Annual Report 2025

Empire Company Limited (Empire or the Company) (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing, through wholly-owned subsidiary Sobeys Inc., and related real estate. With approximately $31 billion in annual sales and $17 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 129,000 people.

Financial Highlights

($ in millions, except per share amounts)	**52 weeks ended May 3, 2025**	52 weeks ended May 4, 2024	52 weeks ended May 6, 2023
Sales	**$ 31,277**	$ 30,733	$ 30,478
Gross profit[1]	**$ 8,382**	$ 8,071	$ 7,793
Gross margin[1]	***26.8%***	*26.3%*	*25.6%*
Operating income	**1,289**	1,311	1,232
Adjusted Operating income[1]	**1,303**	1,256	1,292
EBITDA[1]	**2,409**	2,382	2,263
EBITDA margin[1]	***7.7%***	*7.8%*	*7.4%*
Adjusted EBITDA[1]	**2,423**	2,327	2,322
Adjusted EBITDA margin[1]	***7.7%***	*7.6%*	*7.6%*
Net earnings[2]	**700**	726	686
per share (fully diluted)[2]	**2.93**	2.92	2.64
Adjusted Net earnings[1][2][3]	**711**	681	727
per share (fully diluted)[1][2][3]	**2.98**	2.74	2.80
Book value per common share[1]	**23.13**	21.54	20.09
Dividends per share	**0.80**	0.73	0.66

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

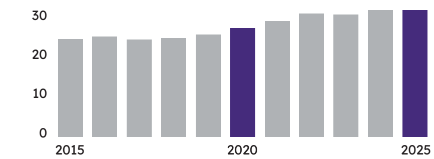
(4) Compound annual growth rate.

SALES

3.3% 5-year CAGR[4]

2.7% 10-year CAGR

($ in billions)

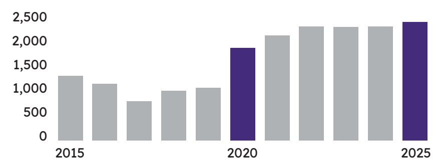


ADJUSTED EBITDA[1]

5.1% 5-year CAGR

6.2% 10-year CAGR

($ in millions)

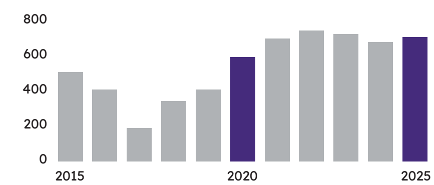


ADJUSTED NET EARNINGS[1][2][3]

3.6% 5-year CAGR

3.4% 10-year CAGR

($ in millions)

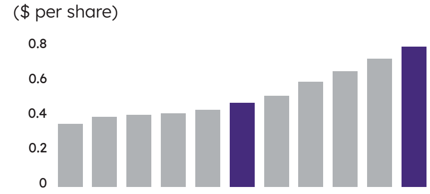


DIVIDENDS

10.8% 5-year CAGR

8.3% 10-year CAGR

($ per share)



A Message From the Chair

James M. Dickson
Chair, Empire Company Limited

"We remain confident in our resilience and steadfast determination to deliver on our commitments to shareholders, always guided by our core values which are foundational to our success as a business and allow us to focus on doing what's right for Canadians."

In both times of prosperity and times of challenge, Empire's business has always remained resilient by focusing on what matters most: serving the needs of our customers with the support of strong leadership, great teammates, and a solid strategy.

Last year was a testament to our ability to deliver results in turbulent times — a year that brought increased unpredictability to Canada's business environment amid political shifts in the U.S. and the ever-evolving spectre of tariffs.

Empire's team is no stranger to operating our business through uncertainty and volatility, including in recent years navigating the unprecedented headwinds of a global pandemic, the worst inflation in four decades that led to the unwarranted and fractious attacks by the federal government and politicians of all stripes and, most recently, the turmoil created by our neighbour to the south. Throughout, Empire has continued to get better at operating and executing in challenging environments, displaying resilience through unforeseen changes and challenges; pivoting and adapting where needed to support our customers, our people and our shareholders.

Our success has been due, in no small part, to the stewardship of our outstanding President and Chief Executive Officer, Michael Medline, who has led our company through a transformational culture shift over the last eight and a half years. The team we have today addresses turbulence head on, finds solutions, and moves through challenges with transparency and accountability as we deliver for our customers.

Empire is equally proactive about our approach to succession planning, cultivating a solid bench of talented leaders who reinforce our approach to business and culture. With the recent announcement of Michael's intention to retire in May 2026, the Board of Directors remains grateful for his continued focus and impactful leadership at the helm of our company. We look forward to working with Michael over the next year as he and his team continue their mission of driving our company's growth by serving the food shopping needs of more and more Canadians. As part of our company's robust and well-governed succession planning process, a special committee of the Board has embarked upon a comprehensive search to find our next chief executive who will build on Michael's incredible legacy of operational and cultural excellence.

Standing Up for Canadians

Empire's values-based business is grounded in respecting individuals. We do what's right for our people, our business and the communities in which we operate. Our foundational values do not waver in times of turbulence and unpredictability. This is our promise to Canadians and the bedrock of our strong, sustainable business. Indeed, we believe sustainability helps drive our success. While other businesses may choose to shift or, in some cases, walk away from their commitments in challenging times, Empire has reinforced our promises to sustainability, community investment and in ensuring that our workforce reflects the communities in which we operate. We do not make these commitments because they are popular, and we don't walk away from them when others stop paying attention.

We're proud of our commitment to sustainable grocery industry business practices and the leading role we continue to play in the positive evolution of the grocery industry in Canada. Our efforts have had a major impact. It's a credit to Michael and his executive team that Canada's Grocery Sector Code of Conduct will take effect in early 2026, five years after Empire initiated talks with industry partners to establish a standard approach to ensure greater fairness, transparency, and accountability across Canada's grocery supply chain.

We believe a strong, sustainable food system in Canada is critical to our country's economic resilience and food security. That is why Empire is committed to strengthening domestic supply chains, investing in homegrown businesses and ensuring people across the country have access to the best locally sourced products.

As we approach our 2025 food waste reduction target, our team is exploring more ways to divert and repurpose surplus food and expand our organic composting program. We are also collaborating with local communities and stakeholders to create sustainable partnerships that address food waste while benefiting local economies. We were proud to be recognized by Second Harvest as *Partner of the Year* for a third consecutive year in fiscal 2025, having donated approximately 30 million meals to food charities through our food rescue program.

We continued to help nurture healthy bodies and minds across Canada through our community investment initiatives. Our fifth year of partnership with The Sobey Foundation and Canada's Children's Hospital Foundations helped fund the Family of Support: Child and Youth Mental Health Initiative, and we have been thrilled to see the impact this critical nationwide campaign has made thus far. We have donated more than $25 million to support healthy bodies and minds in our communities ($7.3 million in corporate donations and $17.8 million raised).

Strong Leadership

I am grateful for the oversight of our experienced Board of Directors, whose astute insights and enduring commitment to good governance support the continued success and sustainability of our company. On behalf of our Board, I'd like to thank our executive leadership team led by Chief Executive Officer Michael Medline for their skillful business execution in a highly unpredictable year. We also deeply appreciate the efforts of our 129,000 dedicated teammates across the country who serve the needs of our customers day in and day out. They are the heart of our company in communities from coast to coast.

Empire remains deeply interconnected with the communities in which we operate and our focus will always be on serving the needs of our customers, regardless of any geopolitical disruption occurring around us. We remain confident in our resilience and steadfast determination to deliver on our commitments to shareholders, always guided by our core values which are foundational to our success as a business and allow us to focus on doing what's right for Canadians.

Sincerely,

Signed "James M. Dickson"

James M. Dickson
Chair, Empire Company Limited

August 1, 2025

Learn more about our Sustainability Commitment by scanning the QR code.

A Message From the President & Chief Executive Officer

Michael Medline
President & Chief Executive Officer,
Empire Company Limited

$31.3B
in sales

8.8%
Adjusted EPS(1)(2)(3) growth

10%
increase in our dividend for F26

57.3%
increase in our share price in F25

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

This is my last annual report letter before I retire from Empire and I want to thank you, our shareholders, for the privilege you have afforded me to lead this great company.

This past year was one of the best in our company's 118-year history. Our balance sheet continued to strengthen, we delivered strong same store sales and solid top and bottom-line growth, all of which helped Empire shares reach new heights.

Throughout the year, and as we have done over the past five years, we adapted as required to the different challenges that presented themselves. We were able to do this because our company is more foundationally sound, resilient, agile and adaptable.

I am incredibly proud of what we have accomplished over the past eight and a half years, transforming our company, reconnecting with our customers and delivering on the commitments made to our shareholders.

I have said before that I believe CEOs get too much of the credit for the fortunes of the companies they lead. The undeniable success and results we have achieved at Empire can be attributed directly to my teammates, the 129,000 individuals in our stores, retail support centres and offices who serve our customers in more than 900 communities across the country, as well as to our leadership team for their passionate advocacy for those same customers. Their collective efforts have led to tangible gains in our business and our company is stronger and better positioned for ongoing success as a result.

I want to also extend my sincere thanks to the Sobey family for their ongoing support and to the Board of Directors for their wise counsel and thoughtful stewardship on our journey to transform Empire into the best retailer in Canada. I consider myself incredibly fortunate since joining Empire to have been able to work with our great Board Chair, Jim Dickson. Jim's steady guidance, strategic insight and wise counsel have been absolutely invaluable to me and he has always been deeply invested in doing what's right for our teammates, our customers and our shareholders. Any company in this country would be lucky to have him leading their Board.

Our organization owes an incredible debt of gratitude to Simon Gagné, our Executive Vice President & Chief Human Resources Officer who has announced that he will retire in September following our Annual General Meeting. For 30 years, including the past 13 as CHRO, Simon has been instrumental in helping transform our business and, as importantly, our culture at Empire. He has been by my side since I joined Empire in 2017, serving as a trusted advisor and business partner — never afraid to challenge my thinking, but always the consummate team player and passionate advocate for our teammates.

