1	(5.0)
Cybersecurity Event <sup>(3)</sup>	-	(0.4)	0.4
Western Canada Fuel Sale <sup>(3)</sup>	-	(71.5)	71.5
	10.9	(64.8)	75.7
Adjusted net earnings <sup>(1)(4)(5)</sup>	\$ 218.7	\$ 196.2	\$ 22.5
Adjusted EPS <sup>(1)(3)</sup> (fully diluted)	\$ 0.90	\$ 0.78	
Diluted weighted average number of shares outstanding (in millions)	242.3	252.2	

(1) Attributable to owners of the Company.

(2) Total adjustments are net of income taxes of \$3.8 million (2024 – (\$16.8) million).

(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.

(4) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

(5) See "Adjusted Impacts on Net Earnings" section of this MD&A.

### Adjusted Impacts on Net Earnings

The Company has taken actions in its e-commerce business to decrease costs and increase its flexibility to serve customers, including ending its mutual exclusivity agreement with Ocado, slightly before it was originally estimated to end. In the quarter ended August 3, 2024, the Company incurred a non-cash charge related to ending the exclusivity, with an impact to net earnings of (\$8.8) million.

In the first quarter of fiscal 2024, Empire began to pursue strategies to optimize its organization, improve efficiencies and reduce costs including changes to its leadership team and organizational structure and the voluntary buyout of certain unionized employees (the “Restructuring”). The impact to net earnings for the quarter ended August 3, 2024 was (\$2.1) million (2024 – (\$7.1) million).

On November 4, 2022, Empire experienced IT system issues related to a Cybersecurity Event. The Company included in its Adjusted Metrics an adjustment for direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, and labour costs, net of insurance recoveries. The impact to net earnings for the quarter ended August 3, 2024 was \$ nil (2024 – \$0.4 million).

On July 30, 2023, Empire completed the sale of its Western Fuel Business to Canadian Mobility Services Limited, a wholly-owned subsidiary of Shell Canada. The sale of all 56 retail fuel sites in Western Canada was completed for approximately \$100.0 million, which resulted in a pre-tax gain of \$90.8 million. The impact to net earnings for the first quarter of fiscal 2024 was \$71.5 million.

### Investments and Other Operations

(\$ in millions)	13 Weeks Ended		Change	\$
	August 3, 2024	August 5, 2023		
Crombie REIT	\$ 12.8	\$ 8.9	\$	3.9
Real estate partnerships	3.5	1.1		2.4
Other operations, net of corporate expenses	(5.1)	(2.6)		(2.5)
Operating income	\$ 11.2	\$ 7.4	\$	3.8

For the quarter ended August 3, 2024, income from Investments and other operations increased primarily as a result of higher equity earnings from Crombie REIT driven by increased property sales.

## QUARTERLY RESULTS OF OPERATIONS

(\$ in millions, except per share amounts)	Fiscal 2025		Fiscal 2024				Fiscal 2023			
	Q1 (13 Weeks)	Q4 (13 Weeks)	Q3 (13 Weeks)	Q2 (13 Weeks)	Q1 (13 Weeks)	Q4 (13 Weeks)	Q3 (13 Weeks)	Q2 (13 Weeks)		
	Aug. 3, 2024	May 4, 2024	Feb. 3, 2024	Nov. 4, 2023	Aug. 5, 2023	May 6, 2023	Feb. 4, 2023	Nov. 5, 2022		
Sales	\$ 8,136.9	\$ 7,411.5	\$ 7,494.4	\$ 7,751.2	\$ 8,075.5	\$ 7,408.4	\$ 7,489.3	\$ 7,642.8		
Operating income	369.1	291.3	250.6	312.4	456.5	321.6	232.8	333.9		
Adjusted operating income <sup>(1)</sup>	371.3	297.7	275.9	308.6	374.9	328.1	285.4	333.9		
EBITDA <sup>(2)</sup>	645.0	556.6	521.5	580.4	723.0	592.3	492.5	584.2		
Adjusted EBITDA <sup>(1)(2)</sup>	647.2	563.0	546.8	576.6	641.4	598.8	545.1	584.2		
Net earnings <sup>(3)</sup>	207.8	148.9	134.2	181.1	261.0	182.9	125.7	189.9		
Adjusted net earnings <sup>(1)(3)</sup>	209.9	154.0	153.1	178.3	196.2	184.9	164.8	189.9		
<b>Per share information, basic</b>										
Net earnings <sup>(3)</sup>	\$ 0.86	\$ 0.61	\$ 0.54	\$ 0.73	\$ 1.04	\$ 0.72	\$ 0.49	\$ 0.73		
Adjusted net earnings <sup>(1)(3)</sup>	\$ 0.90	\$ 0.63	\$ 0.62	\$ 0.72	\$ 0.78	\$ 0.73	\$ 0.64	\$ 0.73		
Basic weighted average number of shares outstanding (in millions)	241.9	243.4	246.3	249.3	251.7	254.9	257.9	260.1		
<b>Per share information, diluted</b>										
Net earnings <sup>(3)</sup>	\$ 0.86	\$ 0.61	\$ 0.54	\$ 0.72	\$ 1.03	\$ 0.72	\$ 0.49	\$ 0.73		
Adjusted net earnings <sup>(1)(3)</sup>	\$ 0.90	\$ 0.63	\$ 0.62	\$ 0.71	\$ 0.78	\$ 0.72	\$ 0.64	\$ 0.73		
Diluted weighted average number of shares outstanding (in millions)	242.3	243.7	246.8	249.9	252.2	255.4	258.4	260.6		

