



Management's Discussion & Analysis

For the Fourth Quarter and Fiscal Year Ended May 3, 2025



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Management's Discussion & 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) include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. ("Sobeys"), Sobeys Capital Incorporated and Farm Boy, 51% owned Longo's and certain enterprises considered structured entities, where control is achieved on a basis other than through ownership of a majority of voting rights for the fourth quarter and fiscal year ended May 3, 2025 compared to the fourth quarter and fiscal year ended May 4, 2024. The MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements and notes thereto for the fiscal year ended May 3, 2025 and the fiscal year ended May 4, 2024. Additional information about the Company, including the Company's Annual Information Form, can be found on SEDAR+ at www.sedarplus.ca or on the Company's website at www.empireco.ca.

The audited Consolidated Financial Statements and the accompanying notes are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and are reported in Canadian dollars ("CAD"). These Consolidated Financial Statements include the accounts of Empire and its subsidiaries and structured entities which the Company is required to consolidate. Comparative amounts have been rounded to the nearest million to conform with current year presentation. The information contained in this MD&A is current to June 18, 2025, unless otherwise noted.

1 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 this 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 \$850 million capital in its network in fiscal 2026, including new 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 store 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 and that actions are expected to have a positive impact on Voilà's financial performance in fiscal 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 including the ability to successfully pursue other e-commerce cost saving initiatives which could be impacted by supplier relationships, labour relations, successfully implementing operational efficiencies 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 \$120 million to \$140 million in fiscal 2026, 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 partners;
- The Company's expectations regarding the amount and timing of costs relating to the completion of the future Customer Fulfilment Center ("CFC"), which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;
- The Company's expectation regarding its ability to ensure competitive pricing for customers and pursue long-term growth, which may be impacted by supplier relationships and negotiations and the macro-economic environment;
- The Company's expectation that recent imposition of tariffs by the United States and retaliatory tariffs by the Canadian government will create volatility in the Canadian economy, including higher future costs for importing goods potentially contributing to higher inflation if increased costs are passed to Canadian consumers, which may be impacted by the length of time tariffs are imposed, the extent of counter measures imposed by other countries, the changes in consumer behaviour, and the extent of the impacts on the supply chain;
- 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 and 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 operating results.

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 this 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.

2 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 billion in annual sales and \$17 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 129,000 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.

2.1 Company Priorities

The Company is continuing to enhance data capabilities and deepen its understanding of its customers, allowing the Company to effectively capture emerging trends. 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 new store expansion. The Own Brands program enhancement will remain a priority through increased distribution, product innovation and supporting Canadian suppliers.

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, personalization and loyalty through *Scene+* (see "Business Updates – E-Commerce" 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. The Company has implemented several cost savings initiatives in the *Voilà* business, including pausing the opening of its fourth CFC and ending its mutual exclusivity with Ocado and continues to pursue other cost saving initiatives.

2.2 Business Updates

E-Commerce

Voilà, the Company's online delivery business, 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 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 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 before it was originally estimated to end. This resulted in a non-cash pre-tax charge related to ending the exclusivity of \$12 million during the first quarter of fiscal 2025. On October 24, 2024, the Company announced partnerships with Instacart and Uber Eats in Ontario, providing customers with new ways to shop its stores online. On December 5, 2024, the Company expanded these partnerships to Western Canada across various banners and also to Foodland in Ontario. On March 11, 2025, these partnerships were expanded to Quebec and Atlantic Canada, completing the national grocery rollout based on serviceable locations. Subsequently on May 27, 2025, the Company launched the partnerships with Lawtons. These new partnerships complement *Voilà* by providing a full suite of delivery options for our customers across the marketplace platforms at many of the Company's banners such as Sobeys, Farm Boy, Longo's, FreshCo, Safeway, IGA, IGA Extra, Foodland and Lawtons.

The actions that the Company has taken as outlined above have had a positive impact on the e-commerce financial performance in fiscal 2025 and is expected to have an even greater benefit in fiscal 2026 and beyond. Voilà's future earnings will primarily be impacted by sales volume, with strong margins, operational efficiencies and cost discipline also 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.

In the quarter ended May 3, 2025, the Company's e-commerce platforms Voilà (including curbside pickup), IGA.net, ThriftyFoods.com and the new partnerships with Instacart and Uber Eats, generated a combined sales increase of 80.2% compared to the same quarter in the prior year. The increase is primarily driven by contribution from the rollouts of the new partnerships in fiscal 2025 and continued strong double-digit sales growth of Voilà.

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 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 banner 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 banner. As at June 18, 2025, FreshCo has 49 stores operating in Western Canada. Subsequent to the quarter ended May 3, 2025, the Company opened one FreshCo store in Western Canada and expects to open an additional six stores in fiscal 2026. The Company expects to have opened 65 FreshCo 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 million. Following regulatory review and approval, the sale ("Western Canada Fuel Sale") was completed in the first quarter of fiscal 2024.

3 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, new store expansion, and Own Brands program enhancement), an expanded focus on digital and data (through key strategic initiatives including e-commerce, *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 2026, capital spend is expected to be approximately \$850 million, with approximately half of this investment allocated to renovations and new store expansion (including a 1.5% increase in store footprint expansion from new stores), 25% allocated to IT and business development projects and the remainder allocated to logistics and sustainability. 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 2026, 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 \$120 million to \$140 million (2025 - \$158 million).

In the quarter ended May 3, 2025, the Company's internal food inflation continues to be below the Consumer Price Index for food purchased from stores and was largely in line with internal food inflation from the quarter ended February 1, 2025. 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.

Recent imposition of tariffs by the United States government and retaliatory tariffs by the Canadian government are expected to create volatility in the Canadian economy, including higher future costs for importing goods, potentially contributing to higher inflation if increased costs are passed to Canadian consumers. The timing and duration of increased tariffs create financial uncertainty for Canadian companies, and may lead to potential job losses, reduced economic activity, and weakening confidence in the future, and could disrupt supplier relationships and the supply chain, and this may increase the volatility in the Company's operational results. In the third quarter of fiscal 2025, management estimated that the average of the Company's annual sales related to goods sourced from the United States was approximately 12%. This percentage has continued to decline as the Company remains focused on promoting local and Canadian products and seeking alternate sources of supply outside of the United States.

4 Summary Results - Fourth Quarter

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	\$ Change	% Change
Sales	\$ 7,637	\$ 7,412	\$ 225	3.0 %
Gross profit ⁽¹⁾	2,109	2,006	103	5.1 %
Operating income	313	292	21	7.2 %
Adjusted operating income ⁽²⁾	313	298	15	5.0 %
EBITDA ⁽¹⁾	599	557	42	7.5 %
Adjusted EBITDA ⁽²⁾	599	563	36	6.4 %
Finance costs, net	75	74	1	1.4 %
Income tax expense	60	62	(2)	(3.2)%
Non-controlling interest	5	7	(2)	(28.6)%
Net earnings ⁽³⁾	173	149	24	16.1 %
Adjusted net earnings ⁽²⁾⁽³⁾	173	154	19	12.3 %
Basic earnings per share				
Net earnings ⁽³⁾	\$ 0.74	\$ 0.61	\$ 0.13	21.3 %
Adjusted net earnings ⁽²⁾⁽³⁾	\$ 0.74	\$ 0.63	\$ 0.11	17.5 %
Basic weighted average number of shares outstanding (millions)	233.9	243.4	(9.5)	(3.9)%
Diluted earnings per share				
Net earnings ⁽³⁾	\$ 0.74	\$ 0.61	\$ 0.13	21.3 %
Adjusted net earnings ⁽²⁾⁽³⁾	\$ 0.74	\$ 0.63	\$ 0.11	17.5 %
Diluted weighted average number of shares outstanding (millions)	234.8	243.7	(8.9)	(3.7)%
Dividend per share	\$ 0.2000	\$ 0.1825	\$ 0.0175	9.6 %

	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks
Gross margin ⁽¹⁾	27.6 %	27.1 %
EBITDA margin ⁽¹⁾	7.8 %	7.5 %
Adjusted EBITDA margin ⁽²⁾	7.8 %	7.6 %
Same-store sales ⁽¹⁾ growth (decline)	3.0 %	(0.3)%
Same-store sales ⁽¹⁾ growth - food ⁽⁴⁾	3.8 %	0.2 %
Same-store sales ⁽¹⁾ (decline) growth - fuel	(7.8)%	4.0 %
Effective income tax rate	25.2 %	28.4 %

(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) Previously named - same-store sales, excluding fuel.

The following table provides a breakdown of the Company's total sales for the Food retailing segment:

<i>(in millions of Canadian dollars)</i>	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	\$ Change	% Change
Food sales	\$ 7,189	\$ 6,928	\$ 261	3.8 %
Fuel sales	448	484	(36)	(7.4)%

Empire Company Limited Operating Results

4.1 Sales

Food sales for the quarter ended May 3, 2025 increased by 3.8% primarily driven by positive growth across the business, particularly in the Full-Service and Discount banners.

Fuel sales for the quarter ended May 3, 2025 decreased by 7.4% primarily driven by lower fuel prices due to the removal of the government carbon tax.

4.2 Gross Profit

Gross profit for the quarter ended May 3, 2025 increased by 5.1% primarily driven by higher sales, strong performance and operational discipline in the Full-Service banners and expansion in the FreshCo, Farm Boy and Voilà banners.

Gross margin for the quarter ended May 3, 2025 increased to 27.6% from 27.1% in the prior year, primarily due to the mix impact of lower fuel sales and strong performance in Full-Service banners as a result of disciplined execution in targeted efficiencies in our stores, including initiatives aimed at reducing shrink. Gross margin, excluding the mix impact of fuel, increased by 32 basis points.

4.3 Operating Income

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	
	13 Weeks	13 Weeks	\$ Change
Food retailing	\$ 307	\$ 281	\$ 26
Investments and other operations:			
Crombie REIT	11	12	(1)
Real estate partnerships	1	4	(3)
Other operations, net of corporate expenses	(6)	(5)	(1)
	6	11	(5)
Operating income	\$ 313	\$ 292	\$ 21
Adjustments:			
Restructuring ⁽¹⁾	-	20	(20)
Cybersecurity Event ⁽¹⁾	-	(14)	14
	-	6	(6)
Adjusted operating income ⁽¹⁾	\$ 313	\$ 298	\$ 15

(1) 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 May 3, 2025, operating income from the Food retailing segment increased mainly due to higher sales and gross profit, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased mainly due to higher share based long-term incentive program expenses (an increase of \$49 million compared to the prior year), mainly driven by the Company's significant share price appreciation and increased vesting level. Higher retail labour costs driven by wage rate increases, continued investment in business expansion (Farm Boy, FreshCo and Voilà) and an increase in depreciation and amortization also increased selling and administration expenses.