As part of our robust succession planning process, we have appointed Sandra Pasquini to the role of CHRO. Sandra has been an integral part of driving Empire's organizational and culture strategy since joining us in 2022 and I look forward to working closely with her as a member of our executive team.

"I am incredibly proud of what we have accomplished over the past eight and a half years, transforming our company, reconnecting with our customers and delivering on the commitments made to our shareholders."

I want to acknowledge Matt Reindel who recently retired as Chief Financial Officer for Empire. Matt was an incredible partner, playing a critical role in helping drive Empire's turnaround over the past five years while also navigating the challenges brought on by the pandemic as well as a period of high inflation and interest rates. Empire recently welcomed our new CFO, Costa Pefanis, who brings deep retail experience to the position and who will play a critical role in driving our results in the years to come.

A leader always wants to leave their organization in better shape than when they arrived and I take immense pride in the work our team has done to make Empire a stronger, more resilient business and the shareholder value that we have created together. I have no doubt that our next CEO will take Empire to even greater heights.

I remain immensely honoured to have had — for a short period of time in Empire's storied history — the good fortune to lead such an iconic Canadian company. Thank you.

Sincerely,

Signed "Michael Medline"

Michael Medline
President & Chief Executive Officer,
Empire Company Limited

August 1, 2025

Management's Discussion and Analysis

For the fourth quarter and fiscal year ended May 3, 2025

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

(in millions of Canadian dollars, except per share amounts)	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:

(in millions of Canadian dollars)	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

(in millions of Canadian dollars)	**May 3, 2025 13 Weeks**	**May 4, 2024 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

(in millions of Canadian dollars)	**May 3, 2025 13 Weeks**	**May 4, 2024 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

(in millions of Canadian dollars, except per share amounts)	**May 3, 2025 13 Weeks**	**May 4, 2024 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 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	**1,289**	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 52 Weeks	May 4, 2024 52 Weeks	May 6, 2023 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:

(in millions of Canadian dollars)	May 3, 2025 52 Weeks	May 4, 2024 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

(in millions of Canadian dollars)	May 3, 2025 52 Weeks	May 4, 2024 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

(in millions of Canadian dollars)	**May 3, 2025 52 Weeks**	May 4, 2024 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

(in millions of Canadian dollars, except per share amounts)	May 3, 2025 52 Weeks	May 4, 2024 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.

	May 3, 2025	May 4, 2024	May 6, 2023	2025 Compared to 2024	
(in millions of Canadian dollars)	13 Weeks	13 Weeks	13 Weeks	$ 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 %

	May 3, 2025	May 4, 2024	May 6, 2023	2025 Compared to 2024	
(in millions of Canadian dollars)	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	**1,234**	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.

	May 3, 2025	May 4, 2024	May 6, 2023
(in millions of Canadian dollars)	52 Weeks	52 Weeks	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

(in millions of Canadian dollars)	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks	$ Change
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			
(in millions of Canadian dollars, except per share amounts)	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
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.

(in millions of Canadian dollars)	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:

(in millions of Canadian dollars)	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:

(Number of stores)	**May 3, 2025 13 Weeks**	**May 4, 2024 13 Weeks**	**May 3, 2025 52 Weeks**	**May 4, 2024 52 Weeks**
Opened/relocated/acquired[(1)]	**4**	11	**20**	34
Opened - FreshCo[(3)]	**-**	-	**1**	4
Opened - Farm Boy	**-**	1	**3**	1
Expanded	**-**	1	**-**	4
Rebannered/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:

Square feet (in thousands)	**May 3, 2025 13 Weeks**	**May 4, 2024 13 Weeks**
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.

(in millions of Canadian dollars)	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks	$ Change	May 3, 2025 52 Weeks	May 4, 2024 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:

(in millions of Canadian dollars)	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

(in millions of Canadian dollars, except per share and ratio calculations)	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:

	Number of Shares	
Authorized	**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

	Number of Shares		Share Capital	
(in millions of Canadian dollars)	**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:

(Number of shares)	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks
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:

	Number of Shares		Share Capital	
(in millions of Canadian dollars)	**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:

	May 3, 2025			**May 4, 2024**		
(in millions of Canadian dollars)	**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:

(in millions of Canadian dollars)	**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:

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

(in millions of Canadian dollars)	**May 3, 2025 52 Weeks**	May 4, 2024 52 Weeks	May 6, 2023 52 Weeks
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

(in millions of Canadian dollars)	May 3, 2025 52 Weeks	May 4, 2024 52 Weeks	May 6, 2023 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:

(in millions of Canadian dollars)	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.

(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**
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

(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**
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

(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**
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.

	Fiscal 2025				Fiscal 2024			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(in millions of Canadian dollars)	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:

(in millions of Canadian dollars, except per share amounts)	**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

Consolidated Financial Statements

May 3, 2025

Management's Statement of Responsibility for Financial Reporting

Preparation of the Consolidated Financial Statements accompanying this Annual Report and the presentation of all other information in the report is the responsibility of management. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and reflect management's best estimates and judgments.

All other financial information in the report is consistent with that contained in the Consolidated Financial Statements.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the Consolidated Financial Statements, the safeguarding of Company assets, and the prevention and detection of fraudulent financial reporting.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed solely of directors who are unrelated to, and independent of, the Company, meet regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual Consolidated Financial Statements to be issued to shareholders.

The external auditors have full and free access to the Audit Committee.

Sincerely,

Signed "Michael Medline"

Michael Medline
President & Chief Executive Officer

June 18, 2025

Signed "Constantine Pefanis"

Constantine Pefanis
Executive Vice President & Chief Financial Officer

June 18, 2025

Independent auditor's report

To the Shareholders of Empire Company Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Empire Company Limited and its subsidiaries (together, the Company) as at May 3, 2025 and May 4, 2024 and its financial performance and its cash flows for the 52 weeks ended May 3, 2025 and May 4, 2024 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at May 3, 2025 and May 4, 2024;
- the consolidated statements of earnings for the 52 weeks ended May 3, 2025 and May 4, 2024;
- the consolidated statements of comprehensive income for the 52 weeks ended May 3, 2025 and May 4, 2024;
- the consolidated statements of changes in shareholders' equity for the 52 weeks ended May 3, 2025 and May 4, 2024;
- the consolidated statements of cash flows for the 52 weeks ended May 3, 2025 and May 4, 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 52 weeks ended May 3, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recognition of vendor allowances *Refer to note 2 (f) – Basis of preparation (Vendor allowances) and note 3(x) – Summary of material accounting policies (Vendor allowances) to the consolidated financial statements.* The Company receives allowances from certain vendors whose products are purchased for resale. Included in these vendor agreements are volume-related allowances, purchase discounts, listing fees and other allowances. The Company recognizes these vendor allowances as a reduction of cost of sales and related inventories. The number and variety of the vendor agreements can make it complex for management to determine the performance obligations associated with the vendor allowances and the related recognition thereof. As a result, management judgment is required. We considered this a key audit matter due to the number of vendor allowance transactions and varying terms of the vendor agreements, making the recognition of vendor allowances more complex, requiring management judgment. This resulted in a high degree of auditor judgment and effort in performing procedures and evaluating evidence.	Our approach to addressing the matter included the following procedures, among others: • Tested the operating effectiveness of controls related to the recognition of vendor allowances, including management's approval of vendor agreements and the monitoring of the aging of vendor allowance receivables. • For a sample of vendor allowance transactions recognized during the 52 weeks, evaluated the reasonableness of management's determination that performance obligations associated with vendor allowances have been met by: – evaluating the terms in vendor agreements and agreeing amounts recorded to vendor agreements, internal supporting documents, corresponding cash receipts/net settlements and any related correspondence with vendors. • For a sample of vendor allowance receivables at the balance sheet date, evaluated the reasonableness of management's determination that performance obligations associated with vendor allowances have been met by: – evaluating the terms in vendor agreements and agreeing amounts recorded to vendor agreements, internal supporting documents and any related correspondence with

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vendors and, as applicable, recalculating the amount recognized;
  - tracing amounts to cash receipts/net settlements after the balance sheet date, where applicable; and
  - considering outstanding vendor claims as at and after the balance sheet date, where applicable.
- Assessed the aging of vendor allowance receivables at the balance sheet date.
- Considered credit notes issued after the balance sheet date.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Adam Boutros.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia
June 18, 2025

Consolidated Balance Sheets (in millions of Canadian dollars)	**Note**	**May 3 2025**	**May 4 2024**
ASSETS			
Current assets			
Cash and cash equivalents		**$ 285**	$ 260
Receivables		**668**	678
Inventories	4	**1,833**	1,772
Prepaid expenses		**173**	162
Lease and other receivables	5	**121**	115
Income taxes receivable		**54**	70
Assets held for sale	6	**-**	47
Total current assets		**3,134**	3,104
Non-current assets			
Lease and other receivables	5	**636**	601
Investments, at equity	7	**720**	688
Other assets		**44**	39
Property and equipment	8	**3,675**	3,565
Right-of-use assets	9	**4,964**	4,918
Investment property	10	**162**	158
Intangibles	11	**1,359**	1,348
Goodwill	12	**2,055**	2,064
Deferred tax assets	13	**270**	305
Total assets		**$ 17,019**	$ 16,790
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 3,122**	$ 3,034
Income taxes payable		**73**	104
Provisions	14	**46**	54
Long-term debt due within one year	15	**225**	114
Lease liabilities due within one year	9	**597**	585
Other liabilities due within one year	16	**33**	-
Total current liabilities		**4,096**	3,891
Non-current liabilities			
Provisions	14	**34**	48
Long-term debt	15	**857**	982
Long-term lease liabilities	9	**5,785**	5,680
Other long-term liabilities	16	**279**	295
Employee future benefits	17	**162**	160
Deferred tax liabilities	13	**262**	265
Total liabilities		**11,475**	11,321
EQUITY			
Equity attributable to Owners of the Company			
Capital stock	18	**1,660**	1,779
Contributed surplus		**30**	56
Retained earnings		**3,697**	3,485
Accumulated other comprehensive income		**23**	21
Total equity attributable to Owners of the Company		**5,410**	5,341
Non-controlling interest		**134**	128
Total equity		**5,544**	5,469
Total liabilities and equity		**$ 17,019**	$ 16,790

See accompanying notes to the Consolidated Financial Statements.