- (1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a reconciliation of the adjusted metrics presented in this table.
- (2) EBITDA is reconciled to net earnings for the current and comparable period in the "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
- (3) Attributable to owners of the Company.

Sales during fiscal 2024 and the first quarter of fiscal 2025 were impacted by the Western Canada Fuel sale which occurred in the first quarter of fiscal 2024.

Sales are affected by macro-economic factors impacting food retail prices, including fluctuations in inflation. Results are affected by seasonality, in particular during the summer months and over the holidays when retail sales trend higher and can result in stronger operating results. Sales, operating income, EBITDA and net earnings have all been influenced by the Company's strategic investment activities, the competitive environment, cost management initiatives, food prices and general industry trends, adjusted items, as well as other risk factors as outlined in the "Risk Management" section of the fiscal 2024 annual MD&A.

## LIQUIDITY AND CAPITAL RESOURCES

The table below highlights significant cash flow components for the relevant periods. For additional detail, please refer to the Condensed Consolidated Statements of Cash Flows in the Company's unaudited Interim Condensed Consolidated Financial Statements for the quarter ended August 3, 2024.

(\$ in millions)	13 Weeks Ended	
	August 3, 2024	August 5, 2023
Cash flows from operating activities	\$ 516.5	\$ 588.2
Cash flows used in investing activities	(145.5)	(64.5)
Cash flows used in financing activities	(317.7)	(413.6)
Increase in cash and cash equivalents	\$ 53.3	\$ 110.1

### Operating Activities

Cash flows from operating activities for the quarter ended August 3, 2024 decreased versus prior year primarily as a result of higher taxes paid in the current year.

## Investing Activities

The table below outlines details of investing activities of the Company:

(\$ in millions)	13 Weeks Ended	
	August 3, 2024	August 5, 2023
Increase in equity investments	\$ (1.3)	\$ (2.9)
Acquisitions of property, equipment, investment property and intangibles	(222.8)	(174.7)
Proceeds on disposal of assets <sup>(1)</sup>	81.9	105.6
Leases and other receivables, net	1.4	(6.6)
Other assets	(17.8)	(4.1)
Other liabilities	1.2	(0.4)
Business acquisitions	(10.4)	(4.0)
Payments received for finance subleases	21.8	22.3
Interest received	0.5	0.3
Cash flows used in investing activities	\$ (145.5)	\$ (64.5)

(1) Proceeds on disposal of assets include property, equipment and investment property.

Cash used in investing activities for the quarter ended August 3, 2024 increased versus prior year primarily due to higher capital investments and a decrease in proceeds on disposal of assets due to the receipt of proceeds from the Western Canada Fuel Sale in the prior year of approximately \$100.0 million, partially offset by the receipt of proceeds from the sale of a property in the current year of approximately \$79.0 million.

## Capital Expenditures

The Company invested \$151.6 million in capital expenditures<sup>(1)</sup> for the quarter ended August 3, 2024 (2024 – \$123.6 million), including store renovations, construction of new stores, investments in advanced analytics technology and other technology systems, and investments in Voilà CFCs.

In fiscal 2025, capital expenditures are expected to be approximately \$700 million, with approximately 50% of this investment allocated to store renovations and new store expansion, 25% on IT projects and business development projects and the remainder on central kitchens, logistics, sustainability and e-commerce. The Company is on track to renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026.

(1) Capital expenditures are calculated on an accrual basis and includes acquisitions of property, equipment and investment properties, and additions to intangibles.

## Store Network Activity and Square Footage

The table below outlines details of investments by Sobeys in its store network:

Number of stores	13 Weeks Ended	
	August 3, 2024	August 5, 2023
Opened/relocated/acquired <sup>(1)</sup>	11	7
Rebannered/redeveloped	-	3
Closed <sup>(1)(2)</sup>	7	9
Opened - FreshCo <sup>(3)</sup>	1	1
Opened - Farm Boy	1	-
Closed - pending conversion to Farm Boy	1	-

(1) Total impact excluding the opened Farm Boy and FreshCo sites as part of ongoing expansion.