For the quarter ended May 3, 2025, operating income from the Investments and other operations segment slightly decreased primarily due to a decrease in property sales in real estate partnerships.

4.4 EBITDA

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	
	13 Weeks	13 Weeks	\$ Change
EBITDA ⁽¹⁾	\$ 599	\$ 557	\$ 42
Adjustments:			
Restructuring ⁽²⁾	-	20	(20)
Cybersecurity Event ⁽²⁾	-	(14)	14
	-	6	(6)
Adjusted EBITDA ⁽²⁾	\$ 599	\$ 563	\$ 36

(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 May 3, 2025, EBITDA increased to \$599 million from \$557 million in the prior year mainly as a result of the same factors affecting operating income (excluding the increase in depreciation and amortization of \$20 million). Adjusted EBITDA margin increased to 7.8% from 7.6% in the prior year.

4.5 Finance Costs

For the quarter ended May 3, 2025, net finance costs increased from the prior year mainly as a result of an increase in interest expense on lease liabilities, partially offset by interest income on lease receivables, interest expense on other financial liabilities, and accretion expense on provisions.

4.6 Income Taxes

For the quarter ended May 3, 2025, the effective income tax rate was 25.2% compared to 28.4% in the same quarter last year. The effective tax rate was lower than the statutory rate primarily due to the benefits of investment tax credits and the revaluation of tax estimates, not all of which are recurring. The effective tax rate in the same quarter last year was higher than the statutory rate primarily due to changes in tax rates and the revaluation of tax estimates, not all of which are recurring, partially offset by the benefits of investment tax credits.

4.7 Net Earnings

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 3, 2025	May 4, 2024	
	13 Weeks	13 Weeks	\$ Change
Net earnings ⁽¹⁾	\$ 173	\$ 149	\$ 24
EPS ⁽⁴⁾ (fully diluted)	\$ 0.74	\$ 0.61	\$ 0.13
Adjustments ⁽²⁾ (net of income taxes):			
Restructuring ⁽³⁾	-	15	(15)
Cybersecurity Event ⁽³⁾	-	(10)	10
	-	5	(5)
Adjusted net earnings ⁽¹⁾⁽³⁾⁽⁵⁾	\$ 173	\$ 154	\$ 19
Adjusted EPS ⁽¹⁾⁽³⁾ (fully diluted)	\$ 0.74	\$ 0.63	\$ 0.11
Diluted weighted average number of shares outstanding (in millions)	234.8	243.7	(8.9)

(1) Attributable to owners of the Company.

(2) Total adjustments for the quarter are net of income taxes of \$ nil (May 4, 2024 - \$2 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.

4.8 Adjusted Impacts on Net Earnings

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 Company included in adjusted metrics the adjustment for restructuring costs. The impact to net earnings for the quarter ended May 3, 2025 was \$ nil (May 4, 2024 – (\$15) million).

In the second quarter of fiscal 2023, 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 May 3, 2025 was a recovery of \$ nil (2024 – \$10 million).

5 Operating Results - Full Year

(in millions of Canadian dollars, except per share amounts)	May 3, 2025	May 4, 2024	May 6, 2023	2025 Compared to 2024	
	52 Weeks	52 Weeks	52 Weeks	\$ Change	% Change
Sales	\$ 31,277	\$ 30,733	\$ 30,478	\$ 544	1.8 %
Gross profit	8,382	8,071	7,793	311	3.9 %
Operating income	1,289	1,311	1,232	(22)	(1.7)%
Adjusted operating income ⁽¹⁾	1,303	1,256	1,292	47	3.7 %
EBITDA ⁽¹⁾	2,409	2,382	2,263	27	1.1 %
Adjusted EBITDA ⁽¹⁾	2,423	2,327	2,322	96	4.1 %
Finance costs, net	294	282	267	12	4.3 %
Income tax expense	249	266	238	(17)	(6.4)%
Non-controlling interest	46	37	42	9	24.3 %
Net earnings ⁽²⁾	700	726	686	(26)	(3.6)%
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	711	681	727	30	4.4 %
Basic earnings per share					
Net earnings ⁽²⁾	\$ 2.94	\$ 2.92	\$ 2.65	\$ 0.02	0.7 %
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	\$ 2.99	\$ 2.75	\$ 2.81	\$ 0.24	8.7 %
Basic weighted average number of shares outstanding (millions)	237.9	248.0	258.8	(10.1)	(4.1)%
Diluted earnings per share					
Net earnings ⁽²⁾	\$ 2.93	\$ 2.92	\$ 2.64	\$ 0.01	0.3 %
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	\$ 2.98	\$ 2.74	\$ 2.80	\$ 0.24	8.8 %
Diluted weighted average number of shares outstanding (millions)	238.6	248.4	259.4	(9.8)	(3.9)%
Dividend per share	\$ 0.80	\$ 0.73	\$ 0.66	\$ 0.07	9.6 %

	May 3, 2025	May 4, 2024	May 6, 2023
	52 Weeks	52 Weeks	52 Weeks
Gross margin ⁽¹⁾	26.8 %	26.3 %	25.6 %
EBITDA margin ⁽¹⁾	7.7 %	7.8 %	7.4 %
Adjusted EBITDA margin ⁽¹⁾	7.7 %	7.6 %	7.6 %
Same-store sales ⁽¹⁾ growth	1.9 %	1.3 %	2.3 %
Same-store sales growth ⁽¹⁾ - food ⁽⁴⁾	2.3 %	2.0 %	1.5 %
Same-store sales (decline) growth ⁽¹⁾ - fuel	(4.2)%	(7.4)%	15.3 %
Effective income tax rate	25.0 %	25.8 %	24.6 %

(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) Attributable to owners of the Company.

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

(4) Previously named - same-store sales, excluding fuel.

The following table provides a breakdown of the Company's total sales for the Food retailing segment:

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024		
	52 Weeks	52 Weeks	\$ Change	% Change
Food sales	\$ 29,338	\$ 28,661	\$ 677	2.4 %
Fuel sales	1,939	2,072	(133)	(6.4)%

Empire Company Limited Operating Results

5.1 Sales

Food sales for the fiscal year ended May 3, 2025 increased by 2.4% primarily driven by positive growth across the business, particularly in the Full-Service and Discount banners.

Fuel sales for the fiscal year ended May 3, 2025 decreased by 6.4% driven by lower fuel prices and lower volume compared to the prior year, as well as the Western Canada Fuel Sale in the first quarter of fiscal 2024.

5.2 Gross Profit

Gross profit for the fiscal year ended May 3, 2025 increased by 3.9% primarily driven by higher sales, strong performance and operational discipline aimed at reducing shrink and business expansion (Farm Boy, FreshCo and Voilà).

Gross margin for the fiscal year ended May 3, 2025 increased to 26.8% from 26.3% in the prior year, primarily as a result of strong performance in Full-Service banners including several targeted initiatives aimed at closely managing shrink and inventory and improving promotional mix, lower distribution costs driven primarily by efficiency initiatives in supply chain and the mix impact of lower fuel sales. Gross margin, excluding the mix impact of fuel, increased by 43 basis points.

5.3 Operating Income

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	
	52 Weeks	52 Weeks	\$ Change
Food retailing	\$ 1,234	\$ 1,265	\$ (31)
Investments and other operations:			
Crombie REIT	65	44	21
Real estate partnerships	16	13	3
Other operations, net of corporate expenses	(26)	(11)	(15)
	55	46	9
Operating income	\$ 1,289	\$ 1,311	\$ (22)
Adjustments:			
E-commerce Exclusivity ⁽¹⁾	12	-	12
Restructuring ⁽¹⁾	2	72	(70)
Cybersecurity Event ⁽¹⁾	-	(36)	36
Western Canada Fuel Sale ⁽¹⁾	-	(91)	91
	14	(55)	69
Adjusted operating income ⁽²⁾	\$ 1,303	\$ 1,256	\$ 47

(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 fiscal year ended May 3, 2025, operating income from the Food retailing segment decreased mainly due to higher selling and administration expenses in the current year, partially offset by higher sales and gross profit. Selling and administrative expenses increased due to higher share based long-term incentive program expenses (an increase of \$81 million compared to the prior year), mainly driven by the Company's significant share price appreciation and increased vesting level. An increase in compensation expense primarily driven by retail labour costs, continued investment in business expansion (Farm Boy, FreshCo and Voilà), and an increase in depreciation and amortization also increased selling and administration expenses.

For the fiscal year ended May 3, 2025, operating income from the Investments and other operations segment increased primarily as a result of higher equity earnings from Crombie REIT, due to an increase in property sales, which was partially offset by the Company's investment in *Scene+* driven by increase member participation and redemption of its loyalty program points.

5.4 EBITDA

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	
	52 Weeks	52 Weeks	\$ Change
EBITDA ⁽¹⁾	\$ 2,409	\$ 2,382	\$ 27
Adjustments:			
E-commerce Exclusivity ⁽²⁾	12	-	12
Restructuring ⁽²⁾	2	72	(70)
Cybersecurity Event ⁽²⁾	-	(36)	36
Western Canada Fuel Sale ⁽²⁾	-	(91)	91
	14	(55)	69
Adjusted EBITDA ⁽¹⁾	\$ 2,423	\$ 2,327	\$ 96

(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 fiscal year ended May 3, 2025, EBITDA increased to \$2,409 million from \$2,382 million in the prior year mainly as a result of the same factors affecting operating income (which excludes the increase in depreciation and amortization of \$49 million). Adjusted EBITDA margin increased to 7.7% from 7.6% in the prior year.

5.5 Finance Costs

For the fiscal year ended May 3, 2025, net finance costs increased from the prior year as a result of an increase in interest expense on lease liabilities, partially offset by a decrease in interest expense on other financial liabilities at amortized cost.

5.6 Income Taxes

The effective income tax rate for the fiscal year ended May 3, 2025 was 25.0% compared to 25.8% last year. The current year effective tax rate was lower than the statutory rate primarily due to non-taxable capital items, consolidated structured entities and non-taxable capital items that are taxed at lower rates, and the benefits of investment tax credits. The effective tax rate in the prior year was lower than the statutory rate primarily due to the revaluation of tax estimates, not all of which were recurring and the benefits of investment tax credits.

5.7 Net Earnings

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 3, 2025	May 4, 2024	
	52 Weeks	52 Weeks	\$ Change
Net earnings ⁽¹⁾	\$ 700	\$ 725	\$ (25)
EPS ⁽⁴⁾ fully diluted	\$ 2.93	\$ 2.92	\$ 0.01
Adjustments ⁽²⁾ (net of income taxes):			
E-commerce Exclusivity ⁽³⁾	9	-	9
Restructuring ⁽³⁾	2	53	(51)
Cybersecurity Event ⁽³⁾	-	(25)	25
Western Canada Fuel Sale ⁽³⁾	-	(72)	72
	11	(44)	55
Adjusted net earnings ⁽¹⁾⁽³⁾⁽⁵⁾	\$ 711	\$ 681	\$ 30
Adjusted EPS ⁽¹⁾⁽³⁾ (fully diluted)	\$ 2.98	\$ 2.74	\$ 0.24
Diluted weighted average number of shares outstanding (in millions)	238.6	248.4	(9.8)

(1) Attributable to owners of the Company.