On Behalf of the Board

(signed) *"James Dickson"*
Director

(signed) *"Michael Medline"*
Director

Consolidated Statements of Earnings (in millions of Canadian dollars, except per share amounts)	Note	May 3 2025 52 Weeks	May 4 2024 52 Weeks
Sales	19	**$ 31,277**	$ 30,733
Other income	20	**90**	180
Share of earnings from investments, at equity	7	**68**	51
Operating expenses			
Cost of sales		**22,895**	22,662
Selling and administrative expenses		**7,251**	6,991
Operating income		**1,289**	1,311
Finance costs, net	22	**294**	282
Earnings before income taxes		**995**	1,029
Income tax expense	13	**249**	266
Net earnings		**$ 746**	$ 763
Earnings for the year attributable to:			
Owners of the Company		**$ 700**	$ 726
Non-controlling interest		**46**	37
		$ 746	$ 763
Earnings per share	23		
Basic		**$ 2.94**	$ 2.92
Diluted		**$ 2.93**	$ 2.92
Weighted average number of common shares outstanding, in millions	23		
Basic		**237.9**	248.0
Diluted		**238.6**	248.4

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (in millions of Canadian dollars)	Note	May 3 2025 52 Weeks	May 4 2024 52 Weeks
Net earnings		**$ 746**	$ 763
Other comprehensive loss, net			
Items that will be reclassified subsequently to net earnings			
Unrealized gains on derivatives designated as cash flow hedges (net of tax)	13	**3**	2
Share of other comprehensive losses of investments, at equity (net of tax)	13	**(1)**	(1)
Items that will not be reclassified subsequently to net earnings			
Actuarial losses on defined benefit plans (net of tax)	13, 17	**(8)**	(2)
Total other comprehensive loss, net		**(6)**	(1)
Total comprehensive income		**$ 740**	$ 762
Total comprehensive income for the year attributable to:			
Owners of the Company		**$ 694**	$ 725
Non-controlling interest		**46**	37
		$ 740	$ 762

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity
(in millions of Canadian dollars)

	Note	Attributable to Owners of the Company						
		Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance at May 4, 2024		**$ 1,779**	**$ 56**	**$ 21**	**$ 3,485**	**$ 5,341**	**$ 128**	**$ 5,469**
Net earnings		**-**	**-**	**-**	**700**	**700**	**46**	**746**
Other comprehensive income (loss)		**-**	**-**	**2**	**(8)**	**(6)**	**-**	**(6)**
Total comprehensive income for the year		**-**	**-**	**2**	**692**	**694**	**46**	**740**
Dividends paid	18	**-**	**-**	**-**	**(190)**	**(190)**	**(2)**	**(192)**
Dividends paid to non-controlling interest	18	**-**	**-**	**-**	**(2)**	**(2)**	**2**	**-**
Equity based compensation, net		**9**	**(26)**	**-**	**-**	**(17)**	**-**	**(17)**
Repurchase of common shares	18	**(128)**	**-**	**-**	**(272)**	**(400)**	**-**	**(400)**
Tax on repurchase of common shares	18	**-**	**-**	**-**	**(11)**	**(11)**	**-**	**(11)**
Capital transactions with structured entities		**-**	**-**	**-**	**-**	**-**	**(32)**	**(32)**
Revaluation of put options		**-**	**-**	**-**	**(5)**	**(5)**	**(8)**	**(13)**
Transactions with owners		**(119)**	**(26)**	**-**	**(480)**	**(625)**	**(40)**	**(665)**
Balance at May 3, 2025		**$ 1,660**	**$ 30**	**$ 23**	**$ 3,697**	**$ 5,410**	**$ 134**	**$ 5,544**

	Note	Attributable to Owners of the Company						
		Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance at May 6, 2023		$ 1,915	$ 50	$ 20	$ 3,216	$ 5,201	$ 136	$ 5,337
Net earnings		-	-	-	726	726	37	763
Other comprehensive income (loss)		-	-	1	(2)	(1)	-	(1)
Total comprehensive income for the year		-	-	1	724	725	37	762
Dividends paid	18	-	-	-	(180)	(180)	(2)	(182)
Dividends paid to non-controlling interest	18	-	-	-	(2)	(2)	2	-
Equity based compensation, net		-	6	-	-	6	-	6
Repurchase of common shares	18	(136)	-	-	(264)	(400)	-	(400)
Capital transactions with structured entities		-	-	-	-	-	(36)	(36)
Revaluation/exercise of put options		-	-	-	(9)	(9)	(9)	(18)
Transactions with owners		(136)	6	-	(455)	(585)	(45)	(630)
Balance at May 4, 2024		$ 1,779	$ 56	$ 21	$ 3,485	$ 5,341	$ 128	$ 5,469

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows (in millions of Canadian dollars)	Note	May 3 2025 52 Weeks	May 4 2024 52 Weeks
Operations			
Net earnings		**$ 746**	$ 763
Adjustments for:			
Depreciation		**1,002**	950
Income tax expense		**249**	266
Finance costs, net	22	**294**	282
Amortization of intangibles		**118**	121
Net gains on disposal of net assets	20	**(57)**	(108)
Net gains on lease modifications and terminations	20	**(18)**	(39)
Impairment losses of non-financial assets, net		**14**	-
Impairment losses of long-lived assets		**3**	-
Amortization of deferred items		**1**	1
Equity earnings of other entities, net of distributions received		**(3)**	19
Employee future benefits		**(9)**	(9)
(Decrease) increase in long-term provisions		**(16)**	4
Equity based compensation		**16**	9
Net change in non-cash working capital	24	**27**	(80)
Income taxes paid, net		**(240)**	(106)
Cash flows from operating activities		**2,127**	2,073
Investment			
Increase in equity investments	7	**(26)**	(6)
Property, equipment and investment property purchases		**(640)**	(705)
Intangible purchases		**(137)**	(94)
Proceeds on disposal of assets		**127**	146
Proceeds on lease modifications and terminations	29	**22**	34
Leases and other receivables, net		**(22)**	(48)
Other assets		**(8)**	(12)
Other liabilities		**4**	(2)
Business acquisitions	25	**(15)**	(19)
Payments received for finance subleases		**96**	94
Interest received		**2**	3
Cash flows used in investing activities		**(597)**	(609)
Financing			
Issuance of long-term debt		**98**	97
Advance on non-revolving credit facility		**120**	-
Repayments of long-term debt		**(94)**	(100)
(Repayments) advances on revolving credit facilities, net		**(138)**	86
Interest paid		**(59)**	(50)
Payments of lease liabilities (principal portion)		**(548)**	(527)
Payments of lease liabilities (interest portion)		**(260)**	(241)
Repurchase of common shares	18	**(400)**	(400)
Dividends paid		**(192)**	(181)
Non-controlling interest	27	**(32)**	(109)
Cash flows used in financing activities		**(1,505)**	(1,425)
Increase in cash and cash equivalents		**25**	39
Cash and cash equivalents, beginning of year		**260**	221
Cash and cash equivalents, end of year		**$ 285**	$ 260

See accompanying notes to the Consolidated Financial Statements.

Note 1 Reporting entity

Empire Company Limited ("Empire" or the "Company") is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The Consolidated Financial Statements for the year ended May 3, 2025 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 ("SEs"), where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and its joint ventures are accounted for using the equity method. As at May 3, 2025, the Company's business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 19, Segmented information. The Company's Food retailing business is affected by seasonality and the timing of holidays. The Company's fiscal year ends on the first Saturday in May.

Note 2 Basis of preparation

Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and are presented in millions of Canadian dollars except where otherwise indicated. Comparative amounts have been rounded to the nearest million to conform with current year presentation.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on June 18, 2025.

Use of estimates, judgments and assumptions

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

The Company has applied judgment in its assessment of the appropriateness of consolidation of SEs, the appropriateness of equity accounting for its investments in affiliates and joint ventures, discount rate, the level of componentization of property and equipment, the determination of cash generating units ("CGUs"), the identification of indicators of impairment for property and equipment, investment property, intangible assets and goodwill, the measurement of right-of-use assets and lease liabilities, vendor allowances and the recognition of provisions and non-controlling interest put and call options.

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the Consolidated Financial Statements are summarized below. Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from these estimates.

(a) 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 sheets dates; and (ii) inventories valued at retail and adjusted to cost.

(b) Impairment of non-financial assets

Assumptions are used when 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. Management estimates the recoverable amount of each asset or CGU based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. 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 non-financial assets in subsequent reporting periods. Impairment losses and reversals are disclosed in the Consolidated Financial Statements in Notes 8, 9, 10, 11 and 12.

(c) Leases

Estimates and judgment are used in the measurement of lease liabilities and right-of-use assets. Key assumptions include determination of discount rates and lease term expectations. Note 9 details the right-of-use assets and lease liabilities.

(d) Income taxes
Assumptions are applied when management assesses the timing and reversal of temporary differences and estimates the Company's future earnings to determine the recognition of current and deferred income taxes. Judgments are also made by management when interpreting the tax rules in jurisdictions where the Company operates. Note 13 details the current and deferred income tax expense and deferred tax assets and liabilities.

(e) Provisions
Estimates and assumptions are used to calculate provisions when the Company estimates the expected future cash flows relating to the obligation and applies an appropriate discount rate.