(2) This number does not include 38 Safeway co-located fuel sites or 17 co-branded convenience fuel locations which were sold in the first quarter of fiscal 2024.

(3) Specific to converted Western Canada FreshCo stores, net of Safeway and Sobeys closures.

The following table shows changes in Sobeys' square footage:

Square feet (in thousands)	13 Weeks Ended	
	August 3, 2024	August 5, 2023
Opened	162	171
Closed	(103)	(68)
Net change before the impact of the expansion of Farm Boy and FreshCo	59	103
Opened - FreshCo <sup>(1)</sup>	36	54
Opened - Farm Boy	25	-
Closed - pending conversion to Farm Boy	(28)	-
Net change	92	157

(1) Specific to converted Western Canada FreshCo stores, net of Safeway and Sobeys closures.

At August 3, 2024, Sobeys' retail space totalled 43.0 million square feet, a 0.2% increase compared to 42.9 million square feet at August 5, 2023. The prior year square footage was increased by 0.8 million to reflect a correction in reporting.

## Financing Activities

Cash used in financing activities for the quarter ended August 3, 2024 decreased versus prior year primarily due to advances on credit facilities in the current year and a decrease in the repurchase of common shares.

## Free Cash Flow

Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities.

(\$ in millions)	13 Weeks Ended		\$ Change
	August 3, 2024	August 5, 2023	
Cash flows from operating activities	\$ 516.5	\$ 588.2	\$ (71.7)
Add: proceeds on disposal of assets <sup>(1)</sup>	81.9	105.6	(23.7)
Less: interest paid	(11.5)	(11.0)	(0.5)
payments of lease liabilities, net of payments received for finance subleases	(177.7)	(168.3)	(9.4)
acquisitions of property, equipment, investment property and intangibles	(222.8)	(174.7)	(48.1)
Free cash flow <sup>(2)</sup>	\$ 186.4	\$ 339.8	\$ (153.4)

(1) Proceeds on disposal of assets include property, equipment and investment property.

(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

Free cash flow for the quarter ended August 3, 2024 decreased versus prior year primarily as a result of a decrease in cash flows from operating activities, an increase in capital expenditures and a decrease in proceeds on disposal of assets due to the receipt of proceeds from the Western Canada Fuel Sales in the prior year of approximately \$100.0 million, partially offset by the receipt of proceeds from the sale of a property in the current year of approximately \$79.0 million.

## Employee Future Benefit Obligations

For the quarter ended August 3, 2024, the Company contributed \$4.5 million (2024 – \$2.5 million) to its registered defined benefit plans. The Company expects to contribute approximately \$17.2 million to these plans in fiscal 2025.

## CONSOLIDATED FINANCIAL CONDITION

### Key Financial Condition Measures

(\$ in millions, except per share and ratio calculations)	August 3, 2024	May 4, 2024	August 5, 2023
Shareholders' equity, net of non-controlling interest	\$ 5,398.4	\$ 5,341.1	\$ 5,306.4
Book value per common share <sup>(1)</sup>	\$ 22.32	\$ 21.54	\$ 21.08
Long-term debt, including current portion	\$ 1,127.7	\$ 1,095.4	\$ 958.0
Long-term lease liabilities, including current portion	\$ 6,368.4	\$ 6,264.5	\$ 6,100.4
Funded debt to total capital <sup>(1)</sup>	58.1%	57.9%	57.1%
Funded debt to adjusted EBITDA <sup>(1)(2)</sup>	3.2x	3.2x	3.0x
Adjusted EBITDA to interest expense <sup>(1)(3)</sup>	8.2x	8.3x	8.8x
Trailing four-quarter adjusted EBITDA	\$ 2,345.5	\$ 2,263.0	\$ 2,369.5
Trailing four-quarter interest expense	\$ 284.8	\$ 263.1	\$ 268.0
Current assets to current liabilities	0.8x	0.8x	0.8x
Total assets	\$ 16,921.4	\$ 16,790.3	\$ 16,511.9
Total non-current financial liabilities	\$ 7,445.6	\$ 7,430.4	\$ 7,169.9

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

(2) Calculation uses trailing four-quarter adjusted EBITDA.

(3) Calculation uses trailing four-quarter adjusted EBITDA and interest expense.