(2) Total adjustments for the fiscal year ended are net of income taxes of \$4 million (May 4, 2024 - (\$9) 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.

5.8 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. The Company included in its adjusted metrics the adjustment for the exclusivity costs. In the first quarter of fiscal 2025, the Company incurred a non-cash charge related to ending the exclusivity. The impact to net earnings for the fiscal year ended May 3, 2025 was (\$9) million (2024 - \$ nil).

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 Company included in adjusted metrics the adjustment for restructuring costs. The impact to net earnings for the fiscal year ended May 3, 2025 was (\$2) million (2024 - (\$53) million).

In the second quarter of fiscal 2023, 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 fiscal year ended May 3, 2025 was a recovery of \$ nil (2024 - \$25 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 million, which resulted in a pre-tax gain of \$91 million. The impact to net earnings for the fiscal year ended May 3, 2025 was a recovery of \$ nil (2024 - \$72 million).

6 Financial Performance by Segment

6.1 Food Retailing

The following is a review of Empire's Food retailing segment's financial performance, comprising the consolidated results of Sobeys for the quarter and fiscal years ended May 3, 2025, May 4, 2024 and May 6, 2023.

The following financial information is Sobeys' contribution to Empire as the amounts are net of consolidation adjustments. For further analysis of these adjustments, see the "Summary Results - Fourth Quarter" and "Operating Results – Full Year" sections.

(in millions of Canadian dollars)	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	May 6, 2023 13 Weeks	2025 Compared to 2024	
				\$ Change	% Change
Sales	\$ 7,637	\$ 7,412	\$ 7,408	\$ 225	3.0 %
Gross profit	2,109	2,006	1,959	103	5.1 %
Operating income	307	280	305	27	9.6 %
Adjusted operating income ⁽¹⁾	307	286	311	21	7.3 %
EBITDA ⁽¹⁾	593	546	579	47	8.6 %
Adjusted EBITDA ⁽¹⁾	593	552	586	41	7.4 %
Net earnings ⁽²⁾	169	144	164	25	17.4 %
Adjusted net earnings ⁽¹⁾⁽²⁾	169	149	166	20	13.4 %

(in millions of Canadian dollars)	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks	May 6, 2023 52 Weeks	2025 Compared to 2024	
				\$ Change	% Change
Sales	\$ 31,277	\$ 30,733	\$ 30,478	\$ 544	1.8 %
Gross profit	8,382	8,071	7,793	311	3.9 %
Operating income	1,234	1,265	1,140	(31)	(2.5)%
Adjusted operating income ⁽¹⁾	1,248	1,210	1,199	38	3.1 %
EBITDA ⁽¹⁾	2,354	2,337	2,171	17	0.7 %
Adjusted EBITDA ⁽¹⁾	2,368	2,282	2,230	86	3.8 %
Net earnings ⁽²⁾	659	712	610	(53)	(7.4)%
Adjusted net earnings ⁽¹⁾⁽²⁾	670	668	651	2	0.3 %

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

(2) Attributable to owners of the Company.

To assess its financial performance and condition, Sobeys' management monitors a set of financial measures which evaluate sales growth, profitability and financial condition, which are set out below.

(in millions of Canadian dollars)	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks	May 6, 2023 52 Weeks
Sales growth	1.8%	0.8%	1.0%
Same-store sales growth	1.9%	1.3%	2.3%
Same-store sales ⁽¹⁾ growth - food ⁽²⁾	2.3%	2.0%	1.5%
Same-store sales ⁽¹⁾ (decline) growth - fuel	(4.2)%	(7.4)%	15.3%
Return on equity ⁽¹⁾	14.7%	16.4%	14.7%
Adjusted return on equity	15.0%	15.4%	15.7%
Funded debt to total capital ⁽¹⁾	62.8%	62.9%	63.3%
Funded debt to adjusted EBITDA ⁽¹⁾	3.1x	3.2x	3.2x
Acquisitions of property, equipment, investment property and intangibles	\$ 774	\$ 800	\$ 755

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

(2) Previously named - same-store sales, excluding fuel.

6.2 Investments and Other Operations

	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks	\$ Change
(in millions of Canadian dollars)			
Crombie REIT	\$ 65	\$ 44	\$ 21
Real estate partnerships	16	13	3
Other operations, net of corporate expenses	(26)	(11)	(15)
Operating income	\$ 55	\$ 46	\$ 9

For the fiscal year ended May 3, 2025, operating income from the Investments and other operations segment increased primarily as a result of higher equity earnings from Crombie REIT, due to an increase in property sales, partially offset by the Company's investment in *Scene+* driven by increase member participation and redemption of its loyalty program points.

7 Quarterly Results of Operations

	Fiscal 2025				Fiscal 2024			
	Q4 May 3, 2025 13 Weeks	Q3 Feb 1, 2025 13 Weeks	Q2 Nov 2, 2024 13 Weeks	Q1 Aug 3, 2024 13 Weeks	Q4 May 4, 2024 13 Weeks	Q3 Feb 3, 2024 13 Weeks	Q2 Nov 4, 2023 13 Weeks	Q1 Aug 5, 2023 13 Weeks
(in millions of Canadian dollars, except per share amounts)								
Sales	\$ 7,637	\$ 7,725	\$ 7,778	\$ 8,137	\$ 7,412	\$ 7,494	\$ 7,751	\$ 8,076
Operating income	313	288	319	369	292	250	312	457
Adjusted operating income ⁽¹⁾	313	288	319	383	298	275	308	375
EBITDA ⁽²⁾	599	564	601	645	557	522	579	724
Adjusted EBITDA ⁽¹⁾⁽²⁾	599	564	601	659	563	547	575	642
Net earnings ⁽³⁾	173	146	173	208	149	134	181	261
Adjusted net earnings ⁽¹⁾⁽³⁾	173	146	173	219	154	153	178	196
Per share information, basic								
Net earnings ⁽³⁾	\$ 0.74	\$ 0.62	\$ 0.73	\$ 0.86	\$ 0.61	\$ 0.54	\$ 0.73	\$ 1.04
Adjusted net earnings ⁽¹⁾⁽³⁾	\$ 0.74	\$ 0.62	\$ 0.73	\$ 0.90	\$ 0.63	\$ 0.62	\$ 0.72	\$ 0.78
Basic weighted average number of shares outstanding (millions)	233.9	236.4	238.5	241.9	243.4	246.3	249.3	251.7
Per share information, diluted								
Net earnings ⁽³⁾	\$ 0.74	\$ 0.62	\$ 0.72	\$ 0.86	\$ 0.61	\$ 0.54	\$ 0.72	\$ 1.03
Adjusted net earnings ⁽¹⁾⁽³⁾	\$ 0.74	\$ 0.62	\$ 0.72	\$ 0.90	\$ 0.63	\$ 0.62	\$ 0.71	\$ 0.78
Diluted weighted average number of shares outstanding (millions)	234.8	237.2	239.1	242.3	243.7	246.8	249.9	252.2

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

8 Liquidity and Capital Resources

The table below highlights significant cash flow components for the relevant periods. For additional detail, please refer to the Consolidated Statements of Cash Flows in the Company's audited Consolidated Financial Statements for the fiscal year ended May 3, 2025.

<i>(in millions of Canadian dollars)</i>	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks
Cash flows from operating activities	\$ 685	\$ 556	\$ 2,127	\$ 2,073
Cash flows used in investing activities	(166)	(267)	(597)	(609)
Cash flows used in financing activities	(425)	(278)	(1,505)	(1,425)
Increase in cash and cash equivalents	\$ 94	\$ 11	\$ 25	\$ 39

8.1 Operating Activities

Cash flows from operating activities for the quarter ended May 3, 2025 increased versus prior year primarily as a result of favourable working capital changes. The working capital changes are impacted primarily by changes in accounts payable and accrued liabilities compared to the prior year.

Cash flows from operating activities for the fiscal year ended May 3, 2025 increased versus prior year primarily as a result of favourable working capital changes, partially offset by higher income taxes paid in the current year. The working capital changes are impacted primarily by changes in accounts payable and accrued liabilities compared to the prior year.

8.2 Investing Activities

The table below outlines details of investing activities for the relevant periods:

<i>(in millions of Canadian dollars)</i>	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks
Increase in equity investments	\$ (11)	\$ (2)	\$ (26)	\$ (6)
Acquisitions of property, equipment, investment property and intangibles	(200)	(302)	(777)	(799)
Proceeds on disposal of assets ⁽¹⁾ and lease modifications and terminations	28	32	149	180
Leases and other receivables, net	(21)	(20)	(22)	(48)
Other assets	1	-	(8)	(12)
Other liabilities	10	4	4	(2)
Business acquisitions	-	(5)	(15)	(19)
Payments received for finance subleases	27	26	96	94
Interest received	-	-	2	3
Cash flows used in investing activities	\$ (166)	\$ (267)	\$ (597)	\$ (609)

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

Cash used in investing activities for the quarter ended May 3, 2025 decreased versus prior year primarily due to lower intangibles and capital investments in the current year.

Cash used in investing activities for the fiscal year ended May 3, 2025 decreased versus prior year primarily due to lower capital investments and intangibles, a decrease in leases and other receivables in the current year, partially offset by an increase in equity investments and a decrease in proceeds on disposal of assets and lease modifications and terminations.

8.3 Capital Expenditures

The Company invested \$233 million and \$721 million in capital expenditures⁽¹⁾ for the quarter and fiscal year ended May 3, 2025 (May 4, 2024 – \$416 million and \$831 million), respectively including renovations and construction of new stores, investments in advanced analytics technology and other technology systems and Voilà CFCs.

In fiscal 2026, capital expenditures are expected to be approximately \$850 million, with approximately 50% of this investment allocated to store renovations and new store expansion (including a 1.5% increase in store footprint expansion from new stores), 25% on IT projects and business development projects and the remainder on logistics and sustainability. 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.

8.4 Store Network Activity and Square Footage

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

	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks
<i>(Number of stores)</i>				
Opened/relocated/acquired ⁽¹⁾	4	11	20	34
Opened - FreshCo ⁽³⁾	-	-	1	4
Opened - Farm Boy	-	1	3	1
Expanded	-	1	-	4
Rebanned/redeveloped	-	-	-	6
Closed ⁽¹⁾⁽²⁾	2	3	32	38
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 Sobeys' square footage changes:

	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks
<i>Square feet (in thousands)</i>		
Opened	118	38
Expanded	-	3
Closed	(57)	(22)
Net change before the impact of the expansion of Farm Boy and FreshCo	61	19
Opened - Farm Boy	-	25
Net change	61	44

At May 3, 2025, the Company's retail space totalled 43.1 million square feet, a 0.2% increase compared to 43.0 million square feet at May 4, 2024.