(f) 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.

(g) Employee future benefits
Accounting for the costs of defined benefit pension plans and other post-employment benefits requires the use of several assumptions. Pension obligations are based on current market conditions and actuarial determined data such as medical cost trends, mortality rates and future salary increases. A sensitivity analysis and more detail of key assumptions used in measuring the pension and post-employment benefit obligations are disclosed in Note 17.

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

Note 3 Summary of material accounting policies

The material accounting policies set out below have been applied consistently in the preparation of the Consolidated Financial Statements for all periods presented.

(a) Basis of consolidation
The financial statements for the Company include the accounts of the Company and all of its subsidiary undertakings up to the reporting date. Subsidiaries, including SEs, are all entities the Company controls. Control exists when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company reassesses control on an ongoing basis. All subsidiaries have a reporting date within six weeks of the Company's reporting date. Where necessary, adjustments have been made to reflect transactions between the reporting dates of the Company and its subsidiaries.

SEs are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the SE. SEs controlled by the Company were established under terms that impose certain limitations on the decision-making powers of the SEs' management and that results in the Company receiving the majority of the benefits related to the SEs' operations and net assets, being exposed to the majority of risks incident to the SEs' activities, and retaining the majority of the residual or ownership risks related to the SEs or their assets.

All intercompany transactions, balances, income and expenses are eliminated in preparing the Consolidated Financial Statements.

Earnings or losses and other comprehensive income or losses of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interest represents the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. If losses in a subsidiary applicable to a non-controlling interest exceed the non-controlling interest in the subsidiary's equity, the excess is allocated to the non-controlling interest except to the extent that the majority has a binding obligation and is able to cover the losses, except as discussed in Note 3(j).

(b) Business acquisitions

Business acquisitions are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded on the financial statements prior to acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under International Financial Reporting Standard ("IFRS") 3, "Business combinations", are recognized at their fair value at the acquisition date, except for: (i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements which are recognized and measured in accordance with International Accounting Standard ("IAS") 12, "Income taxes", and IAS 19, "Employee benefits", respectively; (ii) right-of-use assets and lease liabilities for leases in accordance with IFRS 16, "Leases" in which the acquiree is the lessee; and (iii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", which are measured and recognized at fair value less costs to sell. Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net earnings or loss immediately after acquisition. Transaction costs related to the acquisition are expensed as they are incurred.

(c) Foreign currency translation

Assets and liabilities of foreign operations with a different functional currency than the Company are translated at exchange rates in effect at each reporting period end date. The revenues and expenses are translated at average exchange rates for the period. Cumulative gains and losses on translation are shown in accumulated other comprehensive income or loss ("AOCI").

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each reporting period end date. Non-monetary items are translated at the historical exchange rate at the date of transaction. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income or loss. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

(d) Cash and cash equivalents

Cash and cash equivalents are defined as cash and guaranteed investments with a maturity less than 90 days at date of acquisition, as well as highly liquid guaranteed investments that are redeemable in cash on demand without penalty.

(e) Inventories

Warehouse inventories are valued at the lower of cost and net realizable value with cost being determined on a weighted average cost basis. Retail inventories are valued at the lower of cost and net realizable value. Cost is determined using weighted average cost or the retail method. The retail method uses the anticipated selling price less normal profit margins, on a weighted average cost basis. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of allowances received from vendors. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

(f) Income taxes

Tax expense recognized in net earnings or loss comprises the sum of deferred income tax and current income tax not recognized in other comprehensive income or loss.

Current income tax assets and liabilities are comprised of claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted at the balance sheet date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery. The calculation of current income tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income taxes are calculated using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their related tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business acquisition or affects tax or accounting profit. The deferred tax assets and liabilities have been measured using substantively enacted tax rates that will be in effect when the amounts are expected to settle. Deferred tax assets are only recognized to the extent that it is probable that they will be able to be utilized against future taxable income. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company’s latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive income or loss (such as the unrealized gains and losses on cash flow hedges) or directly in equity.

(g) Assets held for sale

Property and equipment listed for sale are reclassified as assets held for sale on the Consolidated Balance Sheets when the sale is highly probable. These assets are expected to be sold within a 12-month period. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell.

(h) Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which it does not control and which are not interests in a joint venture. Control is reassessed on an ongoing basis. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the earnings or losses generated by the associate are reported within share of earnings from investments, at equity on the Company’s Consolidated Statements of Earnings or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or losses or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For investments in publicly traded entities, carrying value of the investment is compared to the current market value of the investment based on its quoted price at the balance sheet date. For entities which are not publicly traded, VIU of the investment is determined by estimating the Company’s share of the present value of the estimated cash flows expected to be generated by the investee. If impaired, the carrying value of the Company’s investment is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and VIU.

In the process of measuring future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company’s investments in associates in the subsequent financial years.

Each of the associates identified by the Company has a reporting year end of December 31. For purposes of the Company’s consolidated year end financial statements, each of the associates’ results are included based on financial statements prepared as at March 31, with any changes occurring between March 31 and the Company’s year end that would materially affect the results being taken into account.

(i) Investments in joint ventures

Investments in joint ventures are joint arrangements whereby the Company and the other parties to the arrangements have joint control and therefore have rights to the net assets of the arrangement. Investments in joint ventures are initially recognized at cost and subsequently accounted for using the equity method.

(j) Financial instruments

Financial instruments are recognized on the Consolidated Balance Sheets when the Company becomes a party to the contractual provisions of a financial instrument. The classification and measurement categories for financial assets are amortized cost, fair value through other comprehensive income (“FVOCI”), and fair value through profit and loss (“FVTPL”). Financial assets that are not designated as FVTPL on initial recognition are classified and measured at amortized cost if (i) they are held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Debt investments that are not designated as FVTPL on initial recognition are classified and measured at FVOCI if (i) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Equity investments held for trading are classified and measured at FVTPL. Financial assets not classified at amortized cost or FVOCI are classified and measured at FVTPL. The classification and measurement categories for other financial liabilities are amortized cost and FVTPL.

The Company’s financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification and Measurement
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Leases and other receivables	Amortized cost
Derivative financial assets and liabilities	FVTPL
Non-derivative other assets	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Other long-term liabilities (except as below)	Amortized cost

Sobeys has entered into put and call options with non-controlling interest shareholders of certain subsidiary companies such that the Company may acquire their shareholdings under certain conditions on or after the exercise date. As a result, the Company recognizes a financial liability within other long-term liabilities at the present value of the amount payable on exercise of the applicable put option. Remeasurement adjustments are recorded in retained earnings. At the end of each reporting period, non-controlling interests for these subsidiaries that have been recognized, including the earnings attributable to these non-controlling interests, are derecognized against the related non-controlling interest liability immediately before its period-end revaluation.

Impairment of financial assets are based on expected credit losses (“ECL”). The Company recognizes loss allowances on its trade receivables based on lifetime ECLs for those assets measured at amortized cost. Loss allowances are recognized on leases and other receivables for which the credit risk has not increased significantly since initial recognition based on the 12-month ECL. Where there is a significant increase in the credit risk of leases and other receivables subsequent to initial recognition, the Company recognizes loss allowances based on lifetime ECLs. The Company considers past events, current conditions, and reasonable and supportable forecasts affecting collectability when determining whether the credit risk of a financial asset has increased significantly since initial recognition, or in estimating lifetime ECLs

(k) Hedges

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and energy prices. For cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income or loss. To the extent the change in fair value of the derivative does not completely offset the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings or loss. Amounts accumulated in other comprehensive income or loss are reclassified to net earnings or loss when the hedged item is recognized in net earnings or loss. When a hedging instrument in a cash flow hedge expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in accumulated other comprehensive income or loss relating to the hedge is carried forward until the hedged item is recognized in net earnings or loss. When the hedged item ceases to exist as a result of its expiry or sale, or if an anticipated transaction is no longer expected to occur, the cumulative gain or loss in accumulated other comprehensive income or loss is immediately reclassified to net earnings or loss.

Financial derivatives assigned as part of a cash flow hedging relationship are classified on the Consolidated Balance Sheets as either an other asset or other long-term liability as required based on their fair value determination.

Significant derivatives include the following:

(i) Foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to the purchase of goods or expenditures denominated in foreign currencies. Certain contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(ii) Electricity forward contracts for the primary purpose of limiting exposure to fluctuations in the market prices of electricity. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(iii) Natural gas forward contracts for the primary purpose of limiting exposure to fluctuations in the market prices of natural gas. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(l) Property and equipment

Owner-occupied land, buildings, equipment, leasehold improvements and assets under construction are carried at acquisition cost less accumulated depreciation and impairment losses.

When significant parts of property and equipment have different useful lives, they are accounted for as separate components. Depreciation is recorded on a straight-line basis from the time the asset is available or when assets under construction become available for use over the estimated useful lives of the assets as follows:

Buildings	10 - 40 years
Equipment	3 - 20 years
Leasehold improvements	Lesser of lease term and 7 - 20 years

Depreciation is included in selling and administrative expenses on the Consolidated Statements of Earnings. Material residual value estimates and estimates of useful life are reviewed and updated as required, or annually at a minimum.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in net earnings or loss in other income or loss. If the sale is to a Company's investment, at equity, a portion of the gain or loss is deferred and reduces the carrying value of the investment.

(m) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, rather than for the principal purpose of the Company's operating activities. Investment properties are accounted for using the cost model. The depreciation policies for investment property are consistent with those described for property and equipment.

Any gain or loss arising from the sale of an investment property is immediately recognized in net earnings or loss, unless the sale is to an investment, at equity, in which case a portion of the gain or loss is deferred and would reduce the carrying value of the Company's investment. Rental income and operating expenses from investment property are reported in other income and selling and administrative expenses, respectively, on the Consolidated Statements of Earnings.