Sobeys' credit rating remained unchanged from the prior quarter. The following table shows Sobeys' credit ratings as at September 11, 2024:

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
Morningstar DBRS	BBB	Stable
S&P Global	BBB-	Stable

The amended and restated credit agreements for both Empire and Sobeys, dated November 3, 2022, were amended on June 24, 2024 for updated Canadian Overnight Repo Rate Average ("CORRA"). On June 28, 2024, CORRA replaced Canadian Dollar Offered Rate ("CDOR") and any maturing Bankers' Acceptances after this date were converted to CORRA loans. The use of CORRA rates has not resulted in a material difference in the Company's cost of borrowing under the Empire and Sobeys credit facilities compared to CDOR.

On June 21, 2024, Sobeys established a senior, unsecured non-revolving term credit facility for \$120.0 million with a maturity date of June 20, 2025. Interest payable on this facility fluctuates with changes in the Canadian prime rate or CORRA. The facility was fully utilized on June 21, 2024, with the proceeds used to refinance amounts owing under its existing credit facility. As of August 3, 2024, the outstanding amount of the facility was \$120.0 million.

Sobeys acquired Longo's existing \$75.0 million demand operating line of credit. On July 20, 2023, Longo's amended this line of credit agreement from \$75.0 million to \$100.0 million. As of August 3, 2024, the outstanding amount of the facility was \$77.6 million (August 5, 2023 - \$44.2 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

Empire has a \$150.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of August 3, 2024, the outstanding amount of the credit facility was \$52.1 million (August 5, 2023 – \$66.3 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates or CORRA.

Sobeys has a \$650.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of August 3, 2024, the outstanding amount of the facility was \$283.6 million (August 5, 2023 – \$249.4 million) and Sobeys has issued \$65.0 million in letters of credit against the facility (August 5, 2023 – \$70.7 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates or CORRA.

The Company believes its cash and cash equivalents on hand as of August 3, 2024, together with approximately \$421.7 million in unutilized, aggregate credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

## Shareholders' Equity

The Company's share capital was comprised of the following:

	Number of Shares	
	Aug. 3, 2024	Aug. 5, 2023
<b>Authorized</b>		
2002 Preferred shares, par value of \$25 each, issuable in series	991,980,000	991,980,000
Non-Voting Class A shares, without par value	731,582,828	742,321,293
Class B common shares, without par value, voting	122,400,000	122,400,000

Issued and outstanding (\$ in millions)	Number of Shares		Share Capital	
	Aug. 3, 2024	Aug. 5, 2023	Aug. 3, 2024	Aug. 5, 2023
Non-Voting Class A shares	141,676,553	152,333,662	\$ 1,745.6	\$ 1,877.0
Class B common shares	98,138,079	98,138,079	7.3	7.3
Shares held in trust	(38,199)	(47,961)	(1.8)	(1.8)
Total			\$ 1,751.1	\$ 1,882.5

The Company's share capital is shown in the table below:

(Number of shares)	13 Weeks Ended	
	August 3, 2024	August 5, 2023
<b>Non-Voting Class A shares</b>		
Issued and outstanding, beginning of period	143,932,071	155,164,908
Issued during period	20,457	7,582
Purchased for cancellation	(2,275,975)	(2,838,828)
Issued and outstanding, end of period	141,676,553	152,333,662
Shares held in trust, beginning of period	(39,042)	(24,034)
Issued for future settlement of equity settled plans	79,035	121,144
Purchased for future settlement of equity settled plans	(78,192)	(145,071)
Shares held in trust, end of period	(38,199)	(47,961)
Issued and outstanding, net of shares held in trust, end of period	141,638,354	152,285,701
<b>Class B common shares</b>		
Issued and outstanding, beginning and end of period	98,138,079	98,138,079

During the quarter ended August 3, 2024, the Company paid common dividends of \$48.1 million (2024 – \$45.8 million) to its common shareholders. This represents a payment of \$0.2000 per share (2024 – \$0.1825 per share) for common shareholders.

As at September 10, 2024, the Company had Non-Voting Class A and Class B common shares outstanding of 140,407,415 and 98,138,079, respectively. Options to acquire 4,657,703 Non-Voting Class A shares were outstanding as of August 3, 2024 (August 5, 2023 – 4,973,696). As at September 10, 2024, options to acquire 4,651,412 Non-Voting Class A shares were outstanding (September 12, 2023 – 4,945,535).



## Normal Course Issuer Bid (“NCIB”)

Under the NCIB with the Toronto Stock Exchange (“TSX”) from July 2, 2023 to July 1, 2024, the Company purchased 10,004,868 (July 1, 2023 – 10,500,00) Class A shares at a weighted average price of \$35.31 (July 1, 2023 – \$36.18) for a total consideration of \$353.2 million (July 1, 2023 - \$379.9 million).

