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

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

	August 3 2024	May 4 2024	August 5 2023
ASSETS			
Current			
Cash and cash equivalents	\$ 312.9	\$ 259.6	\$ 331.4
Receivables	623.7	677.8	678.1
Inventories (Note 4)	1,809.7	1,771.7	1,778.1
Prepaid expenses	185.5	162.3	166.2
Leases and other receivables	101.3	115.2	93.8
Income taxes receivable	68.7	69.7	83.1
Assets held for sale	-	47.3	-
	<u>3,101.8</u>	<u>3,103.6</u>	<u>3,130.7</u>
Leases and other receivables	634.0	600.9	586.2
Investments, at equity (Note 5)	688.2	688.1	696.2
Other assets	61.0	39.4	29.7
Property and equipment	3,579.1	3,565.1	3,327.3
Right-of-use assets	4,976.8	4,917.7	4,771.9
Investment property	157.2	157.9	166.5
Intangibles	1,335.9	1,348.4	1,363.1
Goodwill	2,067.6	2,064.2	2,059.8
Deferred tax assets	319.8	305.0	380.5
	<u>\$ 16,921.4</u>	<u>\$ 16,790.3</u>	<u>\$ 16,511.9</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 2,996.8	\$ 3,034.7	\$ 3,082.0
Income taxes payable	76.5	103.7	56.2
Provisions	57.2	54.0	31.9
Long-term debt due within one year (Note 6)	226.3	113.5	76.2
Lease liabilities due within one year	587.3	585.4	576.8
Other liabilities due within one year	-	-	72.0
	<u>3,944.1</u>	<u>3,891.3</u>	<u>3,895.1</u>
Provisions	43.9	48.1	38.4
Long-term debt (Note 6)	901.4	981.9	881.8
Long-term lease liabilities	5,781.1	5,679.1	5,523.6
Other long-term liabilities	293.2	295.4	291.3
Employee future benefits	166.7	160.3	155.6
Deferred tax liabilities	259.3	265.6	279.2
	<u>11,389.7</u>	<u>11,321.7</u>	<u>11,065.0</u>
SHAREHOLDERS' EQUITY			
Capital stock (Note 7)	1,751.1	1,779.3	1,882.5
Contributed surplus	35.9	56.2	41.6
Retained earnings	3,587.5	3,484.5	3,362.5
Accumulated other comprehensive income	23.9	21.1	19.8
	<u>5,398.4</u>	<u>5,341.1</u>	<u>5,306.4</u>
Non-controlling interest	133.3	127.5	140.5
	<u>5,531.7</u>	<u>5,468.6</u>	<u>5,446.9</u>
	<u>\$ 16,921.4</u>	<u>\$ 16,790.3</u>	<u>\$ 16,511.9</u>

See accompanying notes to the 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 3 2024	August 5 2023
Sales	\$ 8,136.9	\$ 8,075.5
Other income (Note 8)	41.7	113.2
Share of earnings from investments, at equity	15.9	9.7
Operating expenses		
Cost of sales	6,010.6	6,001.0
Selling and administrative expenses	1,814.8	1,740.9
Operating income	369.1	456.5
Finance costs, net (Note 9)	72.7	69.0
Earnings before income taxes	296.4	387.5
Income tax expense	67.8	106.7
Net earnings	<u>\$ 228.6</u>	<u>\$ 280.8</u>
Earnings for the period attributable to:		
Non-controlling interest	\$ 20.8	\$ 19.8
Owners of the Company	207.8	261.0
	<u>\$ 228.6</u>	<u>\$ 280.8</u>
Earnings per share (Note 10)		
Basic	\$ 0.86	\$ 1.04
Diluted	\$ 0.86	\$ 1.03
Weighted average number of common shares outstanding, in millions (Note 10)		
Basic	241.9	251.7
Diluted	242.3	252.2

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Empire Company Limited Condensed Consolidated Statements of Comprehensive Income Unaudited (in millions of Canadian dollars)	13 Weeks Ended	
	August 3 2024	August 5 2023
Net earnings	\$ 228.6	\$ 280.8
Other comprehensive (loss) income, net		
Items that will be reclassified subsequently to net earnings		
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of tax - Note 11)	3.0	(0.4)
Share of other comprehensive (loss) income of investments, at equity (net of tax - Note 11)	(0.2)	0.6
Items that will not be reclassified subsequently to net earnings		
Actuarial (losses) gains on defined benefit plans (net of tax - Note 11)	(8.7)	7.7
Total other comprehensive (loss) income	(5.9)	7.9
Total comprehensive income	\$ 222.7	\$ 288.7
Total comprehensive income for the period attributable to:		
Non-controlling interest	\$ 20.8	\$ 19.8
Owners of the Company	201.9	268.9
	\$ 222.7	\$ 288.7