(n) Leases

(i) The Company as a lessee

The Company recognizes a right-of-use asset and corresponding lease liability at the commencement date. The commencement date is the date in which the lessor makes the asset available for use by the Company. Lease payments for short-term leases or variable payments that do not depend on an index or a rate are recognized in selling and administrative expenses.

Lease liabilities reflect the present value of fixed lease payments and variable lease payments that are based on an index or a rate or subject to fair market renewal amounts expected to be payable by the lessee over the lease term. Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. Where applicable, lease liabilities will include the purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement the Company measures lease liabilities on an amortized cost basis. Lease liabilities are remeasured when there is a modification to the lease. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be determined, the lessee's incremental borrowing rate at the lease inception date or the modification date as applicable. Interest expense is recognized in finance costs, net on the Consolidated Statements of Earnings.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date less lease incentives received and restoration costs. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets. Right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the shorter of the asset's useful life consistent with the rates in Note 3(l) and lease term. Depreciation begins at the commencement date of the lease.

(ii) The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. For subleases, where the Company acts as an intermediate lessor, the Company assesses classification with reference to the right-of-use asset arising from the head lease.

For finance subleases the Company derecognizes the corresponding right-of-use asset and records a net investment in the finance sublease and related interest income is recognized in finance costs, net on the Consolidated Statements of Earnings.

Lease income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

(iii) Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. A sale and leaseback is recognized as a sale when the control of the asset has been transferred to the purchaser. The Company will measure the right-of-use asset arising from the leaseback and the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Company. Any profit or loss in a sale and leaseback transaction related to the transfer of rights of the asset to the buyer-lessor is recognized immediately.

(o) Intangibles

Intangibles arise on the purchase of a new business, existing franchises, software (including software that is internally developed by the Company or through customization costs in cloud computing arrangements) and the acquisition of pharmacy prescription files. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives as these assets are considered finite. Useful lives are reviewed annually and intangibles are subject to impairment testing. The following useful lives are applied:

Deferred purchase agreements	5 - 10 years
Franchise rights/agreements	10 years
Lease rights	5 - 10 years
Prescription files	15 years
Software	3 - 7 years
Other	5 - 10 years

Amortization has been included in selling and administrative expenses on the Consolidated Statements of Earnings. Expenditures made by the Company relating to intangible assets that do not meet the capitalization criteria are expensed in the period incurred.

Included in intangibles are brand names, loyalty programs and private labels, the majority of which have indefinite useful lives. Intangibles with indefinite useful lives are measured at cost less any accumulated impairment losses. These intangibles are tested for impairment on an annual basis or more frequently if there are indicators that intangibles may be impaired.

(p) Goodwill
Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible and intangible assets acquired at the date of acquisition.

(q) Impairment of non-financial assets
Goodwill and indefinite life intangibles are reviewed for impairment at least annually by assessing the recoverable amount of each CGU or groups of CGUs to which the goodwill or indefinite life intangible relates. 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. Impairment losses related to goodwill cannot be reversed.

Long-lived tangible and finite life intangible assets are reviewed each reporting period for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of FVLCD and VIU. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU(s) to which the asset belongs. The Company has determined a CGU to be primarily an individual store or customer fulfilment centre. Corporate assets such as head offices and distribution centres do not individually generate separate cash inflows and are therefore aggregated for testing with the stores they service. When the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to the recoverable amount. An impairment loss is recognized immediately in selling and administrative expenses on the Consolidated Statements of Earnings.

Where an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset (or CGU) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of impairment loss is recognized immediately in net earnings or loss.

(r) Customer loyalty programs
The *Scene+* loyalty program is used by Sobeys in all geographic regions in applicable banners. *Scene+* points are earned by Sobeys customers based on purchases in-store and online. The Company pays a per point fee under the terms of the *Scene+* joint venture agreement. Longo's *Thank You Rewards* program allows members to earn points on their purchases at Longo's stores. Members can redeem these points, for cash towards future grocery purchases or to purchase products or services. The cost of points is recorded as a reduction of revenue.

(s) 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. Where discounting is used, the increase in the provision due to passage of time (unwinding of the discount) is recognized in finance costs, net on the Consolidated Statements of Earnings.

(t) Borrowing costs
Borrowing costs are primarily comprised of interest on the Company's debts. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other borrowing costs are expensed in the period in which they are incurred and are reported in finance costs.

(u) Deferred revenue
Deferred revenue consists of long-term supplier purchase agreements. Deferred revenue is included in other long-term liabilities and is amortized to income on a straight-line basis over the term of the related agreements.

(v) Employee benefits

(i) Short-term employment benefits
Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses expected to be settled within 12 months from the end of the reporting period. Short-term employee benefits are measured on an undiscounted basis and are recorded as selling and administrative expenses as the related service is provided.

(ii) Post-employment benefits
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 and retirement ages.

The liability recognized on the Consolidated Balance Sheets for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair market value of plan assets. 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.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts in net interest), are recognized immediately on the Consolidated Balance Sheets with a corresponding charge to retained earnings through other comprehensive income or loss in the period in which they occur. Remeasurements are not reclassified to net earnings or loss in subsequent periods.

Past service costs are recognized in net earnings or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes restructuring-related costs.

Service cost on the net defined benefit liability, comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements, is included in selling and administrative expenses. Net interest expense on the net defined benefit liability is included in finance costs, net.

(iii) Termination benefits
Termination benefits are recognized as an expense at the earlier of when the Company recognizes related restructuring costs and when the Company can no longer withdraw the offer of those benefits.

(w) Revenue recognition
Revenue is recognized upon delivery and acceptance of the goods. Revenue is measured at the expected consideration net of discounts and allowances. Sales include revenues from customers through corporate stores operated by the Company and consolidated SEs, customer fulfilment centers and revenue from sales to non-structured entity franchised stores, affiliated stores and independent accounts. Revenue received from non-structured entity franchised stores, affiliated stores and independent accounts is mainly derived from the sale of product. The Company also collects franchise fees under two types of arrangements: (i) franchise fees contractually due based on the dollar value of product shipped are recorded as revenue when the product is shipped; and (ii) franchise fees contractually due based on the franchisee's retail sales are recorded as revenue upon invoicing.

(x) Vendor allowances
The Company receives allowances from certain vendors whose products are purchased for resale. Included in these vendor programs are volume related allowances, purchase discounts, listing fees, and other discounts and allowances. The Company recognizes these allowances as a reduction of cost of sales and related inventories. Certain allowances are contingent on the Company achieving minimum purchase levels. These allowances are recognized when it is probable that the minimum purchase level will be met and the amount of allowance can be estimated. Amounts received but not yet earned are presented in other liabilities as deferred vendor allowances.

(y) Finance and dividend income
Finance income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognized when the right to receive payment has been established.

(z) Earnings per share
Basic earnings per share is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for the dilutive effect of employee stock options and performance share units (“PSUs”). When a loss is recorded, the weighted average number of shares used for the purpose of basic and diluted loss per share is equal, as the impact of all potential common shares would be anti-dilutive.

(aa) Stock-based compensation
The Company operates both equity and cash settled stock-based compensation plans for certain employees.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values. Where employees are rewarded using stock-based payments, the fair values of employees’ services are determined indirectly by reference to the fair value of the equity instruments granted. Cash settled plans are revalued at each reporting date (Note 28).

(ab) Share capital
All shares are recorded as equity. When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effect, is recognized as a deduction in equity.

(ac) 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.

(ad) 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.

Note 4 Inventories

The cost of inventories recognized as an expense for the year ended May 3, 2025 was $22,895 million (May 4, 2024 - $22,662 million). The Company recorded an expense for the year ended May 3, 2025 of $3 million (May 4, 2024 - $3 million) for write-down of inventories below cost to net realizable value for inventories on hand.

Note 5 Lease and other receivables

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Leases receivable	**$ 600**	$ 563
Notes receivable and other	**80**	88
Loans receivable	**77**	65
	757	716
Less amount due within one year	**121**	115
	$ 636	$ 601

All lease receivables are due from franchisees and affiliates and are secured by the related head lease.

Loans receivable represent long-term financing to certain retail associates. These loans are primarily secured by inventory, fixtures and equipment, bear various interest rates, and have repayment terms up to 10 years. The carrying amount of the loans receivable approximates fair value based on the variable interest rates charged on the loans.

Included in notes receivable and other as at May 3, 2025 is $50 million (May 4, 2024 - $60 million) related to property sales and allowances due from third parties.

Note 6 Assets held for sale

Assets held for sale relates to land, buildings and equipment expected to be sold in the next 12 months. These assets were previously used in the Company's retail operations.

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Opening balance	**$ 47**	$ -
Transfers and adjustments	**-**	48
Disposals	**(47)**	(1)
Closing balance	**$ -**	$ 47

During the year ended May 3, 2025, the Company sold and leased back a property from a third party. Total proceeds from the transaction were $90 million, of which $79 million was received in cash, resulting in a pre-tax gain of $39 million.

During the year ended May 4, 2024, the Company sold two properties to third parties. Total proceeds from these transactions were $2 million, resulting in a pre-tax gain of $1 million.

Note 7 Investments, at equity

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Investment in associates and joint ventures		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 633**	$ 618
Real estate partnerships	**62**	63
Other investments and joint ventures	**25**	7
Total	**$ 720**	$ 688

The fair value of the investment in Crombie REIT, which is based on a published price quoted on the Toronto Stock Exchange ("TSX"), is as follows:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Crombie REIT	**$ 1,148**	$ 968

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

The Company owns 75,783,576 (May 4, 2024 - 74,571,305) Class B Limited Partnership ("Class B LP") units and attached special voting units of Crombie REIT, along with 909,090 (May 4, 2024 - 909,090) REIT units, representing a 41.5% (May 4, 2024 - 41.5%) economic and voting interest in Crombie REIT.

Crombie REIT has a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to have their distributions automatically reinvested in additional REIT units. The Company is enrolled in the DRIP.