On June 19, 2024, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 12,800,000 Class A shares representing approximately 9.9% of the public float of 129,904,937 Class A shares outstanding as of June 18, 2024. The Company intends to repurchase approximately \$400.0 million of Class A shares in fiscal 2025. 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 that the Company will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interest of the Company and its shareholders. Purchases were eligible to commence on July 2, 2024 and will terminate not later than July 1, 2025. As of August 3, 2024, the Company purchased 1,297,000 Class A shares (August 5, 2023 - 563,403) under this filing at a weighted average price of \$36.11 (August 5, 2023 - \$36.65) for a total consideration of \$46.8 million (August 5, 2023 - \$20.6 million).

Shares purchased are shown in the table below:

(\$ in millions, except per share amounts)	13 Weeks Ended	
	August 3, 2024	August 5, 2023
Number of shares	2,275,975	2,838,828
Weighted average price per share	\$ 34.90	\$ 35.23
Cash consideration paid	\$ 79.4	\$ 100.0

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

On June 20, 2024, the Canadian government enacted new legislation, implementing a 2.0% tax on repurchases of equity. The tax, effective January 1, 2024, applies to the net value of shares repurchased by any Canadian corporation whose shares are listed on a designated stock exchange. As a result, the Company has recognized \$4.2 million as a charge to retained earnings on the Interim Condensed Consolidated Balance Sheets for the repurchase of shares.

Including purchases made subsequent to the end of the quarter, as at September 6, 2024 the Company has purchased 3,826,075 Class A shares in fiscal 2025 (September 12, 2023 – 3,263,092) at a weighted average price of \$35.93 (September 12, 2023 - \$35.24) for a total consideration of \$137.5 million (September 12, 2023 - \$115.0 million).

## ACCOUNTING STANDARDS AND POLICIES

The 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 4, 2024, with the exception of the following:

### Changes to Accounting Standards Adopted During Fiscal 2025

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

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 became effective for the Company on May 5, 2024. The adoption of these amendments did not have a material impact on the Company's Interim Condensed Consolidated Financial Statements.

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 became effective for the Company on May 5, 2024. The adoption of these amendments did not have a material impact on the Company’s Interim Condensed Consolidated Financial Statements.

#### *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 became effective for the Company on May 5, 2024. The adoption of these amendments had no impact on the Company’s Interim Condensed Consolidated Financial Statements.

#### **Standards, Amendments and Interpretations Issued but not yet Adopted**

##### *IFRS 18 Presentation and disclosure in financial statements (“IFRS 18”)*

In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- Three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- Enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of earnings; and
- Enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard.

##### *IFRS 9 Financial Instruments (“IFRS 9”) and IFRS 7 Financial Instruments: Disclosures (“IFRS 7”)*

In May 2024, IASB issued limited amendments to IFRS 9 and IFRS 7. These amendments provide clarity on the timing of recognition and derecognition of financial assets and liabilities, the assessment of contractual cash flow characteristics, and the resulting classification and disclosure of financial assets with environmental, social, and governance linked or other contingent features. Additionally, the amendments clarify that a financial liability is derecognized on the settlement date, with the accounting policy choice to derecognize financial liability settled using an electronic payment system before the settlement date, provided specific conditions are met. Additional disclosures are required for financial instruments with contingent features and investments in equity instruments designated at fair value through other comprehensive income with these amendments.

These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets. The Company is assessing the potential impact of these amendments.

#### **Critical Accounting Estimates**

Critical accounting estimates used by the Company’s management are discussed in detail in the fiscal 2024 annual MD&A.

## **Internal Control Over Financial Reporting**

Management of the Company, which includes the President & Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures and Internal Control over Financial Reporting (“ICFR”), as those terms are defined in National Instrument 52-109, “Certification of Disclosure in Issuers’ Annual and Interim Filings”. The control framework management used to design and assess the effectiveness of ICFR is “Internal Control Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission.

There have been no changes in the Company’s ICFR during the quarter ending August 3, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

## **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 3, 2024, the Company holds a 41.5% (August 5, 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 first quarter of fiscal 2024, 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 million and has been recognized in other income on the unaudited Interim Condensed Consolidated Statements of Earnings.

## **CONTINGENCIES**

Contingencies related to the Company’s legal proceedings are discussed in detail in the fiscal 2024 annual MD&A.

## **RISK MANAGEMENT**

Risk and uncertainties related to economic and industry factors and the Company’s management of risk are discussed in detail in the fiscal 2024 annual MD&A.

## **DESIGNATION FOR ELIGIBLE DIVIDENDS**

“Eligible dividends” receive favourable treatment for income tax purposes. To be considered an eligible dividend, a dividend must be designated as such at the time of payment.

Empire has, in accordance with the administrative position of CRA, included the appropriate language on its website to designate the dividends paid by Empire as eligible dividends unless otherwise designated.