See accompanying notes to the 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 6, 2023	\$ 1,914.7	\$ 50.1	\$ 19.6	\$ 3,216.0	\$ 5,200.4	\$ 136.3	\$ 5,336.7
Dividends paid	-	-	-	(45.8)	(45.8)	-	(45.8)
Equity based compensation, net	0.1	(8.5)	-	-	(8.4)	-	(8.4)
Repurchase of common shares (Note 7)	(31.3)	-	-	(68.7)	(100.0)	-	(100.0)
Shares held in trust, net	(1.0)	-	-	-	(1.0)	-	(1.0)
Capital transactions with structured entities	-	-	-	-	-	(11.8)	(11.8)
Revaluation of put options	-	-	-	(7.7)	(7.7)	(3.8)	(11.5)
Transactions with owners	(32.2)	(8.5)	-	(122.2)	(162.9)	(15.6)	(178.5)
Net earnings	-	-	-	261.0	261.0	19.8	280.8
Other comprehensive income	-	-	0.2	7.7	7.9	-	7.9
Total comprehensive income for the period	-	-	0.2	268.7	268.9	19.8	288.7
Balance at August 5, 2023	\$ 1,882.5	\$ 41.6	\$ 19.8	\$ 3,362.5	\$ 5,306.4	\$ 140.5	\$ 5,446.9
Balance at May 4, 2024	\$ 1,779.3	\$ 56.2	\$ 21.1	\$ 3,484.5	\$ 5,341.1	\$ 127.5	\$ 5,468.6
Dividends paid	-	-	-	(48.1)	(48.1)	(0.5)	(48.6)
Dividends paid to non-controlling interest	-	-	-	(0.5)	(0.5)	0.5	-
Equity based compensation, net	0.8	(20.3)	-	-	(19.5)	-	(19.5)
Repurchase of common shares (Note 7)	(28.6)	-	-	(50.8)	(79.4)	-	(79.4)
Tax on repurchase of common shares (Note 7)	-	-	-	(4.2)	(4.2)	-	(4.2)
Shares held in trust, net	(0.4)	-	-	-	(0.4)	-	(0.4)
Capital transactions with structured entities	-	-	-	-	-	(10.9)	(10.9)
Revaluation of put options	-	-	-	7.5	7.5	(4.1)	3.4
Transactions with owners	(28.2)	(20.3)	-	(96.1)	(144.6)	(15.0)	(159.6)
Net earnings	-	-	-	207.8	207.8	20.8	228.6
Other comprehensive income (loss)	-	-	2.8	(8.7)	(5.9)	-	(5.9)
Total comprehensive income for the period	-	-	2.8	199.1	201.9	20.8	222.7
Balance at August 3, 2024	\$ 1,751.1	\$ 35.9	\$ 23.9	\$ 3,587.5	\$ 5,398.4	\$ 133.3	\$ 5,531.7

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Empire Company Limited
Condensed Consolidated Statements of Cash Flows
Unaudited (in millions of Canadian dollars)
13 Weeks Ended