The Company's carrying value of its investment in Crombie REIT is as follows:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Balance, beginning of year	**$ 618**	$ 627
Equity earnings	**65**	43
Share of comprehensive loss	**(2)**	(1)
Distributions, net of DRIP	**(51)**	(51)
Reversal of deferred gains on sale of property to unrelated party	**3**	1
Dilution losses	**-**	(1)
Balance, end of year	**$ 633**	$ 618

The Company's carrying value of its investment in real estate partnerships is as follows:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Balance, beginning of year	**$ 63**	$ 71
Equity earnings	**16**	13
Distributions	**(17)**	(21)
Balance, end of year	**$ 62**	$ 63

The following amounts represent the revenues, expenses, assets and liabilities of Crombie REIT as at and for the 12 months ended March 31, 2025, and 2024 as well as a reconciliation of the carrying amount of the Company's investment in Crombie REIT to the net assets attributable to unitholders of Crombie REIT:

(in millions of Canadian dollars)	**March 31, 2025**	**March 31, 2024**
Revenues	**$ 475**	$ 452
Operating income attributable to unit holders	**158**	98
Distributions to unit holders	**(163)**	(161)
Other comprehensive loss	**(5)**	(2)
Total comprehensive loss	**(14)**	(61)

(in millions of Canadian dollars)	**March 31, 2025**	March 31, 2024
Assets		
Current	**$ 70**	$ 62
Non-current	**4,354**	4,078
Total	**$ 4,424**	$ 4,140
Liabilities		
Current	**$ 191**	$ 421
Non-current	**2,387**	1,899
Total	**$ 2,578**	$ 2,320

(in millions of Canadian dollars)	**March 31, 2025**	March 31, 2024
Unitholders' net assets		
REIT Units	**$ 1,094**	$ 1,079
Class B LP units	**752**	741
	1,846	1,820
Less total REIT units outstanding as at March 31	**(1,094)**	(1,079)
Cumulative changes since acquisition of Crombie REIT		
Issue costs related to Class B LP units	**13**	13
Deferred gains (net of depreciation addback and timing variances)	**(155)**	(157)
Dilution gains	**39**	39
Write-off of portion of AOCI on dilution of interest in Crombie REIT	**1**	1
Crombie REIT tax reorganization - deferred tax adjustment	**(32)**	(32)
Carrying amount attributable to investment in Class B LP units	**618**	605
REIT units owned by Empire	**14**	14
Cumulative equity earnings on REIT units	**10**	9
Cumulative distributions on REIT units	**(9)**	(10)
Empire's carrying amount of investment in Crombie REIT	**$ 633**	$ 618

The Company has interests in various real estate partnerships ranging from 37.1% to 49.0% which are involved in residential property developments in Ontario, Western Canada and the United States ("U.S.").

The following amounts represent the revenues, expenses, assets and liabilities of the real estate partnerships as at and for the 12 months ended March 31, 2025 and 2024:

(in millions of Canadian dollars)	**March 31, 2025**	March 31, 2024
Revenues	**$ 108**	$ 93
Expenses	**69**	64
Net earnings	**$ 39**	$ 29

(in millions of Canadian dollars)	**March 31, 2025**	March 31, 2024
Current assets	**$ 208**	$ 210
Current liabilities	**72**	76
Net assets	**$ 136**	$ 134
Carrying amount of investment	**$ 62**	$ 63

Note 8 Property and equipment

May 3, 2025 *(in millions of Canadian dollars)*	**Land**	**Buildings**	**Equipment**	**Leasehold Improvements**	**Assets Under Construction**	**Total**
Cost						
Opening balance	**$ 426**	**$ 1,283**	**$ 2,952**	**$ 1,280**	**$ 529**	**$ 6,470**
Additions	**4**	**12**	**193**	**33**	**381**	**623**
Additions from business acquisitions	**-**	**2**	**2**	**1**	**-**	**5**
Transfers and adjustments	**(7)**	**87**	**222**	**100**	**(410)**	**(8)**
Disposals and write-downs	**(4)**	**(11)**	**(239)**	**(44)**	**-**	**(298)**
Closing balance	**$ 419**	**$ 1,373**	**$ 3,130**	**$ 1,370**	**$ 500**	**$ 6,792**
Accumulated depreciation and impairment						
Opening balance	**$ -**	**$ 612**	**$ 1,667**	**$ 626**	**$ -**	**$ 2,905**
Disposals and write-downs	**-**	**(11)**	**(229)**	**(38)**	**-**	**(278)**
Transfers and adjustments	**-**	**1**	**19**	**5**	**-**	**25**
Depreciation	**-**	**65**	**303**	**97**	**-**	**465**
Impairment losses	**-**	**-**	**1**	**-**	**-**	**1**
Impairment reversals	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Closing balance	**$ -**	**$ 667**	**$ 1,760**	**$ 690**	**$ -**	**$ 3,117**
Net carrying value	**$ 419**	**$ 706**	**$ 1,370**	**$ 680**	**$ 500**	**$ 3,675**

May 4, 2024 *(in millions of Canadian dollars)*	**Land**	**Buildings**	**Equipment**	**Leasehold Improvements**	**Assets Under Construction**	**Total**
Cost						
Opening balance	$ 372	$ 1,212	$ 2,813	$ 1,170	$ 546	$ 6,113
Additions	113	5	146	43	493	800
Additions from business acquisitions	-	-	3	4	-	7
Transfers and adjustments	(49)	83	249	102	(510)	(125)
Disposals and write-downs	(10)	(17)	(259)	(39)	-	(325)
Closing balance	$ 426	$ 1,283	$ 2,952	$ 1,280	$ 529	$ 6,470
Accumulated depreciation and impairment						
Opening balance	$ -	$ 574	$ 1,627	$ 575	$ -	$ 2,776
Disposals and write-downs	-	(13)	(250)	(35)	-	(298)
Transfers and adjustments	-	(5)	(7)	(4)	-	(16)
Depreciation	-	56	297	90	-	443
Closing balance	$ -	$ 612	$ 1,667	$ 626	$ -	$ 2,905
Net carrying value	$ 426	$ 671	$ 1,285	$ 654	$ 529	$ 3,565

Assets under construction

During the year ended May 3, 2025, the Company capitalized borrowing costs of $7 million (May 4, 2024 - $2 million) on indebtedness related to property and equipment under construction. The Company used a capitalization rate of 5.3% (May 4, 2024 - 5.5%).

Security

As at May 3, 2025, the net carrying value of property pledged as security for borrowings is $34 million (May 4, 2024 - $37 million).

Impairment of property and equipment

The Company evaluates for indicators of impairments and indicators of impairment reversals. For CGUs with impairment indicators, the Company performed an impairment test for property and equipment and determined recoverable amounts based on VIU calculations using cash flow projections from the Company's latest internal forecasts. When the recoverable amount of a CGU is less than the carrying amount, an impairment loss is recognized. When the recoverable amount of a previously impaired CGU is greater than the value of its impaired assets, an impairment reversal is recognized. Key assumptions used in determining VIU include discount rates, growth rates and expected changes in future cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. Forecasts are projected beyond three years based on a long-term growth rate of 2.0%. Discount rates are calculated on a pre-tax basis and range from 6.0% to 7.0%.

Impairment losses of $1 million and reversals of $(1) million were recorded in selling and administrative expenses during the year ended May 3, 2025 (May 4, 2024 - $ nil and $ nil respectively).

All impairment losses and impairment reversals related to the Food retailing segment.

Note 9 Leases

Finance leases, as lessee

The Company leases various retail stores, distribution centres, customer fulfillment centres, offices and equipment under non-cancellable finance leases. These leases have varying terms, escalation clauses, renewal options and bases on which variable rent is payable.

Changes in right-of-use assets are as follows:

May 3, 2025 *(in millions of Canadian dollars)*	**Property**	**Other**	**Total**
Opening balance	**$ 4,730**	**$ 188**	**$ 4,918**
Additions	**379**	**38**	**417**
Extensions	**209**	**7**	**216**
Transfers and adjustments	**(6)**	**-**	**(6)**
Disposals	**(44)**	**(2)**	**(46)**
Depreciation	**(495)**	**(40)**	**(535)**
Closing balance	**$ 4,773**	**$ 191**	**$ 4,964**

May 4, 2024 *(in millions of Canadian dollars)*	**Property**	**Other**	**Total**
Opening balance	$ 4,741	$ 120	$ 4,861
Additions	134	91	225
Extensions	376	17	393
Transfers and adjustments	(2)	(6)	(8)
Disposals	(48)	-	(48)
Depreciation	(471)	(34)	(505)
Closing balance	$ 4,730	$ 188	$ 4,918

The Company has variable rent payments which are recognized in selling and administrative expenses on the Consolidated Statements of Earnings. Contingent rent recognized for the year ended May 3, 2025 is $14 million (May 4, 2024 - $14 million).

Impairment of right-of-use assets follows the same methodology as property and equipment (Note 3(q)). There were no impairment losses or reversals for the years ended May 3, 2025 and May 4, 2024.

Finance lease liabilities

Changes in lease liabilities are as follows:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Opening balance	**$ 6,265**	$ 6,185
Additions	**377**	300
Extensions	**288**	307
Interest expense on lease liabilities	**260**	241
Lease payments	**(808)**	(768)
Closing balance	**$ 6,382**	$ 6,265
Current	**$ 597**	$ 585
Non-current	**5,785**	5,680
Total	**$ 6,382**	$ 6,265

The weighted average incremental borrowing rate as at May 3, 2025 is 4.1% (May 4, 2024 - 4.1%). The weighted average lease term remaining as at May 3, 2025 is 12 years (May 4, 2024 - 12 years).