## NON-GAAP FINANCIAL MEASURES & FINANCIAL METRICS

There are measures and metrics included in this MD&A that do not have a standardized meaning under generally accepted accounting principles (“GAAP”) and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. Management believes that certain of these measures and metrics, including gross profit and EBITDA, are important indicators of the Company’s ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt and fund future capital expenditures and uses these metrics for these purposes.

In addition, management presents adjusted measures and metrics, including operating income, EBITDA and net earnings in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items may impact the analysis of trends in performance and affect the comparability of the Company’s core financial results. By excluding these items, management is not implying they are non-recurring.

### Financial Measures

The intent of non-GAAP financial measures is to provide additional useful information to management, investors and analysts. Non-GAAP financial measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. The Company’s definitions of the non-GAAP terms included in this MD&A are as follows:

- The E-commerce Exclusivity adjustment includes the impact of the early termination of the mutual exclusivity agreement with Ocado, resulting in a non-cash charge related to the impairment of an intangible asset.
- The Restructuring adjustment includes costs incurred to plan and implement strategies to optimize the organization and improve efficiencies, including severance, professional fees and voluntary labour buyouts.
- The Cybersecurity Event adjustment includes the impact of incremental direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, labour costs and insurance recoveries. Management believes that the Cybersecurity Event adjustment results in a useful economic representation of the underlying business on a comparative basis. The adjustment does not include management’s estimate of the full financial impact of the Cybersecurity Event, as it excludes the net earnings impacts related to the estimated decline in sales and operational effectiveness from impacts such as the temporary loss of advanced planning, promotion and fresh item management tools, the temporary closure of pharmacies, and customers’ temporary inability to redeem gift cards and loyalty points.
- The Western Canada Fuel Sale adjustment includes the impact of the gain on sale which is comprised of the purchase price less the write off of tangible assets and goodwill, legal and professional fees as well as lease termination impacts.
- The Grocery Gateway Integration adjustment includes the impact of the asset write-off related to the Grocery Gateway name and facility assets, severance, IT project costs and other costs.
- Gross profit is calculated as sales less cost of sales. Management believes cost of sales is a useful metric to monitor profitability on a product-level basis. Gross profit represents a supplementary metric to assess underlying operating performance and profitability.
- Adjusted operating income is operating income excluding certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted operating income is reconciled to operating income in its respective subsection of the “Summary Results – First Quarter” section.
- EBITDA is calculated as net earnings before finance costs (net of finance income), income tax expense, depreciation and amortization of intangibles. Management believes EBITDA represents a supplementary metric to assess profitability and measure the Company’s underlying ability to generate liquidity through operating cash flows.

The following table reconciles net earnings to EBITDA on a consolidated basis and for the Food retailing segment:

(\$ in millions)	13 Weeks Ended					
	August 3, 2024			August 5, 2023		
	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total
Net earnings (loss)	\$ 217.9	\$ 10.7	\$ 228.6	\$ 290.9	\$ (10.1)	\$ 280.8
Income tax expense	68.3	(0.5)	67.8	90.7	16.0	106.7
Finance costs, net	71.7	1.0	72.7	67.5	1.5	69.0
Operating income	357.9	11.2	369.1	449.1	7.4	456.5
Depreciation	245.6	-	245.6	235.6	0.2	235.8
Amortization of intangibles	30.3	-	30.3	30.7	-	30.7
EBITDA	\$ 633.8	\$ 11.2	\$ 645.0	\$ 715.4	\$ 7.6	\$ 723.0

- Adjusted EBITDA is EBITDA excluding certain items to assist in analyzing trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the “Summary Results – First Quarter” section.
- Management calculates interest expense as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities. Management believes that interest expense represents a true measure of the Company’s debt service expense, without the offsetting finance income.

The following table reconciles finance costs, net to interest expense:

(\$ in millions)	13 Weeks Ended	
	August 3, 2024	August 5, 2023
Finance costs, net	\$ 72.7	\$ 69.0
Plus: finance income, excluding interest income on lease receivables	1.8	1.2
Less: pension finance costs, net	(1.9)	(1.9)
Less: accretion expense on provisions	(0.9)	(0.2)
Interest expense	\$ 71.7	\$ 68.1

- Adjusted net earnings is net earnings, net of non-controlling interest, excluding certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted net earnings is reconciled in its respective subsection of the “Summary Results – First Quarter” section.
- Adjusted EPS (fully diluted) is calculated as adjusted net earnings divided by diluted weighted average number of shares outstanding.
- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property and lease modifications and terminations, less acquisitions of property, equipment, investment property and intangibles, interest paid and payments of lease liabilities, net of payments received from finance subleases. Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. Free cash flow is reconciled to GAAP measures as reported on the Annual Consolidated Statements of Cash Flows, and is presented in the “Free Cash Flow” section of this MD&A.
- Funded debt is all interest-bearing debt, which includes bank loans, bankers’ acceptances, long-term debt and long-term lease liabilities. Management believes that funded debt represents the most relevant indicator of the Company’s total financial obligations on which interest payments are made.
- Total capital is calculated as funded debt plus shareholders’ equity, net of non-controlling interest.