	August 3 2024	August 5 2023
Operations		
Net earnings	\$ 228.6	\$ 280.8
Adjustments for:		
Depreciation	245.6	235.8
Income tax expense	67.8	106.7
Finance costs, net (Note 9)	72.7	69.0
Amortization of intangibles	30.3	30.7
Net gain on disposal of net assets (Note 8)	(39.0)	(92.7)
Net loss on lease modifications and terminations	1.2	-
Impairment losses (reversals) of non-financial assets, net	12.0	(0.1)
Amortization of deferred items	0.2	0.3
Equity in earnings of other entities, net of distributions received	0.5	9.0
Employee future benefits	(5.2)	(0.6)
Decrease in long-term provisions	(5.1)	(4.5)
Equity based compensation	7.2	1.1
Net change in non-cash working capital (Note 13)	17.1	25.4
Income taxes paid, net	<u>(117.4)</u>	<u>(72.7)</u>
Cash flows from operating activities	<u>516.5</u>	<u>588.2</u>
Investment		
Increase in equity investments	(1.3)	(2.9)
Property, equipment and investment property purchases	(198.2)	(152.4)
Intangible purchases	(24.6)	(22.3)
Proceeds on disposal of assets	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 (Note 14)	(10.4)	(4.0)
Payments received for finance subleases	21.8	22.3
Interest received	<u>0.5</u>	<u>0.3</u>
Cash flows used in investing activities	<u>(145.5)</u>	<u>(64.5)</u>
Financing		
Issuance of long-term debt	39.3	34.4
Advance on non-revolving credit facility	120.0	-
Repayments of long-term debt	(54.4)	(48.5)
Repayments on revolving credit facilities, net	(72.7)	(40.3)
Interest paid	(11.5)	(11.0)
Payments of lease liabilities (principal portion)	(136.9)	(132.4)
Payments of lease liabilities (interest portion)	(62.6)	(58.2)
Repurchase of common shares (Note 7)	(79.4)	(100.0)
Dividends paid	(48.6)	(45.8)
Non-controlling interest	<u>(10.9)</u>	<u>(11.8)</u>
Cash flows used in financing activities	<u>(317.7)</u>	<u>(413.6)</u>
Increase in cash and cash equivalents	53.3	110.1
Cash and cash equivalents, beginning of period	<u>259.6</u>	<u>221.3</u>
Cash and cash equivalents, end of period	<u>\$ 312.9</u>	<u>\$ 331.4</u>

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Empire Company Limited
Notes to the Interim Condensed Consolidated Financial Statements
August 3, 2024
Unaudited (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 Interim Condensed Consolidated Financial Statements for the period ended August 3, 2024 include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. (“Sobeys”), and certain enterprises considered structured entities where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and its joint ventures are accounted for using the equity method. As at August 3, 2024, the Company’s business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 12, Segmented information. The Company’s Food retailing business is affected by seasonality and the timing of holidays. The Company’s fiscal year ends on the first Saturday in May.

2. Basis of preparation

Statement of compliance

The 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 Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company’s annual audited 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 Interim Condensed Consolidated Financial Statements were authorized for issue by the Board of Directors on September 11, 2024.

Use of estimates, judgments and assumptions

The preparation of the Interim Condensed Consolidated Financial Statements requires management to make estimates, judgments and assumptions that affect the amounts reported on the Interim Condensed Consolidated Financial Statements and accompanying notes. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the Interim Condensed Consolidated Financial Statements are summarized in the Company’s annual audited Consolidated Financial Statements for the year ended May 4, 2024 and remain unchanged for the period ended August 3, 2024.

3. Summary of material accounting policy information

These Interim Condensed Consolidated Financial Statements were prepared using the same accounting policies as disclosed in the Company’s annual audited 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.

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

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.

4. Inventories

The cost of inventories recognized as an expense during the period ended August 3, 2024 was \$6,010.6 (August 5, 2023 - \$6,001.0). The Company recorded an expense during the period ended August 3, 2024 of \$2.6 (August 5, 2023 - \$2.3) for the write-down of inventories below cost to net realizable value for inventories on hand.

Empire Company Limited
Notes to the Interim Condensed Consolidated Financial Statements
August 3, 2024
Unaudited (in millions of Canadian dollars, except share and per share amounts)

5. Investments, at equity

	August 3 2024	August 5 2023
Investment in associates and joint ventures		
Crombie Real Estate Investment Trust ("Crombie REIT")	\$ 617.6	\$ 624.1
Real estate partnerships	62.0	65.0
Joint ventures	8.6	7.1
Total	\$ 688.2	\$ 696.2

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 3 2024	August 5 2023
Crombie REIT	\$ 1,049.2	\$ 1,024.8

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

6. Long-term debt

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

	13 Weeks Ended	
	August 3 2024	August 5 2023
Opening balance	\$ 1,095.4	\$ 1,012.3
Issuance of debt	39.3	34.4
Advance on non-revolving credit facility	120.0	-
Repayments of long-term debt	(54.4)	(48.5)
Repayments on revolving credit facilities, net	(72.7)	(40.3)
Total cash flow from (used in) long-term debt financing activities	32.2	(54.4)
Deferred financing costs	0.1	0.1
Closing balance	\$ 1,127.7	\$ 958.0
Current	\$ 226.3	\$ 76.2
Non-current	901.4	881.8
Total	\$ 1,127.7	\$ 958.0