8.5 Financing Activities

Cash used in financing activities for the quarter ended May 3, 2025, increased versus prior year mainly due to an increase in repayments on the revolving credit facility agreement (compared to advances on revolving credit facilities in the prior year), partially offset by a decrease in non-controlling interest in the current year due to the purchase of the remaining 12% interest in Farm Boy in the prior year.

For the fiscal year ended May 3, 2025, cash used in financing activities increased versus prior year primarily due to the net repayments of revolving credit facilities in the current year (compared to advances on revolving credit facilities in the prior year), partially offset by an increase in advances on non-revolving credit facility and the purchase of the remaining 12% interest in Farm Boy in the prior year.

8.6 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.

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024		May 3, 2025	May 4, 2024	
	13 Weeks	13 Weeks	\$ Change	52 Weeks	52 Weeks	\$ Change
Cash flows from operating activities	\$ 685	\$ 556	\$ 129	\$ 2,127	\$ 2,073	\$ 54
Add:						
Proceeds on disposal of assets ⁽¹⁾ and lease modifications and terminations	28	32	(4)	149	180	(31)
Less:						
Interest paid	(19)	(11)	(8)	(59)	(50)	(9)
Payments of lease liabilities, net of payments received for finance subleases	(176)	(170)	(6)	(712)	(674)	(38)
Acquisitions of property, equipment, investment property and intangibles	(200)	(302)	102	(777)	(799)	22
Free cash flow ⁽²⁾	\$ 318	\$ 105	\$ 213	\$ 728	\$ 730	\$ (2)

(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.

For the quarter ended May 3, 2025, free cash flow increased versus prior year primarily as a result of an increase in cash flows from operating activities and a decrease in capital investments.

For the fiscal year ended May 3, 2025, free cash flow decreased slightly versus prior year primarily as a result of an increase in payments of lease liabilities and a decrease in proceeds on disposal of assets and lease modifications and terminations offset by an increase in cash flows from operating activities and a decrease in capital investments.

8.7 Employee Future Benefit Obligations

For the fiscal year ended May 3, 2025, the Company contributed \$16 million (May 4, 2024 – \$15 million) to its registered defined benefit plans. The Company expects to contribute approximately \$8 million to these plans in fiscal 2026.

8.8 Guarantees and Commitments

The following table presents the Company's commitments and other obligations that will come due over the next five fiscal years as at May 3, 2025:

<i>(in millions of Canadian dollars)</i>	2026	2027	2028	2029	2030	Thereafter	Total
Commitments							
Long-term debt ⁽¹⁾	\$ 225	\$ 9	\$ 275	\$ 7	\$ 6	\$ 563	1,085
Third party finance leases, as lessee	620	623	592	541	479	2,635	5,490
Related party finance leases, as lessee	197	199	201	200	196	1,591	2,584
Non-controlling interest liabilities	33	38	58	41	-	123	293
Capital commitments	99	4	-	-	-	-	103
Operational expenditure commitments	68	45	45	35	29	29	251
Venture commitments	8	8	8	8	8	2	42
Contractual obligations	1,250	926	1,179	832	718	4,943	9,848
Third party finance subleases, as lessor	(93)	(93)	(90)	(80)	(68)	(301)	(725)
Owned properties operating leases, as lessor	(9)	(7)	(4)	(3)	(2)	(14)	(39)
Subleased properties operating leases, as lessor	(72)	(61)	(49)	(38)	(29)	(137)	(386)
Contractual obligations, net	\$ 1,076	\$ 765	\$ 1,036	\$ 711	\$ 619	\$ 4,491	\$ 8,698

(1) Principal debt repayments.

For further information on guarantees and commitments, please see Notes 9 and 15 of the Company's audited Consolidated Financial Statements for the fiscal year ended May 3, 2025.

9 Consolidated Financial Condition

9.1 Key Financial Condition Measures

<i>(in millions of Canadian dollars, except per share and ratio calculations)</i>	May 3, 2025	May 4, 2024	May 6, 2023
Shareholders' equity, net of non-controlling interest	\$ 5,410	\$ 5,341	\$ 5,200
Book value per common share ⁽¹⁾	\$ 23.13	\$ 21.54	\$ 20.09
Long-term debt, including current portion	\$ 1,082	\$ 1,096	\$ 1,012
Long-term lease liabilities, including current portion	\$ 6,382	\$ 6,265	\$ 6,185
Funded debt to total capital ⁽¹⁾	58.0%	58.0%	58.1%
Funded debt to adjusted EBITDA ⁽¹⁾	3.1x	3.2x	3.1x
Adjusted EBITDA to interest expense ⁽¹⁾	8.2x	8.3x	8.8x
Current assets to current liabilities	0.8x	0.8x	0.8x
Total assets	\$ 17,019	\$ 16,790	\$ 16,484
Total non-current financial liabilities	\$ 7,379	\$ 7,430	\$ 7,290

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

During fiscal 2025, Sobeys' credit ratings for both Morningstar DBRS ("DBRS") and S&P Global ("S&P") remained unchanged from the prior year. The following table shows Sobeys' credit ratings as at May 3, 2025:

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
DBRS	BBB	Stable
S&P	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 million with a maturity date of June 20, 2025. Subsequent to the year ended May 3, 2025, on June 18, 2025, Sobeys amended the facility to extend the maturity by one year. This facility will now mature June 19, 2026. All other terms of the facility stayed the same. 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 May 3, 2025, the outstanding amount of the facility was \$120 million.

Sobeys, through its acquisition of Longo's, has an operating line of credit which was amended from \$100 million to \$115 million on March 25, 2025. As of May 3, 2025, the outstanding amount of the facility was \$82 million (May 4, 2024 - \$64 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

Empire has a \$150 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of May 3, 2025, the outstanding amount of the credit facility was \$53 million (May 4, 2024 - \$54 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

Sobeys has a \$650 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of May 3, 2025, the outstanding amount of the facility was \$215 million (May 4, 2024 - \$368 million) and Sobeys has issued \$69 million in letters of credit against the facility (May 4, 2024 - \$60 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

The Company believes its cash and cash equivalents on hand as of May 3, 2025, together with approximately \$496 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.

For additional information on Empire's long-term debt, see Note 15 of the Company's audited Consolidated Financial Statements for the fiscal year ended May 3, 2025.

9.2 Shareholders' Equity

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

Authorized	Number of Shares	
	May 3, 2025	May 4, 2024
2002 Preferred shares, par value of \$25 each, issuable in series as a class	991,980,000	991,980,000
Non-Voting Class A shares, without par value	723,970,789	733,858,803
Class B common shares, without par value, voting	122,400,000	122,400,000

(in millions of Canadian dollars)	Number of Shares		Share Capital	
	May 3, 2025	May 4, 2024	May 3, 2025	May 4, 2024
Issued and outstanding				
Non-Voting Class A shares	134,488,019	143,932,071	\$ 1,654	\$ 1,773
Class B common shares	98,138,079	98,138,079	7	7
Shares held in trust	(38,341)	(39,042)	(1)	(1)
Total			\$ 1,660	\$ 1,779

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

	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks
<i>(Number of shares)</i>		
Non-Voting Class A shares		
Issued and outstanding, beginning of year	143,932,071	155,164,908
Issued during year	443,962	68,481
Purchased for cancellation	(9,888,014)	(11,301,318)
Issued and outstanding, end of year	134,488,019	143,932,071
Shares held in trust, beginning of year	(39,042)	(24,034)
Issued for future settlement of equity settled plans	79,166	130,375
Purchased for future settlement of equity settled plans	(78,465)	(145,383)
Shares held in trust, end of year	(38,341)	(39,042)
Issued and outstanding, net of shares held in trust, end of year	134,449,678	143,893,029
Class B common shares		
Issued and outstanding, beginning and end of year	98,138,079	98,138,079

The outstanding options at May 3, 2025 were granted at prices between \$19.05 and \$42.60 and expire between June 2025 and June 2031 with a weighted average remaining contractual life of 3.76 years. Stock option transactions during fiscal 2025 and 2024 were as follows:

	Fiscal 2025		Fiscal 2024 ⁽¹⁾	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	4,758,189	\$ 33.19	4,339,061	\$ 32.66
Granted	-	-	778,079	34.60
Exercised	(1,320,194)	29.74	(266,960)	27.12
Expired	(20,611)	36.53	(9,252)	37.36
Forfeited	(34,319)	27.71	(82,739)	39.80
Balance, end of year	3,383,065	\$ 34.54	4,758,189	\$ 33.19
Stock options exercisable, end of year	1,581,631		2,132,742	

(1) Fiscal 2024 figures have been adjusted, and include 427,149 units granted in fiscal 2023 and fiscal 2024 which were not disclosed in prior years.

For the fiscal year ended May 3, 2025, the Company paid dividends of \$190 million (May 4, 2024 – \$180 million) to its shareholders, representing \$0.80 per share (May 4, 2024 – \$0.73 per share) for Non-Voting Class A shareholders and Class B common shareholders.

As at June 17, 2025, the Company had Non-Voting Class A and Class B common shares outstanding of 133,899,087 and 98,138,079, respectively. Options to acquire 4,001,640 Non-Voting Class A shares were outstanding as of May 3, 2025 (May 4, 2024 – 4,657,703). As at June 17, 2025, options to acquire 3,278,952 Non-Voting Class A shares were outstanding (June 19, 2023 – 4,651,412).

The Company established a trust fund to facilitate the purchase of Class A shares for the future settlement of vested units under the Company's equity settled stock-based compensation plans. Contributions to the trust fund and the Class A shares purchased are held by TSX Trust Company as trustee. The trust fund is a structured entity and as such the accounts of the trust fund are included on the Consolidated Financial Statements of the Company. The following represents the activity of shares held in trust, recorded at cost:

(in millions of Canadian dollars)	Number of Shares		Share Capital	
	May 3, 2025	May 4, 2024	May 3, 2025	May 4, 2024
Shares held in trust				
Balance, beginning of year	39,042	24,034	\$ 1	\$ 1
Purchased	78,465	145,383	3	5
Issued	(79,166)	(130,375)	(3)	(5)
Balance, end of year	38,341	39,042	\$ 1	\$ 1

9.3 Normal Course Issuer Bid ("NCIB")

On June 18, 2025, the Company renewed its NCIB by filing a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 11,500,000 Class A shares representing approximately 9.6% of the public float of 120,095,524 Class A shares as of June 17, 2025, subject to regulatory approval. As of June 17, 2025, there were 133,524,593 Class A shares issued and outstanding.