The following table reconciles the Company's funded debt and total capital to GAAP measures as reported on the balance sheets:

(\$ in millions)	August 3, 2024		May 4, 2024	August 5, 2023
Long-term debt due within one year	\$	226.3	\$ 113.5	\$ 76.2
Long-term debt		901.4	981.9	881.8
Lease liabilities due within one year		587.3	585.4	576.8
Long-term lease liabilities		5,781.1	5,679.1	5,523.6
Funded debt		7,496.1	7,359.9	7,058.4
Total shareholders' equity, net of non-controlling interest		5,398.4	5,341.1	5,306.4
Total capital	\$	12,894.5	\$ 12,701.0	\$ 12,364.8

### Food Retailing Segment Adjustments Reconciliation

The following tables adjust Empire's Food retailing segment operating income, EBITDA, and net earnings, net of non-controlling interest, for certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results.

(\$ in millions)	13 Weeks Ended		
	August 3, 2024		August 5, 2023
Operating income	\$	357.9	\$ 449.1
Adjustments:			
E-commerce Exclusivity		11.9	-
Restructuring		2.2	9.7
Cybersecurity Event		-	(0.5)
Western Canada Fuel Sale		-	(90.8)
Adjusted operating income	\$	372.0	\$ 367.5

(\$ in millions)	13 Weeks Ended		
	August 3, 2024		August 5, 2023
EBITDA	\$	633.8	\$ 715.4
Adjustments:			
E-commerce Exclusivity		11.9	-
Restructuring		2.2	9.7
Cybersecurity Event		-	(0.5)
Western Canada Fuel Sale		-	(90.8)
Adjusted EBITDA	\$	647.9	\$ 633.8

(\$ in millions)	13 Weeks Ended		
	August 3, 2024		August 5, 2023
Net earnings	\$	197.1	\$ 271.1
Adjustments:			
E-commerce Exclusivity		8.8	-
Restructuring		2.1	7.1
Cybersecurity Event		-	(0.4)
Western Canada Fuel Sale		-	(71.5)
Adjusted net earnings	\$	208.0	\$ 206.3

## Quarterly Results of Operations Adjustments Reconciliation

The following tables adjust Empire's operating income, EBITDA, and net earnings, net of non-controlling interest, for certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results.

	Fiscal 2025		Fiscal 2024				Fiscal 2023			
	Q1 (13 Weeks) Aug. 3, 2024	Q4 (13 Weeks) May 4, 2024	Q3 (13 Weeks) Feb. 3, 2024	Q2 (13 Weeks) Nov. 4, 2023	Q1 (13 Weeks) Aug. 5, 2023	Q4 (13 Weeks) May 6, 2023	Q3 (13 Weeks) Feb. 4, 2023	Q2 (13 Weeks) Nov. 5, 2022		
Operating income	\$ 369.1	\$ 291.3	\$ 250.6	\$ 312.4	\$ 456.5	\$ 321.6	\$ 232.8	\$ 333.9		
Adjustments:										
E-commerce Exclusivity	11.9	-	-	-	-	-	-	-		
Restructuring	2.2	20.5	25.2	16.8	9.7	-	-	-		
Cybersecurity Event	-	(14.1)	0.1	(20.6)	(0.5)	(6.8)	52.6	-		
Western Canada Fuel Sale	-	-	-	-	(90.8)	-	-	-		
Grocery Gateway Integration	-	-	-	-	-	13.3	-	-		
	14.1	6.4	25.3	(3.8)	(81.6)	6.5	52.6	-		
Adjusted operating income	\$ 383.2	\$ 297.7	\$ 275.9	\$ 308.6	\$ 374.9	\$ 328.1	\$ 285.4	\$ 333.9		
Operating income	\$ 369.1	\$ 291.3	\$ 250.6	\$ 312.4	\$ 456.5	\$ 321.6	\$ 232.8	\$ 333.9		
Depreciation	245.6	235.3	240.4	238.3	235.8	237.0	229.6	224.5		
Amortization of intangibles	30.3	30.0	30.5	29.7	30.7	33.7	30.1	25.8		
EBITDA	\$ 645.0	\$ 556.6	\$ 521.5	\$ 580.4	\$ 723.0	\$ 592.3	\$ 492.5	\$ 584.2		
Adjustments:										
E-commerce Exclusivity	11.9	-	-	-	-	-	-	-		
Restructuring	2.2	20.5	25.2	16.8	9.7	-	-	-		
Cybersecurity Event	-	(14.1)	0.1	(20.6)	(0.5)	(6.8)	52.6	-		
Western Canada Fuel Sale	-	-	-	-	(90.8)	-	-	-		
Grocery Gateway Integration	-	-	-	-	-	13.3	-	-		
	14.1	6.4	25.3	(3.8)	(81.6)	6.5	52.6	-		
Adjusted EBITDA	\$ 659.1	\$ 563.0	\$ 546.8	\$ 576.6	\$ 641.4	\$ 598.8	\$ 545.1	\$ 584.2		
Net earnings	\$ 207.8	\$ 148.9	\$ 134.2	\$ 181.1	\$ 261.0	\$ 182.9	\$ 125.7	\$ 189.9		
Adjustments:										
E-commerce Exclusivity	8.8	-	-	-	-	-	-	-		
Restructuring	2.1	15.5	18.8	12.4	7.1	-	-	-		
Cybersecurity Event	-	(10.4)	0.1	(15.2)	(0.4)	(5.0)	39.1	-		
Western Canada Fuel Sale	-	-	-	-	(71.5)	-	-	-		
Grocery Gateway Integration	-	-	-	-	-	7.0	-	-		
	10.9	5.1	18.9	(2.8)	(64.8)	2.0	39.1	-		
Adjusted net earnings	\$ 218.7	\$ 154.0	\$ 153.1	\$ 178.3	\$ 196.2	\$ 184.9	\$ 164.8	\$ 189.9		