Sobeys' amended and restated senior, unsecured revolving term credit agreement dated November 3, 2022, in the amount of \$650.0, with a maturity date of November 4, 2027, was amended on June 24, 2024 for updated Canadian Overnight Repo Rate Average ("CORRA"). As of August 3, 2024, the outstanding amount of this facility was \$283.6 (August 5, 2023 - \$249.4) and the Company has issued \$65.0 (August 5, 2023 - \$70.7) in letters of credit against the facility. Interest payable on this facility fluctuates with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

The Company's amended and restated senior, unsecured revolving term credit agreement dated November 3, 2022, in the amount of \$150.0, with a maturity date of November 4, 2027, was amended on June 24, 2024 for updated CORRA. As of August 3, 2024, the outstanding amount of this facility was \$52.1 (August 5, 2023 - \$66.3). Interest payable on this facility fluctuates with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

Pursuant to an agreement dated June 21, 2024, Sobeys entered into a senior, unsecured non-revolving term credit agreement in the amount of \$120.0, with a maturity date of June 20, 2025. As of August 3, 2024, the outstanding amount of this facility was \$120.0. Interest payable on this facility fluctuates with changes in the Canadian prime rate or CORRA.

Empire Company Limited
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August 3, 2024
Unaudited (in millions of Canadian dollars, except share and per share amounts)

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

7. Capital stock

Under the normal course issuer bid ("NCIB") with the TSX from July 2, 2023 to July 1, 2024, the Company purchased 10,004,868 (July 1, 2023 - 10,500,000) Non-Voting Class A shares at a weighted average price of \$35.31 (July 1, 2023 - \$36.18) for total consideration of \$353.2 (July 1, 2023 - \$379.9).

On June 19, 2024, the Company renewed its NCIB by filing notice of intention with the TSX to purchase for cancellation up to 12,800,000 Non-Voting Class A shares representing approximately 9.9% of the public float of Non-Voting Class A shares outstanding. 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, 2024 and will terminate not later than July 1, 2025. As of August 3, 2024, the Company purchased 1,297,000 Non-Voting 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 (August 5, 2023 - \$20.6).

The following table reflects shares purchased under the NCIB:

	13 Weeks Ended	
	August 3 2024	August 5 2023
Number of shares	2,275,975	2,838,828
Weighted average price	\$ 34.90	\$ 35.23
Reduction of share capital	\$ 28.6	\$ 31.3
Premium charged to retained earnings	50.8	68.7
Cash consideration paid	\$ 79.4	\$ 100.0

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.

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 as a charge to retained earnings on the Interim Condensed Consolidated Balance Sheets for the repurchase of shares.

Subsequent to the period ended August 3, 2024, the Company purchased for cancellation 1,550,100 Non-Voting Class A shares at a weighted average price of \$37.45 for a total consideration of \$58.1.

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

	Number of Shares		Share Capital	
	13 Weeks Ended		13 Weeks Ended	
	August 3 2024	August 5 2023	August 3 2024	August 5 2023
Balance, beginning of period, Non-Voting Class A shares	143,932,071	155,164,908	\$ 1,773.4	\$ 1,908.2
Repurchase of common shares	(2,275,975)	(2,838,828)	(28.6)	(31.3)
Issuance of shares for stock-based compensation	20,457	7,582	0.8	0.1
Balance, end of period, Non-Voting Class A shares	141,676,553	152,333,662	\$ 1,745.6	\$ 1,877.0
Class B common shares, without par value	98,138,079	98,138,079	\$ 7.3	\$ 7.3
Shares held in trust	(38,199)	(47,961)	(1.8)	(1.8)
Total capital stock			\$ 1,751.1	\$ 1,882.5

Empire Company Limited
Notes to the Interim Condensed Consolidated Financial Statements
August 3, 2024
Unaudited (in millions of Canadian dollars, except share and per share amounts)

8. Other income

	13 Weeks Ended	
	August 3 2024	August 5 2023
Net gain on disposal of net assets	\$ 39.0	\$ 92.7
Lease income from owned property	3.9	4.0
Net loss on lease modifications and terminations	(1.2)	-
Other (Note 17)	-	16.5
Total	\$ 41.7	\$ 113.2

During the period ended August 3, 2024, Sobeys sold and leased back a property from a third party. Total proceeds from the transaction were \$90.0, of which \$79.0 was received in cash, resulting in a pre-tax gain of \$39.3.