The total future minimum rent payable under the Company's finance leases as of May 3, 2025 is $8,074 million. The commitments over the next five fiscal years are:

(in millions of Canadian dollars)	**Third Party Lease Payments**	**Related Party Lease Payments**
2026	**$ 620**	**$ 197**
2027	**623**	**199**
2028	**592**	**201**
2029	**541**	**200**
2030	**479**	**196**
Thereafter	**2,635**	**1,591**

As at May 3, 2025, the Company also had commitments of $ nil (May 4, 2024 - $299 million) related to leases whose terms have not yet commenced.

Operating leases, as lessee

The Company has short-term operating leases that are primarily related to equipment and vehicles and has recorded $12 million (May 4, 2024 - $17 million) in selling and administrative expenses on the Consolidated Statements of Earnings.

Finance leases, as a lessor

Finance income for the year ended May 3, 2025 was $24 million (May 4, 2024 - $22 million). The total future minimum rent to be received by the Company relating to properties that are subleased to third parties are:

(in millions of Canadian dollars)	**Finance Lease Payments to be Received**
2026	**$ 93**
2027	**93**
2028	**90**
2029	**80**
2030	**68**
Thereafter	**301**
Total undiscounted lease payments receivable	**725**
Unearned finance income	**125**
Net investment in finance subleases	**$ 600**

Operating leases, as lessor

The Company leases most investment properties under operating leases. These leases have varying terms, escalation clauses, renewal options and bases upon which contingent rent is receivable.

Lease income for the year ended May 3, 2025 was $15 million (May 4, 2024 - $16 million) and was recognized in other income on the Consolidated Statements of Earnings.

The lease payments expected to be received over the next five fiscal years for owned properties are:

(in millions of Canadian dollars)	**Operating Lease Payments to be Received**
2026	**$ 9**
2027	**7**
2028	**4**
2029	**3**
2030	**2**
Thereafter	**14**
Total	**$ 39**

The Company recorded $58 million (May 4, 2024 - $63 million) of sublease income of which $4 million (May 4, 2024 - $7 million) was contingent rent received which has been recognized in selling and administrative expenses on the Consolidated Statements of Earnings.

The lease payments expected to be received over the next five fiscal years for subleased properties are:

(in millions of Canadian dollars)	**Operating Lease Payments to be Received**
2026	**$ 72**
2027	**61**
2028	**49**
2029	**38**
2030	**29**
Thereafter	**137**
Total	**$ 386**

Note 10 Investment property

Investment property is primarily comprised of commercial properties owned by the Company held for income generating purposes, rather than for the principal purpose of the Company's operating activities.

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Cost		
Opening balance	**$ 181**	$ 187
Additions	**1**	2
Transfers and adjustments	**6**	4
Disposals and write-downs	**(1)**	(12)
Closing balance	**$ 187**	$ 181
Accumulated depreciation		
Opening balance	**$ 23**	$ 20
Depreciation	**2**	2
Transfers and adjustments	**(2)**	2
Disposals and write-downs	**-**	(1)
Impairment losses	**2**	-
Closing balance	**$ 25**	$ 23
Net carrying value	**$ 162**	$ 158
Fair value	**$ 283**	$ 283

The fair value of investment property is classified as Level 3 on the fair value hierarchy. The fair value represents the price that would be received to sell the assets in an orderly transaction between market participants at the measurement date.

An external, independent valuation company, having appropriate recognized professional qualifications and experience, assisted management in determining the fair value of certain investment properties chosen from a rotating sample each year at May 3, 2025 and May 4, 2024. Additions to investment property through acquisition are transacted at fair value, therefore, carrying value equals fair value at the time of acquisition. Properties reclassified from property and equipment are valued for disclosure purposes using comparable market information or the use of an external independent valuation company.

Note 11 Intangibles

May 3, 2025 *(in millions of Canadian dollars)*	Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Other	Total
Cost						
Opening balance	**$ 721**	**$ 187**	**$ 300**	**$ 595**	**$ 267**	**$ 2,070**
Additions and transfers	**-**	**10**	**1**	**131**	**(15)**	**127**
Disposals and write-downs	**-**	**(8)**	**-**	**(28)**	**(29)**	**(65)**
Closing balance	**$ 721**	**$ 189**	**$ 301**	**$ 698**	**$ 223**	**$ 2,132**
Accumulated amortization and impairment						
Opening balance	**$ 32**	**$ 117**	**$ 217**	**$ 218**	**$ 138**	**$ 722**
Amortization	**-**	**12**	**19**	**77**	**10**	**118**
Disposals, write-downs and transfers	**-**	**(7)**	**-**	**(29)**	**(43)**	**(79)**
Impairment losses	**-**	**-**	**-**	**-**	**12**	**12**
Closing balance	**$ 32**	**$ 122**	**$ 236**	**$ 266**	**$ 117**	**$ 773**
Net carrying value	**$ 689**	**$ 67**	**$ 65**	**$ 432**	**$ 106**	**$ 1,359**

May 4, 2024 *(in millions of Canadian dollars)*	Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Other	Total
Cost						
Opening balance	$ 721	$ 174	$ 301	$ 564	$ 267	$ 2,027
Additions and transfers	-	20	-	62	3	85
Disposals and write-downs	-	(7)	(1)	(31)	(3)	(42)
Closing balance	$ 721	$ 187	$ 300	$ 595	$ 267	$ 2,070
Accumulated amortization and impairment						
Opening balance	$ 32	$ 111	$ 199	$ 183	$ 126	$ 651
Amortization	-	12	19	76	14	121
Disposals, write-downs and transfers	-	(6)	(1)	(41)	(2)	(50)
Closing balance	$ 32	$ 117	$ 217	$ 218	$ 138	$ 722
Net carrying value	$ 689	$ 70	$ 83	$ 377	$ 129	$ 1,348

Included in other intangibles at May 3, 2025 are liquor licenses of $6 million (May 4, 2024 - $10 million). These licenses have options to renew and it is the Company's intention to renew these licenses at each renewal date indefinitely. Therefore, cash inflows are expected to be generated at each store location for which the license is valid, and these assets are considered to have indefinite useful lives. Also included in other intangibles as at May 3, 2025 are the following amounts: loyalty programs - $12 million (May 4, 2024 - $12 million), lease rights - $12 million (May 4, 2024 - $15 million) and private labels - $60 million (May 4, 2024 - $60 million). The Company has determined that brand names with a net carrying value of $689 million (May 4, 2024 - $689 million) have indefinite useful lives. All intangibles with indefinite useful lives relate to the Food retailing segment. Impairment of these intangibles is assessed at least annually on the same basis as goodwill (Note 12). Impairment losses of $ nil were recorded in selling and administrative expenses during the year ended May 3, 2025 (May 4, 2024 - $ nil).

Impairment of intangibles with finite useful lives follows the same methodology as property and equipment (Note 3(q)). Impairment losses of $12 million were recorded in selling and administrative expenses during the year May 3, 2025 (May 4, 2024 - $ nil).

Note 12 Goodwill

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Opening balance	**$ 2,064**	$ 2,067
Additions from business acquisitions	**6**	5
Disposals	**(15)**	(8)
Closing balance	**$ 2,055**	$ 2,064

Goodwill arising from business acquisitions is allocated at the lowest level within the organization at which it is monitored by management to make business decisions and is not higher than an operating segment before aggregation. Therefore, goodwill has been allocated to the following operating segments within the Food retailing segment:

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Sobeys National	**$ 1,056**	$ 1,065
Farm Boy	**541**	541
Longo's	**458**	458
Total	**$ 2,055**	$ 2,064

Impairment testing of goodwill and indefinite life intangibles

The Company tests goodwill and indefinite-life intangible assets for impairment annually or more frequently if indicators of impairment are identified.

The Company completed its impairment test of groups of CGUs to which goodwill and indefinite life intangibles (Note 11) relates, during the third quarter of fiscal 2025 and concluded there was no impairment (May 4, 2024 - $ nil).

In performing the impairment test for 2025, the Company determined the recoverable amount of the CGUs, to which goodwill and indefinite life intangible assets relates, based on FVLCD for Sobeys National, Farm Boy and Longo's and concluded there was no impairment (May 4, 2024 - $ nil).

Farm Boy and Longo's operating segments were measured using discounted cash flow projections, based on cash flow forecasts for the next fiscal year. Cash flow growth is based on projections for new retail sites as well as growth rates of 2.0% to 5.0% for existing sites. The key assumptions related to the cash flow projections used in the calculations are revenue and gross margin forecasts for five or ten years and terminal growth rates to extrapolate cash flow projections beyond the period covered by the most recent forecasts.

The key assumptions used in the estimation of the recoverable amounts under the FVLCD model for each group of CGUs to which goodwill and indefinite intangibles relates are as follows:

	2025	2024
After-tax discount rate	**7.6% to 8.2%**	8.0% to 8.5%
Terminal growth rate	**2.0 %**	2.0 %

The key assumptions related to the cash flow projections used in the calculations are revenue and gross margin forecasts for five to ten years and terminal growth rates to extrapolate cash flow projections beyond the period covered by the most recent forecasts.

The key assumptions used by management to determine the fair value of the CGU for the Sobeys National operating segment includes industry earnings multiples in a range from 7.0 to 14.0 (May 4, 2024 - 6.0 to 14.0).

The assumptions are considered to be Level 3 in the fair value hierarchy.

Sensitivity analysis of reasonably possible changes to each key assumption has been calculated independently. Simultaneous changes to more than one assumption may increase or reduce the impact on excess carrying value. If the discount rate were to increase for the Longo's CGU by 0.5%, the carrying value of the CGU would exceed the reasonable range for the recoverable amounts.