The Company intends to repurchase up to \$400 million of Class A shares in fiscal 2026. 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 Empire will pay for any 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 interests of Empire and its shareholders. Purchases under the renewed NCIB may commence on July 2, 2025 and shall terminate not later than July 1, 2026.

Based on the average daily trading volume ("ADTV") of 448,504 shares over the last six months, daily purchases will be limited to 112,126 Class A shares (25% of the ADTV of the Class A shares), other than block purchase exemptions.

Under the Company's current NCIB, that commenced on July 2, 2024 and expires on July 1, 2025, the Company received approval from the TSX to purchase up to 12,800,000 Class A shares representing approximately 9.9% of the public float of Class A shares outstanding as of June 18, 2024. As of June 17, 2025, the Company has purchased 9,882,581 shares through the facilities of the TSX and alternative Canadian trading systems, including under its automatic share purchase plan, at a weighted average price of \$42.25 for a total consideration of approximately \$418 million.

Shares purchased are shown in the table below:

(in millions of Canadian dollars, except per share amounts)	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks
Number of shares	2,196,668	3,010,237	9,888,014	11,301,318
Weighted average price per share	\$ 45.53	\$ 33.32	\$ 40.46	\$ 35.40
Cash consideration paid	\$ 100	\$ 100	\$ 400	\$ 400

The Company has also renewed its automatic share purchase plan with its designated broker allowing the purchases of Class A shares for cancellation under its NCIB during trading black-out periods, subject to regulatory approval.

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 for the quarter and fiscal year ended May 3, 2025, \$3 million and \$11 million respectively, as a charge to retained earnings on the Consolidated Balance Sheets for the repurchase of shares.

10 Accounting Standards and Policies

10.1 Changes to Accounting Standards Adopted During Fiscal 2025

Amendments to IAS 1 Presentation of financial statements ("IAS 1")

In October 2022, the International Accounting Standards Board ("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 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 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 Consolidated Financial Statements.

10.2 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.

10.3 Critical Accounting Estimates

The preparation of Consolidated Financial Statements, in conformity with GAAP, requires management to make estimates, judgments and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Certain of these estimates require subjective or complex judgments by management that may be uncertain. Some of these items include the valuation of inventories, goodwill, employee future benefits, stock-based compensation, estimates of provisions, impairments, customer loyalty programs, useful lives of property, equipment, investment property and intangibles for purposes of depreciation and amortization, and income taxes. Changes to these estimates could materially impact the financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Management regularly evaluates the estimates and assumptions it uses. Actual results could differ from these estimates.

Leases

Estimates and judgments are used in the measurement of lease liabilities and right-of-use assets, with key assumptions related to the determination of discount rates and lease term expectations.

Non-Controlling Interest Put and Call Options

The Company has applied estimates and judgment to the non-controlling interest put and call options the Company entered into as part of business acquisitions. The calculation is an earnings multiple that has various components including estimates of cash flows and discount rates.

Valuation of Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation and judgment is required in the determination of (i) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (ii) inventories valued at retail and adjusted to cost. Changes or differences in any of these estimates may result in changes to inventories on the Consolidated Balance Sheets and a charge or credit to operating income in the Consolidated Statements of Earnings.

Impairments of Non-Financial Assets

Management assesses impairment of non-financial assets such as investments in associates and joint ventures, goodwill, intangible assets, property and equipment, right-of-use assets and investment property. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

Goodwill is subject to impairment testing on an annual basis. The Company performed its annual assessment of goodwill impairment during its third quarter. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. In addition, at each reporting period, the Company reviews whether there are indicators that the recoverable amount of long-lived assets may be less than their carrying amount.

Goodwill and long-lived assets were reviewed for impairment by determining the recoverable amount of each CGU or groups of CGUs to which the goodwill or long-lived assets relate. Management estimated the recoverable amount of the CGUs based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The recoverable amount is the higher of FVLCD and VIU. When the recoverable amount of the CGU(s) is less than the carrying amount, an impairment loss is recognized immediately in net earnings or loss. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company's goodwill or long-lived assets in subsequent reporting periods.

Pension Benefit Plans and Other Benefit Plans

The cost of the Company's pension benefits for defined contribution plans are expensed at the time active employees are compensated. The cost of defined benefit pension plans and other benefit plans is accrued based on actuarial valuations, which are determined using the projected unit credit method pro-rated on service and management's best estimate of salary escalation, retirement ages, and expected growth rate of health care costs.

Current market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation.

To the extent that plan amendments increase the obligation related to past service, the Company will recognize a past service cost immediately as an expense.

In measuring its defined benefit liability, the Company will recognize all of its actuarial gains and losses immediately into other comprehensive income. The key assumptions are disclosed in Note 17 of the Company's audited Consolidated Financial Statements for the year ended May 3, 2025.

Income Taxes

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The financial statement carrying values of assets and liabilities are subject to accounting estimates inherent in those balances. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The current and deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities.

Changes or differences in these estimates or assumptions may result in changes to the current or deferred income tax balances on the Consolidated Balance Sheets.

Business Acquisitions

For business acquisitions, the Company applies judgment on the recognition and measurement of assets and liabilities assumed and estimates are utilized to calculate and measure such adjustments. In measuring the fair value of an acquiree's assets and liabilities, management uses estimates about future cash flows and discount rates. Any measurement changes after initial recognition would affect the measurement of goodwill, except for deferred taxes.

Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, if material.

Vendor Allowances

The Company has supply agreements with varying terms for purchase of goods for resale, some of which include volume related allowances, purchase discounts, listing fees and other discounts and allowances. Estimates and judgment are required when the receipt of allowances is conditional on the Company achieving specified performance conditions associated with the purchase of product and determining if these have been met. These include estimates of achieving agreed volume targets based on historical and forecast performance.

10.4 Disclosure Controls and Procedures

Management of the Company, which includes the President & Chief Executive Officer ("CEO") and Executive Vice President & Chief Financial Officer ("CFO"), is responsible for establishing and maintaining Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that material information relating to the Company is made known to management by others, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Company and its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO have evaluated the effectiveness of the Company's DC&P and, based on that evaluation, the CEO and CFO have concluded that the Company's DC&P was effective as at May 3, 2025 and that there were no material weaknesses relating to the design or operation of the DC&P.

10.5 Internal Control Over Financial Reporting

Management of the Company, which includes the CEO and CFO, 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. The CEO and CFO have evaluated the effectiveness of the Company's ICFR and, based on that evaluation, the CEO and CFO have concluded that the Company's ICFR was effective as at May 3, 2025 and that there were no material weaknesses relating to the design or operation of the ICFR.

There have been no changes in the Company's ICFR during the period beginning February 1, 2025 and ended May 3, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

11 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 May 3, 2025, the Company holds a 41.5% (May 4, 2024 - 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.

The Company leased certain real property from Crombie REIT during the year at amounts which management has determined approximate fair market value that would be incurred if leased from a third party. Management has determined these amounts to be fair value based on the significant number of leases negotiated with third parties in each market it operates. The aggregate payments under these leases totalled approximately \$296 million (May 4, 2024 - \$277 million).

Crombie REIT provides administrative and property management services to the Company on a fee for service basis pursuant to a Management Agreement.

During the fiscal year ended May 3, 2025, Crombie REIT disposed of nine properties to a third party (May 4, 2024 - one property). These transactions resulted in the reversal of previously deferred pre-tax gains of \$3 million (May 4, 2024 - \$1 million) which has been recognized in other income on the Consolidated Statements of Earnings.

During the fiscal year ended May 3, 2025, Sobeys, through a wholly-owned subsidiary, received \$35 million (May 4, 2024 - \$20 million) for reimbursements of lessor improvements from Crombie REIT. These payments are related to modernization and efficiency improvements of existing properties, and construction allowances and are recorded within property and equipment or right-of-use assets on the Consolidated Balance Sheets.

Sobeys, through wholly-owned subsidiaries, engages in property sales, sale leaseback transactions and lease modifications and terminations with Crombie REIT, based on fair market values. These transactions consist of the following:

(in millions of Canadian dollars)	May 3, 2025			May 4, 2024		
	Number of sites	Cash consideration	Pre-tax gains	Number of sites	Cash consideration	Pre-tax gains
Lease modifications and terminations	1	\$ 22	\$ 22	2	\$ 34	\$ 34
Properties sold and leased back	1	2	-	-	-	-
Total	2	\$ 24	\$ 22	2	\$ 34	\$ 34

During the fiscal year ended May 4, 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 million and has been recognized in other income on the Consolidated Statements of Earnings.

11.1 Key Management Personnel Compensation

Key management personnel include the Board of Directors and members of the Company's executive team that have authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation is comprised of:

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024
Salaries, bonus and other short-term employment benefits	\$ 19	\$ 17
Post-employment benefits	2	2
Share-based payments	18	15
Total	\$ 39	\$ 34

11.2 Indemnities

The Company has agreed to indemnify its directors, officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

12 Contingencies

On June 21, 2005, Sobeys received a notice of reassessment from Canada Revenue Agency ("CRA") for fiscal years 1999 and 2000 related to Lumsden Brothers Limited, a wholesale subsidiary of Sobeys, and the Goods and Service Tax ("GST"). The reassessment related to GST on sales of tobacco products to eligible Indigenous peoples. CRA asserts that Sobeys was obliged to collect GST on sales of tobacco products to eligible Indigenous peoples. The total tax, interest and penalties in the reassessment was \$14 million (May 4, 2024 - \$14 million). Sobeys has reviewed this matter, has received legal advice, and believes it was not required to collect GST. During fiscal 2006, Sobeys filed a Notice of Objection with CRA. The matter is still under dispute and accordingly, Sobeys has not recorded on its Consolidated Statements of Earnings any of the tax, interest or penalties in the notice of reassessment. Sobeys has deposited with CRA funds equal to the total tax, interest and penalties in the reassessment and has recorded this amount as an other long-term receivable from CRA pending resolution of the matter. Final arguments of the Appeal hearing were held in July 2021. During the year ended May 4, 2024, the court ruled in favour of Sobeys, however, the Crown has filed Notice of Appeal and the hearing was held in May 2024. The court has not yet released its judgment.

There are various claims and litigation, with which the Company is involved, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

13 Risk Management

Through its operating companies and its equity-accounted investments, Empire is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. In order to achieve and sustain superior business performance an Enterprise Risk Management ("ERM") program has been embedded within the Company to enhance risk thinking in key aspects of the business.

The primary purpose of ERM is to enable systematic risk management across the Company in order to achieve and sustain optimal business performance. As part of the ERM program, the Company identifies, assesses, manages and reports key risks to the organization. Risks are continuously evaluated, and material risks refreshed annually with executive ownership established and processes to facilitate oversight.