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

9. Finance costs, net

	13 Weeks Ended	
	August 3 2024	August 5 2023
Finance income		
Interest income on lease receivables	\$ 5.9	\$ 5.5
Fair value gains on forward contracts	0.9	0.8
Interest income from cash and cash equivalents	0.5	0.3
Accretion income on leases and other receivables	0.4	0.1
Total finance income	7.7	6.7
Finance costs		
Interest expense on lease liabilities	62.6	58.2
Interest expense on other financial liabilities at amortized cost	15.0	15.4
Pension finance costs, net	1.9	1.9
Accretion expense on provisions	0.9	0.2
Total finance costs	80.4	75.7
Finance costs, net	\$ 72.7	\$ 69.0

Empire Company Limited
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Unaudited (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 3 2024	August 5 2023
Weighted average number of shares - basic	241,946,378	251,732,478
Shares deemed to be issued for no consideration in respect of stock-based payments	343,491	479,131
Weighted average number of shares - diluted	242,289,869	252,211,609

Earnings per share

Earnings attributable to Owners of the Company	\$ 207.8	\$ 261.0
Basic weighted average number of shares outstanding (in millions)	241.9	251.7
Basic earnings per share	\$ 0.86	\$ 1.04
Diluted weighted average number of shares outstanding (in millions)	242.3	252.2
Diluted earnings per share	\$ 0.86	\$ 1.03

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

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

	13 Weeks Ended	
	August 3 2024	August 5 2023
Unrealized gains (losses) on derivatives designated as cash flow hedges	\$ 1.1	\$ (0.1)
Share of other comprehensive (loss) income of investments, at equity	(0.1)	0.2
Actuarial (losses) gains on defined benefit plans	(2.9)	2.7
Total	\$ (1.9)	\$ 2.8

12. Segmented information

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

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

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

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

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

	13 Weeks Ended	
	August 3 2024	August 5 2023
Segmented operating income		
Food retailing	\$ 357.9	\$ 449.1
Investments and other operations		
Crombie REIT	12.8	8.9
Real estate partnerships	3.5	1.1
Other operations, net of corporate expenses	(5.1)	(2.6)
	11.2	7.4
Total	\$ 369.1	\$ 456.5

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

	13 Weeks Ended	
	August 3 2024	August 5 2023
Total operating income	\$ 369.1	\$ 456.5
Finance costs, net	72.7	69.0
Earnings before income taxes	\$ 296.4	\$ 387.5

	August 3 2024	August 5 2023
	Total assets by segment	
Food retailing	\$ 16,113.2	\$ 15,719.6
Investments and other operations	808.2	792.3
Total	\$ 16,921.4	\$ 16,511.9

13. Supplementary cash flow information

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

	13 Weeks Ended	
	August 3 2024	August 5 2023
Receivables	\$ 54.1	\$ 5.3
Inventories	(34.2)	(32.0)
Prepaid expenses	(23.2)	(35.2)
Accounts payable and accrued liabilities	47.9	100.7
Other	(27.5)	(13.4)
Net change in non-cash working capital	\$ 17.1	\$ 25.4

14. Business acquisitions

During the period ended August 3, 2024, the Company completed the acquisitions of certain franchise and non-franchise stores. The results of these acquisitions have been included in the financial results of the Company since their acquisition dates and were accounted for through the use of the acquisition method.

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The following table represents the amount of identifiable assets and liabilities resulting from these acquisitions for the periods ended:

	August 3 2024	August 5 2023
Inventories	\$ 3.8	\$ 2.8
Property, equipment and investment property	3.2	0.6
Goodwill	3.4	0.6
Total consideration	\$ 10.4	\$ 4.0

From the date of acquisition, the businesses acquired contributed sales of \$12.0 (August 5, 2023 - \$2.3) and net earnings (loss) of \$0.2 (August 5, 2023 - \$(0.1)) which are included in the Interim Condensed Consolidated Financial Statements.