## Financial Metrics

The intent of the following non-GAAP financial metrics is to provide additional useful information to investors and analysts. Management uses financial metrics for decision-making, internal reporting, budgeting and forecasting. The Company's definitions of the metrics included in this MD&A are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods. Management believes same-store sales represents a supplementary metric to assess sales trends as it removes the effect of the opening and closure of stores.
- Same-store sales, excluding fuel are sales from stores in the same location in both reporting periods excluding the fuel sales from stores in the same location in both reporting periods. Management believes same-store sales, excluding fuel represents a supplementary metric to assess sales trends as it removes the effect of the opening and closure of stores and the volatility of fuel prices.
- Gross margin is gross profit divided by sales. Management believes that gross margin is an important indicator of profitability and can help management, analysts and investors assess the competitive landscape and promotional environment of the industry in which the Company operates. An increasing percentage indicates lower cost of sales as a percentage of sales.

- EBITDA margin is EBITDA divided by sales. Management believes that EBITDA margin is an important indicator of performance and can help management, analysts and investors assess the competitive landscape, promotional environment and cost structure of the industry in which the Company operates. An increasing percentage indicates higher EBITDA as a percentage of sales.
- Adjusted EBITDA margin is adjusted EBITDA divided by sales. Management believes that adjusted EBITDA margin is an important indicator of performance and can help management, analysts and investors assess the competitive landscape, promotional environment and cost structure of the industry in which the Company operates. An increasing percentage indicates higher adjusted EBITDA as a percentage of sales.
- Funded debt to total capital ratio is funded debt divided by total capital. Management believes that the funded debt to total capital ratio represents a measure upon which the Company's changing capital structure can be analyzed over time. An increasing ratio would indicate that the Company is using an increasing amount of debt in its capital structure.
- Funded debt to adjusted EBITDA ratio is funded debt divided by trailing four-quarter adjusted EBITDA. Management uses this ratio to partially assess the financial condition of the Company. An increasing ratio would indicate that the Company is utilizing more debt per dollar of adjusted EBITDA generated.
- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense. Management uses this ratio to partially assess the coverage of its interest expense on financial obligations. An increasing ratio would indicate that the Company is generating more adjusted EBITDA per dollar of interest expense, resulting in greater interest coverage.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.

The following table shows the calculation of Empire's book value per common share:

(\$ in millions, except per share information)	August 3, 2024	May 4, 2024	August 5, 2023
Shareholders' equity, net of non-controlling interest	\$ 5,398.4	\$ 5,341.1	\$ 5,306.4
Shares outstanding (basic)	241.9	248.0	251.7
Book value per common share	\$ 22.32	\$ 21.54	\$ 21.08

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website [www.empireco.ca](http://www.empireco.ca) or on the SEDAR+ website for Canadian regulatory filings at [www.sedarplus.ca](http://www.sedarplus.ca).

Approved by Board of Directors: September 11, 2024  
Stellarton, Nova Scotia, Canada