Key risks have been, and continue to be, embedded in the business and strategy discussions at the Board and/or Audit Committee meetings. Annually, the Board of the Company conducts an assessment of the Company's effectiveness in managing existing/known risks along with an identification and discussion of new and emerging risks. ERM is and will continue to be a dynamic, iterative and ongoing process in alignment with, and in support of, our strategic priorities and objectives. Enterprise-wide risks generally fall into four broad categories:

- *Strategic*
- *Financial*
- *Regulatory and Compliance*
- *Operational*

Strategic Risks - *These risks are closely linked with Company strategy and the external marketplace, as well as the political, economic and social environment, and can have a significant impact on business performance.*

Competitive Environment

Empire's Food retailing business, Sobeys, operates in a dynamic and competitive market. Other national and regional food retail companies, along with non-traditional competitors, such as mass merchandisers, warehouse clubs, and online retailers, represent a competitive risk to Sobeys' ability to attract customers and operate profitably.

Sobeys maintains a strong national presence in the Canadian retail food industry, operating in over 900 communities. While significant competition already exists at a national, regional and local level, the entry of additional grocery retailers into the marketplace could pose a significant risk to Sobeys due to the potential for reduced revenues and profit. A failure to maintain geographic diversification to reduce the effects of localized competition could have an adverse impact on Sobeys' operating margins and results of operations. To successfully compete, Sobeys must be customer and market-driven, be focused on superior execution and have efficient, cost-effective operations. It must invest in its existing store and e-commerce network as well as its merchandising, marketing and operational execution to evolve its strategic platform to better meet the needs of consumers. Sobeys updates branding strategies to remain relevant to customers. Failure to implement a marketing and branding strategy, including evaluating the strategic objectives and having people, processes and systems in place to execute the strategy, could adversely affect Sobeys. New entrants, foreign or domestic, into the marketplace or the consolidation of existing industry competitors may also lead to increased competition and loss of market share. The Company further believes it must invest in merchandising initiatives to better forecast and respond to changing consumer trends. A failure to develop competitive new products, deliver high quality products and implement and maintain effective supplier selection and procurement practices could adversely affect Sobeys' ability to deliver desired products to customers and adversely affect the Company's ability to attract and retain customers. Any failure to successfully execute in these areas could have a material adverse impact on Sobeys' financial results.

Empire's Investment and other operations segment, through its investment in Crombie REIT, competes with numerous other managers and owners of real estate properties in seeking tenants and new properties to acquire. The existence of competing managers and owners could affect their ability to: (i) acquire property in compliance with their investment criteria; (ii) lease space in their properties; and (iii) maximize rents charged and minimize concessions granted. Commercial property revenue is also dependent on the renewal of lease arrangements by key tenants. These factors could adversely affect Empire's financial results and cash flows. A failure by Crombie REIT to maintain strategic relationships with developers to ensure an adequate supply of prospective attractive properties or to maintain strategic relationships with existing and potential tenants to help achieve high occupancy levels at each of its properties could adversely affect Empire.

Macroeconomic Environment

Management continues to closely monitor economic conditions, including tariffs, inflation, foreign exchange rates, interest rates, employment rates, capital markets and geopolitical conditions. Uncertainty in the economic environment could adversely impact demand for the Company's products and services which in turn could adversely affect operations and financial performance. Management believes that although a volatile economic environment has an impact on all businesses and industries, the Company has an operational and capital structure that is sufficient to meet its ongoing business requirements.

Loyalty Program

The Company co-owns *Scene+* which operates a loyalty program designed to add value for customers through promotional activity and rewards. Promotional and other activities related to the operation of the program must be effectively managed and coordinated to ensure a positive customer perception. Failure by *Scene+* to effectively manage, communicate and promote the loyalty program may negatively impact the Company's reputation and financial results.

Franchisee and Affiliates Relationships

The success of Empire is closely tied to the performance of Sobeys' network of retail stores. Franchisees and affiliates operate approximately 59% of Sobeys' retail stores. Sobeys relies on its franchisees, affiliates and corporate store management to successfully execute retail strategies and programs.

To maintain controls over Sobeys' brands and the quality and range of products and services offered at its stores, franchisees and affiliates agree to purchase merchandise from Sobeys. In addition, each store agrees to comply with the policies, marketing plans and operating standards prescribed by Sobeys. These obligations are specified under franchise and operating agreements which expire at various times for individual franchisees and affiliates. Despite these franchise and operating agreements, Sobeys may have limited ability to control franchisees' and affiliates' business operations. A breach of these franchise and operating agreements or operational failures by a significant number of franchisees and affiliates may adversely affect Sobeys' reputation and financial performance.

Financial Risks - *These risks are linked to Company cash flow and related impacts to financial performance outcomes.*

Interest Rate Risk

The Company's long-term debt strategy is to maintain the majority of its debt at fixed interest rates. Any increase in the applicable interest rates could increase interest expense and have a material adverse effect on the Company's cash flow and results of operations. The Company monitors the respective mix of fixed and variable interest rates to maintain an appropriate level considering economic conditions. To manage the risk from exposure to interest rates, the Company may use financial instruments such as interest rate swap contracts. There can be no assurance that these strategies undertaken by the Company will be effective.

Liquidity Risk

The Company's business is dependent in part on having access to sufficient capital and financial resources to fund its growth activities and investment in operations. Any failure to maintain adequate financial resources could alter the Company's growth or ability to satisfy financial obligations as they come due. The Company maintains committed credit facilities to ensure that it has sufficient funds available to meet current and future financial requirements. The Company monitors capital markets and the related economic conditions and maintains access to debt capital markets for long-term debt issuances in order to minimize risk and optimize debt pricing. However, there can be no assurance that adequate capital resources will be available in the future on acceptable terms or at all.

Credit Rating

A credit rating assigned by a rating agency provides an opinion on the risk that an issuer will fail to satisfy its financial obligations. There can be no assurance that the credit ratings assigned to the various debt instruments issued by Sobeys will remain in effect for any given period of time or that the rating will not be lowered, withdrawn or revised. Real or anticipated changes in credit ratings can affect the cost at which Sobeys can access the capital markets. The likelihood that Sobeys' creditors will receive payments owing to them will depend on Sobeys' financial health and creditworthiness. Receipt of a credit rating provides no guarantee of Sobeys' future creditworthiness.

Foreign Currency

The Company conducts the majority of its operating business in CAD and its foreign exchange risk is mainly limited to currency fluctuations between the CAD, the Euro, the Great British pound ("GBP") and the United States dollar ("USD"). USD purchases of products represent approximately 4.0% of Sobeys' total annual purchases. Euro and GBP purchases are primarily limited to specific contracts for capital expenditures. To manage the risk from exposure to foreign currency, the Company may use financial instruments such as foreign exchange forward contracts. A failure to adequately manage the risk of exchange rate changes could adversely affect the Company's financial results.

Regulatory and Compliance Risks - *These risks are linked to the regulatory environment that the Company operates within.*

Product Safety and Security

Sobeys is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, food safety and product handling, and provision of pharmacy products and related services. Such liabilities may arise in relation to the storage, distribution, display and dispensing of products and, with respect to Sobeys' private label products, in relation to the production, packaging and design of products.

A large majority of Sobeys' sales are generated from food and a smaller portion from pharmaceutical products. Sobeys could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food or pharmaceutical products. Such an event could materially affect Sobeys' financial performance. Procedures are in place to manage food and pharmaceutical crises, should they occur. These procedures are intended to identify risks, provide clear communication to teammates and consumers and ensure that potentially harmful products are removed from sale immediately.

Sobeys has food safety procedures and programs which address safe food handling and preparation standards. Similarly, provincial pharmacy standards and regulations are strictly followed, supported by robust internal policies and procedures to help mitigate risk along with a comprehensive reporting and follow up system to quickly manage and contain any incidents. On a monthly basis the Executive team is updated on food safety and pharmacy risks. However, there can be no assurance that such measures will prevent the occurrence of any such product contamination or safety incident.

Environmental Regulation

Environmental legislation has evolved in a manner that has resulted in stricter standards and enforcement, larger potential fines and increased capital expenditures and operating costs required to comply with these regulations. The environmental issues affecting the Company's operations include extended producer responsibility on plastics and packaging, electricity consumption, fossil fuel use in the transport of goods, air pollution laws and regulations, regulations relating to climate change, hazardous waste regulation and restrictions against greenhouse gas emissions. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production activities that could adversely affect the Company's financial condition, results of operations or prospects. The Company may also be subject to clean-up costs and liability for toxic or hazardous substances that may exist on or under or near any of its properties or that may be produced as a result of its operations. Changes in legislation, including carbon taxes and the implementation of other greenhouse gas reduction initiatives and regulations related to transitioning to a low-carbon and more climate resilient future, could result in additional costs which could have a negative impact on the Company's financial performance.

Health Care Reform

The Company currently operates more than 400 in-store and freestanding pharmacies which are subject to federal and provincial legislation as well as College of Pharmacy regulations and standards governing the sale of prescription drugs and the provision of clinical services. Changes to reimbursement models used to fund prescription drugs and pharmacy services, or failure to comply with these laws and regulations could have a negative impact on financial performance, operations and reputation.

These laws and regulations typically regulate prescription drug coverage for public plans including patient and product eligibility as well as elements of drug pricing and reimbursements including product cost, markup, dispensing fee, and distribution allowances as well as services that pharmacies can provide and are reimbursed for. In some provinces, legislation requires the selling price for prescription drugs to third-party insurance plans and cash customers to not be higher than the price established for the provincial drug plan. In addition to reimbursement, these laws and regulations govern drug approval and distribution, allowable packaging and labelling, marketing, handling, storage and disposal.

Provincial governments and private plans continue to implement measures to manage the cost of their drug plans, the impact of which varies by province and by plan.

Bill C-64, the Act respecting pharmacare ("the Act") was introduced to parliament on February 29, 2024. The Act describes government intent and a financial pathway to provide single payor, first-dollar coverage for some products to be administered by the provinces and territories. It also supports development of a national formulary of essential medications and a bulk purchasing strategy to be led by the Canada Drug Agency. Funding for certain medications is the first phase of the Pharmacare Act and British Columbia, Manitoba and Prince Edward Island have currently signed four-year deals with the federal government to provide universal access. Further expansion to other provinces or other medications will be dependent on the new federal government.

While timing and impact are uncertain at this time, pharmaceutical price compression may put pressure on pharmacy funding and pharmacy operating models, and it is anticipated that healthcare reform and regulation will continue to put pressure on pharmacy reimbursement through rising wages and stagnant reimbursement, expanding scope of pharmacist practice without viable service reimbursement models, changes to patient and drug eligibility, prescription drug pricing including cost, dispensing fee, allowable markup, manufacturer allowance funding, distribution as well as potential restriction around customer inducements and expanded use of preferred providers. The Company will continue to identify opportunities to mitigate the negative impact these changes have on financial performance.