Goodwill recorded on the acquisitions of franchise and non-franchise stores and other businesses relates to the acquired work force and customer base of the existing store location, along with the synergies expected from combining efforts of the acquired stores with existing stores. The estimated fair value of identifiable net assets and goodwill acquired have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

15. Financial instruments

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

Long-term debt	August 3 2024	May 4 2024	August 5 2023
Total carrying amount	\$ 1,127.7	\$ 1,095.4	\$ 958.0
Total fair value	\$ 1,181.0	\$ 1,132.5	\$ 989.0

The fair value of the non-controlling interest put liabilities associated with certain acquisitions is equivalent to the present value of the non-controlling interest buyout price which is based on the estimated future earnings of these entities at a predetermined date. The fair value of the non-controlling interest put liability associated with the acquisition of Longo's was determined through a statistical simulation, which is based on the estimated future earnings of Longo's at a predetermined date. The fair value of these options is classified as Level 3 within the three-level hierarchy of IFRS 13, "Fair value measurement". There are many inputs used to calculate the fair value, the most sensitive of which is EBITDA.

As part of the Farm Boy acquisition, members of the Farm Boy senior management team (the "Stakeholders"), retained a combined 12% interest in Farm Boy, resulting in a non-controlling interest. The parties entered into put and call options such that the Stakeholders could put, and Sobeys could call, the remaining 12% at any time after five years following the acquisition date. Since the date of acquisition, the Company recorded a financial put liability based on the present value of the amount payable on exercise of the put option in accordance with IFRS 9 "Financial instruments". On January 6, 2024, the Company received formal notice from the Stakeholders exercising their put options. During the year ended May 4, 2024, the Company acquired the remaining 12% non-controlling interest in Farm Boy for \$77.1 and the put option liability was settled in cash.

16. Stock-based compensation

Performance share unit plan

The Company awards performance share units ("PSUs") to certain employees. The number of PSUs that vest under an award is predominantly dependent on service over time and the achievement of specific performance measures. During the period ended August 3, 2024, the PSUs accounting changed from equity-settled to cash-settled as employees were given the option to choose between cash or share settled upon vesting, which results in a cash-settled liability. Upon vesting, each employee is entitled to receive cash or Non-Voting Class A shares equal to the number of their vested PSUs. During the period ended August 3, 2024, the Company granted 507,204 (August 5, 2023 - 349,498) PSUs. At August 3, 2024, there were 1,107,709 (August 5, 2023 - 973,017) PSUs outstanding and the total carrying amount of the liability was \$10.3 (August 5, 2023 - \$ nil). The compensation expense (recovery) for the period ended August 3, 2024 related to PSUs was \$3.5 (August 5, 2023 - \$(0.6)).

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Stock option plan

During the period ended August 3, 2024, the Company granted nil (August 5, 2023 - 416,449) options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The compensation expense for the period ended August 3, 2024 related to the issuance of options was \$3.7 (August 5, 2023 - \$1.7).

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 3, 2024, the Company granted 186,548 (August 5, 2023 - 118,486) DSUs. At August 3, 2024, there were 1,839,528 (August 5, 2023 - 1,917,799) DSUs outstanding and the total carrying amount of the liability was \$57.5 (August 5, 2023 - \$61.8). The compensation expense (recovery) for the period ended August 3, 2024 related to DSUs was \$6.3 (August 5, 2023 - \$(1.6)).

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 3, 2024, the Company granted 11,859 (August 5, 2023 - 14,928) DSUs. At August 3, 2024, there were 493,438 (August 5, 2023 - 501,700) DSUs outstanding and the total carrying amount of the liability was \$18.1 (August 5, 2023 - \$17.6). During the period ended August 3, 2024, the compensation expense recorded was \$2.6 (August 5, 2023 - \$0.5).

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

17. Related party transactions

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. As at 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 period ended August 5, 2023, Sobeys entered into an agreement with Crombie REIT to reassign certain subleases with third parties directly to Crombie REIT in exchange for a fee. This transaction resulted in pre-tax income of \$16.4 and has been recognized in other income on the Interim Condensed Consolidated Statements of Earnings.

18. Employee future benefits

During the period ended August 3, 2024, the net employee future benefits expense reported in net earnings was \$13.2 (August 5, 2023 - \$12.3). Actuarial (losses) gains before taxes on defined benefit pension plans for the period ended August 3, 2024 were \$(11.6) (August 5, 2023 - \$10.4). These (losses) gains have been recognized in other comprehensive (loss) income, net.