Occupational Health and Safety

The Company has developed programs to promote a healthy and safe workplace, as well as progressive employment policies focused on the well-being of the thousands of teammates who work in its stores, distribution centres and offices. These policies and programs are reviewed regularly by the Human Resources Committee of the Board of Directors. The Company recognizes that ensuring a healthy and safe workplace minimizes illness, injuries and other risks teammates may face in carrying out their duties, improves productivity and helps to minimize any liability which could be incurred in connection with workplace injuries. Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased illness and/or increased workplace injury-related liability, which in turn could adversely affect the reputation or financial performance of the Company.

Legal, Taxation and Accounting

Changes to any of the various federal and provincial laws, rules and regulations related to the Company's business could have a material impact on its financial results. Compliance with any proposed changes could also result in significant cost to the Company. Failure to fully comply with various laws and rules and regulations may expose the Company to proceedings which may materially affect its performance.

Similarly, income tax regulations and/or accounting pronouncements may be changed in ways which could negatively affect the Company. The Company mitigates the risk of non-compliance with the various laws, rules and regulations by monitoring for newly adopted activities, improving technology systems and controls, improving internal controls to detect and prevent errors and overall application of more scrutiny to ensure compliance. In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

Operational Risks - *These risks arise from the day-to-day execution of the strategy and from the decisions that management makes on a regular basis to ensure that the Company delivers on financial performance targets.*

Cybersecurity

IT systems are an integral part of the Company's business and are relied on to complete daily and strategic operations. The Company uses various technologies, some of which are managed by third parties, to process, transmit and store electronic information. In addition, the Company facilitates a variety of business processes and activities, including reporting on business and interacting with customers, vendors and employees. These IT systems are subject to cyber threats (including cyberattacks, data breaches, employee error or malfeasance). As the cyber threats evolve, they become sophisticated and increasingly challenging to detect and successfully defend against. In addition, cyber-security-related vulnerabilities by their very nature may remain undetected for an extended period of time.

The Company actively monitors, manages, and continues to enhance the ability to mitigate cyber risk through a multi-layered security approach. However, there is no assurance that these measures will be successful. If the Company does not effectively manage a reliable IT infrastructure or fails to timely identify or appropriately respond to cybersecurity incidents, then the Company's IT systems could be interrupted, destroyed or shut down completely, which in turn could result in operational disruptions or the misappropriation of sensitive data. Depending on the nature and scope of a cybersecurity incident, it could lead to the compromise of confidential information, improper access to company systems and networks, manipulation or destruction of data, operational disruptions and exposure to liability.

The Company has implemented security measures with respect to systems protection, employee training, and business continuity and contingency planning. A disruption to the Company's systems or a breach of sensitive information may negatively impact the Company's operations and financial position, damage its reputation and reduce the ability to achieve its strategic objectives and/or the trading price of the Non-Voting Class A shares.

Data Protection and Information Management

The integrity, reliability, and security of information in all its forms is critical to the Company's daily operations. Inaccurate, incomplete, or unavailable information, external intrusions on information systems or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches, inappropriate disclosure, leaks of sensitive information or system disruptions. Gathering and analyzing information regarding customers' purchasing preferences is an important part of the Company's strategy to attract and retain customers and effectively compete. In addition, personal health information is collected to provide pharmacy, benefits administration, and home health care services to customers. Any failure to maintain privacy of customer and/or Company information or to comply with applicable privacy laws or regulations could adversely affect the Company's reputation, competitive position, and operations.

The Company recognizes that information is a critical enterprise asset. Currently, data and information management risk are managed through a multi-layered security approach involving software tools-based controls, policies, standards and procedures pertaining to security access, system development, change management and problem and incident management.

Technology

The Company operates extensive and complex IT systems that are vital to the successful operation of its business and marketing strategies. Any interruption to these systems or the information collected by them would have a significant adverse impact on the Company, its operations and its financial results. The Company continues to improve its operating systems, cyber security defenses, tools and procedures on an ongoing basis in order to become more efficient, effective and secure.

The implementation of major IT projects carries with it various risks, including the risk of realization of functionality, the capacity and capability of key resources to both execute and deliver key strategic initiatives while also sustaining and supporting the on-going business operations. The Company is currently transforming its legacy ERP environment to a national instance of the SAP S/4 HANA platform and is transforming its payroll and workforce management systems to a national modern platform. Any significant failure in the existing IT systems and cyber security defenses, or failure to successfully migrate to new IT systems may result in disruptions to the business, leading to potential financial losses.

Product Costs

Sobeys is a significant purchaser of products which may be at risk of cost inflation due to a variety of factors including geopolitical events, extreme weather, higher energy costs, supply chain disruptions, a weaker Canadian dollar, labour shortages and wage growth. While the Company has worked with its suppliers to mitigate the impacts of these cost increases and expects such increases to return to historically normal levels, should rising costs of product materialize in excess of the Company's expectations and should the Company not be able to offset such cost inflation through higher retail prices or other cost savings, there could be a negative impact on sales and margin performance.

Business Continuity

The Company is exposed to potential disruptions from critical events and natural hazards, including severe weather, utility or infrastructure failures, and pandemics, which may significantly impact day-to-day operations. To mitigate these risks, the Company maintains an integrated business continuity management framework supported by a comprehensive crisis management plan. While these measures enhance preparedness and resilience, no plan can fully eliminate the operational and financial risks associated with such events. Inadequate response could adversely affect the Company's operations, reputation, and financial performance.

Supply Chain Disruptions

The Company is exposed to potential supply chain disruptions and errors that could result in obsolete merchandise or an excess or shortage of merchandise in its retail store and e-commerce network. The Company's distribution and supply chain could be negatively impacted by reliance on key vendors, service providers, consolidation of facilities, disruptions due to the geopolitical environment and/or severe weather conditions, including natural disasters or other catastrophic events. A failure to maintain an efficient supply and logistics chain may adversely affect Sobeys' ability to sustain and meet growth objectives and maintain margins.

Climate Change

Climate change continues to intensify, thus creating challenges that could impact the Company's operations and profitability. The Company recognizes it has an important role to play in helping combat climate change, and in response the Company is focused on several strategic initiatives, including reducing emissions on food and plastic waste. Climate change poses risks to our physical practices and spaces, our customers, as well as, our teammates. Climate change presents physical risks, including rising average temperatures and the growing frequency and intensity of weather-related events, including but not withstanding floods, wildfires, and windstorms. Additionally, it also may introduce transition risks such as changes in policies and regulations, as well as changes to markets and technologies. Should any of these events occur, there may be negative impacts on the Company's financial performance and its day-to-day operations, including store and distribution centre disruptions and closures, physical damage to Company assets, including perishable and non-perishable goods and other inventory, supply chain and product obsolescence. The Company could also face increased costs for energy, procurement due to supply/demand, transportation, increased capital expenditures, and insurance costs and premiums. Any failure to respond effectively or appropriately to such events could adversely affect the Company's operations, reputation and financial results.

Environmental

The Company operates its business locations across the country, including retail stores, distribution centres and fuel sites, and is subject to environmental risks associated with the contamination of such properties and facilities. Sobeys' retail fuel locations operate underground storage tanks. Environmental contamination resulting from leaks or damages to these tanks is possible. To mitigate this environmental risk, Sobeys engages in several monitoring procedures, as well as risk assessment activities. The Company also operates refrigeration equipment in its stores and distribution centres. These systems contain refrigerant gases which could be released if equipment fails or leaks.

When environmental issues are identified, any required environmental site remediation is completed using appropriate, qualified internal and external resources. The Company may be required to absorb all costs associated with such remediation, which may be substantial. Failure to properly manage any of these environmental risks could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to legislation that imposes liabilities on retailers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to consumers. There is a risk that the Company will be subject to increased costs associated with these laws.

Talent, Attraction and Retention

Effective leadership is important to the growth and continued success of the Company, and requires the Company to properly attract, build talent and retain teammates with the appropriate skill set. The failure to successfully attract and retain teammates including those with specialized skills and failure to manage and monitor teammates' performance could result in lack of requisite knowledge, skill and experience, and result in poor teammate morale. This could negatively impact the overall reputation of the Company, operations and future financial performance. The Company develops and delivers training programs at all levels across its various operating regions to improve teammate knowledge and to better serve its customers. The Company also provides various reward and recognition programs, monitors engagement of teammates on a regular basis and creates plans to address gaps.

There is always a risk associated with the loss of key personnel, especially the CEO and their direct reports. Succession plans, both internal and external have been identified for key roles including the depth of management talent throughout the Company and its subsidiaries; these plans are overseen by the Human Resources Committee and reviewed at least annually by the Board of Directors.

Labour Union Relationships

A significant percentage of the Company's store and distribution centre workforce, particularly in Western Canada, is unionized. While the Company works to maintain good relationships with its teammates and unions, the renegotiation of collective agreements presents the risk of labour disruption, including strikes or work stoppages. Failure to successfully negotiate collective agreements could result in labour disruptions, and any prolonged or widespread disruption could result in significant business interruption and adversely impact the Company's reputation and financial performance.

Ethical Business Conduct

Any failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact the Company's financial performance. The Company's framework for managing ethical business conduct includes the adoption of a Code of Business Conduct and Ethics which directors and teammates of the Company are required to acknowledge and agree to on an annual basis and the Company maintains an anonymous, confidential whistle blowing Ethics and Diversity, Equity and Inclusion hotline. There can be no assurance that these measures will be effective to prevent violations of law or unethical business practices.

Social

Social reform movements bring public awareness to issues through protests and/or media campaigns. Issues that relate to the Company's business include, but are not limited to, diversity, animal welfare, local and ethical sourcing, nutritional labelling and human rights. Oversight of the Company's social strategies and issues management is through the Executive Committee and the Board of Directors. Ineffective action or inaction on social reform matters could adversely affect the Company's reputation or financial performance.

Real Estate

The Company utilizes a capital allocation process which is focused on obtaining the most attractive real estate locations for its retail stores, as well as for its distribution centers, commercial property and residential development operations. While the Company develops certain retail store locations on owned sites that have been acquired over time, the majority of its new store development is done in conjunction with external third-party developers. The availability of high-potential new store sites and the ability to optimize existing stores are therefore partially contingent upon the successful negotiation of operating leases with these developers and the Company's ability to purchase high-potential sites.

Utility and Fuel Prices

The Company is a significant consumer of electricity, other utilities and fuel. The costs of these items can be subject to significant volatility. Unanticipated cost increases in these items could negatively affect the Company's financial performance. A failure to maintain effective consumption and procurement programs could adversely affect the Company's financial results. In addition, Sobeys operates a large number of fuel stations. Significant increases in wholesale prices or availability could adversely affect operations and financial results of the fuel retailing business.

Free Trade

The Company is susceptible to risks associated with trade relationships between Canada and other countries. Changes to trade agreements and tariffs between Canada and other countries could increase the costs of certain products and some items could become unavailable thereby having a negative impact on customer experience. While the Company can mitigate these risks to a certain extent through the use of alternative suppliers, international trade by its nature can be unpredictable and the Company may not be able to fully mitigate the negative impact of changes in trade agreements and tariffs.

Pension Plans

The Company has certain retirement benefit obligations under its registered defined benefit plans. New regulations and market-driven changes may result in the Company being required to make contributions, which could have an adverse effect on the financial performance of the Company.

The Company participates in various multi-employer pension plans, providing pension benefits to unionized teammates pursuant to provisions in collective bargaining agreements. Approximately 11% of the teammates of Sobeys and its franchisees and affiliates participate in these plans. The responsibility of Sobeys, its franchisees, and affiliates to make contributions to these plans is limited to the amounts established in the collective bargaining agreements and other associated agreements. Poor performance of these plans could have a negative effect on the participating teammates or could result in changes to the terms and conditions of participation in these plans, which in turn could negatively affect the financial performance of the Company.

Insurance

To mitigate property and liability financial risk, the Company and its subsidiaries purchase insurance coverage from financially stable third-party insurance companies. Management is satisfied that effective controls and procedures are in place to mitigate potential losses for areas of self-insured risk. In addition to maintaining comprehensive loss prevention programs, the Company maintains management programs to mitigate the financial impact of operational risks. Such programs may not be effective to limit the Company's exposure to these risks, and to the extent that the Company is self-insured or liability exceeds applicable insurance limits, the Company's financial position could be adversely affected.

14 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.

15 Non-GAAP Financial Measures & Financial Metrics

There are measures and metrics included in this MD&A that do not have a standardized meaning under 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.

15.1 Financial Measures

The intent of non-GAAP financial measures is to provide additional useful information to 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.

The following tables reconcile gross profit on a consolidated basis:

	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	May 6, 2023 13 Weeks
<i>(in millions of Canadian dollars)</i>			
Sales	\$ 7,637	\$ 7,412	\$ 7,408
Cost of sales	5,528	5,406	5,449
Gross profit	\$ 2,109	\$ 2,006	\$ 1,959

	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks	May 6, 2023 52 Weeks
<i>(in millions of Canadian dollars)</i>			
Sales	\$ 31,277	\$ 30,733	\$ 30,478
Cost of sales	22,895	22,662	22,685
Gross profit	\$ 8,382	\$ 8,071	\$ 7,793

- 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 – Fourth Quarter" and "Operating Results - Full Year" sections.
- 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 tables reconciles net earnings to EBITDA on a consolidated basis and for the Food retailing segment:

	May 3, 2025 13 Weeks			May 4, 2024 13 Weeks			May 6, 2023 13 Weeks		
(in millions of Canadian dollars)	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total
Net earnings	\$ 175	\$ 3	\$ 178	\$ 151	\$ 5	\$ 156	\$ 169	\$ 19	\$ 188
Income tax expense	58	2	60	57	5	62	68	(4)	64
Finance costs, net	74	1	75	72	2	74	68	2	70
Operating income	307	6	313	280	12	292	305	17	322
Depreciation	255	-	255	236	(1)	235	237	-	237
Amortization of intangibles	31	-	31	30	-	30	34	-	34
EBITDA	\$ 593	\$ 6	\$ 599	\$ 546	\$ 11	\$ 557	\$ 576	\$ 17	\$ 593

	May 3, 2025 52 Weeks			May 4, 2024 52 Weeks			May 6, 2023 52 Weeks		
(in millions of Canadian dollars)	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total
Net earnings	\$ 705	\$ 41	\$ 746	\$ 750	\$ 13	\$ 763	\$ 652	\$ 76	\$ 728
Income tax expense	239	10	249	240	26	266	225	12	237
Finance costs, net	290	4	294	275	7	282	263	4	267
Operating income	1,234	55	1,289	1,265	46	1,311	1,140	92	1,232
Depreciation	1,002	-	1,002	950	-	950	916	-	916
Amortization of intangibles	118	-	118	121	-	121	115	-	115
EBITDA	\$ 2,354	\$ 55	\$ 2,409	\$ 2,336	\$ 46	\$ 2,382	\$ 2,171	\$ 92	\$ 2,263

- Adjusted EBITDA is EBITDA 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 EBITDA is reconciled to EBITDA in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections.
- 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 tables reconcile finance costs, net to interest expense:

(in millions of Canadian dollars)	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	May 6, 2023 13 Weeks
Finance costs, net	\$ 75	\$ 74	\$ 70
Plus: finance income, excluding interest income on lease receivables	2	2	2
Less: pension finance costs, net	(1)	(2)	(3)
Less: accretion expense on provisions	-	(1)	-
Interest expense	\$ 76	\$ 73	\$ 69

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	May 6, 2023
	52 Weeks	52 Weeks	52 Weeks
Finance costs, net	\$ 294	\$ 282	\$ 267
Plus: finance income, excluding interest income on lease receivables	10	8	5
Less: pension finance costs, net	(7)	(7)	(8)
Less: accretion expense on provisions	(2)	(2)	(1)
Interest expense	\$ 295	\$ 281	\$ 263

- 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 useful period over period comparison of ongoing operating results. Adjusted net earnings is reconciled in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections.
- 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 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, notes payable, credit facilities and 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:

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	May 6, 2023
Long-term debt due within one year	\$ 225	\$ 114	\$ 101
Long-term debt	857	982	911
Lease liabilities due within one year	597	585	564
Long-term lease liabilities	5,785	5,680	5,621
Funded debt	7,464	7,361	7,197
Total shareholders' equity, net of non-controlling interest	5,410	5,341	5,200
Total capital	\$ 12,874	\$ 12,702	\$ 12,397

15.2 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.

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	May 6, 2023	2025 Compared to 2024
	52 Weeks	52 Weeks	52 Weeks	\$ Change
Operating income	\$ 1,234	\$ 1,265	\$ 1,140	\$ (31)
Adjustments:				
E-commerce Exclusivity	12	-	-	12
Restructuring	2	72	-	(70)
Cybersecurity Event	-	(36)	46	36
Western Canada Fuel Sale	-	(91)	-	91
Grocery Gateway Integration	-	-	13	-
	14	(55)	59	69
Adjusted operating income	\$ 1,248	\$ 1,210	\$ 1,199	\$ 38

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	May 6, 2023	2025 Compared to 2024
	52 Weeks	52 Weeks	52 Weeks	\$ Change
EBITDA	\$ 2,354	\$ 2,337	\$ 2,171	\$ 17
Adjustments:				
E-commerce Exclusivity	12	-	-	12
Restructuring	2	72	-	(70)
Cybersecurity Event	-	(36)	46	36
Western Canada Fuel Sale	-	(91)	-	91
Grocery Gateway Integration	-	-	13	-
	14	(55)	59	69
Adjusted EBITDA	\$ 2,368	\$ 2,282	\$ 2,230	\$ 86

<i>(in millions of Canadian dollars)</i>	May 3, 2025	May 4, 2024	May 6, 2023	2025 Compared to 2024
	52 Weeks	52 Weeks	52 Weeks	\$ Change
Net earnings	\$ 659	\$ 712	\$ 610	\$ (53)
Adjustments:				
E-commerce Exclusivity	9	-	-	9
Restructuring	2	53	-	(51)
Cybersecurity Event	-	(25)	34	25
Western Canada Fuel Sale	-	(72)	-	72
Grocery Gateway Integration	-	-	7	-
	11	(44)	41	55
Adjusted net earnings	\$ 670	\$ 668	\$ 651	\$ 2

15.3 Quarterly Results of Operations Adjustment 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.

(in millions of Canadian dollars)	Fiscal 2025				Fiscal 2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	May 3, 2025 13 Weeks	Feb 1, 2025 13 Weeks	Nov 2, 2024 13 Weeks	Aug 3, 2024 13 Weeks	May 4, 2024 13 Weeks	Feb 3, 2024 13 Weeks	Nov 4, 2023 13 Weeks	Aug 5, 2023 13 Weeks
Operating income	\$ 313	\$ 288	\$ 319	\$ 369	\$ 292	\$ 250	\$ 312	\$ 457
Adjustments:								
E-commerce Exclusivity	-	-	-	12	-	-	-	-
Restructuring	-	-	-	2	20	25	17	10
Cybersecurity Event	-	-	-	-	(14)	-	(21)	(1)
Western Canada Fuel Sale	-	-	-	-	-	-	-	(91)
	-	-	-	14	6	25	(4)	(82)
Adjusted operating income	\$ 313	\$ 288	\$ 319	\$ 383	\$ 298	\$ 275	\$ 308	\$ 375
Operating income	\$ 313	\$ 288	\$ 319	\$ 369	\$ 292	\$ 250	\$ 312	\$ 457
Depreciation	255	248	253	246	235	241	238	236
Amortization of intangibles	31	28	29	30	30	31	29	31
EBITDA	\$ 599	\$ 564	\$ 601	\$ 645	\$ 557	\$ 522	\$ 579	\$ 724
Adjustments:								
E-commerce Exclusivity	-	-	-	12	-	-	-	-
Restructuring	-	-	-	2	20	25	17	10
Cybersecurity Event	-	-	-	-	(14)	-	(21)	(1)
Western Canada Fuel Sale	-	-	-	-	-	-	-	(91)
	-	-	-	14	6	25	(4)	(82)
Adjusted EBITDA	\$ 599	\$ 564	\$ 601	\$ 659	\$ 563	\$ 547	\$ 575	\$ 642
Net earnings	\$ 173	\$ 146	\$ 173	\$ 208	\$ 149	\$ 134	\$ 181	\$ 261
Adjustments:								
E-commerce Exclusivity	-	-	-	9	-	-	-	-
Restructuring	-	-	-	2	15	19	12	7
Cybersecurity Event	-	-	-	-	(10)	-	(15)	-
Western Canada Fuel Sale	-	-	-	-	-	-	-	(72)
	-	-	-	11	5	19	(3)	(65)
Adjusted net earnings	\$ 173	\$ 146	\$ 173	\$ 219	\$ 154	\$ 153	\$ 178	\$ 196

15.4 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.
- 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.
- Return on equity is net earnings for the year attributable to owners of the parent, divided by average shareholders' equity. Management believes return on equity represents a supplementary measure to assess the Company's profitability.

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

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 3, 2025	May 4, 2024	May 6, 2023
Shareholders' equity, net of non-controlling interest	\$ 5,410	\$ 5,341	\$ 5,200
Shares outstanding (basic)	233.9	248.0	258.8
Book value per common share	\$ 23.13	\$ 21.54	\$ 20.09

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

Approved by Board of Directors: June 18, 2025
Stellarton, Nova Scotia, Canada