Note 13 Income taxes

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory tax rate as a result of the following:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Earnings before income taxes	**$ 995**	$ 1,029
Effective combined statutory income tax rate	**26.4 %**	26.4 %
Income tax expense according to combined statutory income tax rate	**263**	272
Income taxes resulting from:		
Non-deductible items	**1**	1
Non-taxable items	**(8)**	4
Change in tax rates and tax rate differential	**(3)**	-
Benefit of investment tax credits	**(4)**	(6)
Revaluation of tax estimates	**-**	(2)
Other	**-**	(3)
Total income tax expense, combined effective tax rate of 25.0% (May 4, 2024 - 25.8%)	**$ 249**	$ 266

Current year income tax expense attributable to net earnings consists of:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Current tax expense	**$ 215**	$ 170
Deferred tax expense (recoveries)		
Origination and reversal of temporary differences	**34**	98
Change in tax rates	**-**	(2)
Total	**$ 249**	$ 266

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

May 3, 2025 *(in millions of Canadian dollars)*	Opening Balance	Recognized in: OCI and Equity	Recognized in: Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ (1)	$ -	$ 8	$ 7
Employee future benefits	43	3	(3)	43
Goodwill and intangibles	(106)	-	(25)	(131)
Inventory	8	-	-	8
Investments	(46)	1	1	(44)
Lease liabilities	1,653	-	25	1,678
Long-term debt	(2)	-	3	1
Other assets	(1)	-	-	(1)
Other long-term liabilities	5	(1)	1	5
Property, equipment and investment property	(114)	-	(22)	(136)
Provisions	28	-	(9)	19
Partnership deferral reserve	6	-	(2)	4
Right-of-use assets and lease receivables	(1,447)	-	(18)	(1,465)
Tax loss carry forwards	15	-	6	21
Other	(1)	-	-	(1)
	$ 40	$ 3	$ (35)	$ 8
Recognized as:				
Deferred tax assets	$ 305	$ 3	$ (38)	$ 270
Deferred tax liabilities	$ (265)	$ -	$ 3	$ (262)

May 4, 2024 *(in millions of Canadian dollars)*	Opening Balance	Recognized in: OCI and Equity	Recognized in: Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ 13	$ -	$ (14)	$ (1)
Employee future benefits	44	1	(2)	43
Goodwill and intangibles	(49)	-	(57)	(106)
Inventory	6	-	2	8
Investments	(35)	-	(11)	(46)
Lease liabilities	1,626	-	27	1,653
Long-term debt	-	-	(2)	(2)
Other assets	(1)	-	-	(1)
Other long-term liabilities	3	(1)	3	5
Property, equipment and investment property	(86)	-	(28)	(114)
Provisions	20	-	8	28
Partnership deferral reserve	5	-	1	6
Right-of-use assets and lease receivables	(1,428)	-	(19)	(1,447)
Tax loss carry forwards	18	-	(3)	15
Other	-	-	(1)	(1)
	$ 136	$ -	$ (96)	$ 40
Recognized as:				
Deferred tax assets	$ 405	$ -	$ (100)	$ 305
Deferred tax liabilities	$ (269)	$ -	$ 4	$ (265)

As at May 3, 2025, the Company had approximately $73 million of Canadian non-capital tax loss carry forwards which expire between fiscal 2035 and 2045. The remaining deductible temporary differences do not expire under current income tax legislation. All deferred tax assets (including tax losses and other tax credits) have been recognized in the Consolidated Balance Sheets as it is probable that future taxable income will be available to the Company to utilize the benefits of those assets. The amount of net deferred tax assets and deferred tax liabilities that are expected to be recovered or settled beyond the next 12 months is an asset of $35 million.

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

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Unrealized gains on derivatives designated as cash flow hedges	**$ 1**	$ 1
Share of other comprehensive (losses) gains of investments, at equity	**(1)**	-
Actuarial losses on defined benefit plans	**(3)**	(1)
Total	**$ (3)**	$ -

Note 14 Provisions

May 3, 2025 *(in millions of Canadian dollars)*	**Legal**	**Environmental**	**Restructuring**	**Total**
Opening balance	**$ 10**	**$ 34**	**$ 58**	**$ 102**
Provisions made	**4**	**1**	**35**	**40**
Provisions used	**(5)**	**(8)**	**(41)**	**(54)**
Provisions reversed	**(1)**	**(1)**	**(8)**	**(10)**
Change due to discounting	**-**	**1**	**1**	**2**
Closing balance	**$ 8**	**$ 27**	**$ 45**	**$ 80**
Current	**$ 8**	**$ 1**	**$ 37**	**$ 46**
Non-current	**-**	**26**	**8**	**34**
Total	**$ 8**	**$ 27**	**$ 45**	**$ 80**

Legal costs

As at May 3, 2025 legal provisions relate to claims of $8 million that arose in the ordinary course of business.

Environmental costs

In accordance with legal and environmental policy requirements, the Company has recorded provisions for locations requiring environmental restoration. These provisions relate to decommissioning liabilities recorded for fuel station locations owned by the Company and other sites where restoration will be incurred at the net present value of the estimated future remediation costs. Discounting of environmental-related provisions has been calculated using pre-tax discount rate of 6.0%.

Restructuring

Restructuring provisions relate to the Company's initiatives to simplify organizational structure and reduce costs including a reorganization of the management structure and the voluntary buyout of certain unionized employees. As a result of these initiatives, restructuring provisions made and used for the year ended May 3, 2025 were $35 million and $41 million respectively. These costs have been recorded in selling and administrative expenses on the Consolidated Statements of Earnings. Discounting of restructuring provisions has been calculated using a pre-tax discount rate of 7.0%.

Note 15 Long-term debt

(in millions of Canadian dollars)	**May 3, 2025**	May 4, 2024
First mortgage loan, interest rate 5.11%, due 2033	**$ 3**	$ 4
Medium term notes, Series D, interest rate 6.06% due October 29, 2035	**175**	175
Medium term notes, Series E, interest rate 5.79% due October 6, 2036	**125**	125
Medium term notes, Series F, interest rate 6.64%, due June 7, 2040	**150**	150
Notes payable and other debt primarily at interest rates fluctuating with the prime rate, due 2026 - 2036 (May 4, 2024 due 2025 - 2036)	**162**	158
Credit facility, due on demand, interest rate fluctuates with the Canadian prime rate	**82**	64
Credit facility, due June 20, 2025, floating interest tied to the Canadian prime rate or CORRA	**120**	-
Credit facilities, expiring November 4, 2027, floating interest tied to Canadian prime rate, bankers' acceptance rates or CORRA	**268**	422
	1,085	1,098
Interest payable on credit facilities	**(1)**	-
Unamortized transactions costs	**(2)**	(2)
	1,082	1,096
Less amount due within one year	**225**	114
	$ 857	$ 982

First mortgage loans are secured by land, buildings and specific charges on certain assets. Medium term notes are unsecured.

Sobeys' amended and restated senior, unsecured revolving term credit agreement dated November 3, 2022, in the amount of $650 million, with a maturity date of November 4, 2027, was amended on June 24, 2024 for updated Canadian Overnight Repo Rate Average ("CORRA"). As of May 3, 2025, the outstanding amount of this facility was $215 million (May 4, 2024 - $368 million) and the Company has issued $69 million (May 4, 2024 - $60 million) in letters of credit against the facility. Interest payable on this facility fluctuates with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

The Company's amended and restated senior, unsecured revolving term credit agreement date November 3, 2022, in the amount of $150 million with a maturity date of November 4, 2027, was amended on June 24, 2024 for updated CORRA. As of May 3, 2025, the outstanding amount of this facility was $53 million (May 4, 2024 - $54 million). Interest payable on this facility may fluctuate with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

Pursuant to an agreement dated June 21, 2024, Sobeys entered into a senior, unsecured non-revolving term credit agreement in the amount of $120 million, with a maturity date of June 20, 2025. As of May 3, 2025, the outstanding amount of this facility was $120 million. Interest payable on this facility fluctuates with changes in the Canadian prime rate or CORRA.

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.

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

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Opening balance	**$ 1,096**	$ 1,012
Issuance of long-term debt	**98**	97
Advance on non-revolving credit facility	**120**	-
Repayments of long-term debt	**(94)**	(100)
(Repayments) advances on revolving credit facilities, net	**(138)**	87
Total cash flows (used in) from long-term debt financing activities	**(14)**	84
Closing balance	**$ 1,082**	$ 1,096
Current	**$ 225**	$ 114
Non-current	**857**	982
Total	**$ 1,082**	$ 1,096

Principal debt retirement in each of the next five fiscal years is as follows:

(in millions of Canadian dollars)	
2026	$ 225
2027	9
2028	275
2029	7
2030	6
Thereafter	563

Note 16 Other long-term liabilities

(in millions of Canadian dollars)	**Note**	**May 3, 2025**	**May 4, 2024**
Non-controlling interest liabilities	27	**$ 293**	$ 280
Deferred vendor allowances		**9**	5
Deferred revenue		**4**	5
Other		**6**	5
		312	295
Less amount due within one year		**33**	-
		$ 279	$ 295

Note 17 Employee future benefits

The Company has several defined contribution, defined benefit and multi-employer plans providing pension and other post-retirement benefits to most of its employees.

Defined contribution pension plans

The contributions required by the employee and the employer are included in the plan terms in the plan text. The employee's pension depends on the level of retirement income achieved with the combined total of employee and employer contributions and investment income over the period of plan membership and annuity purchase rates at the time of the employee's retirement.

Defined benefit pension plans

The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employee contributions, if required, fund part of the cost of the benefit and employer contributions fund the balance. The employer contributions are not specified or defined within the pension plan text, but are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation.

The defined benefit plans typically expose the Company to actuarial risks such as interest rate risk, mortality risk and salary risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate that reflects the average yield, as at the measurement date, on high-quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high-quality corporate bonds will increase the Company's defined benefit liability.

Mortality risk

The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salary of the plan participants. An increase in the salary of plan participants will increase the plan's liability.

The Company uses either January 1, June 30 or December 31 as an actuarial valuation date and May 1 as a measurement date for accounting purposes, for its defined benefit pension plans.

	Most Recent Valuation Date	Next Valuation Date
Retirement pension plans	December 31, 2022	December 31, 2025
Senior management pension plans	June 30, 2024	June 30, 2027
Other benefit plans	January 1, 2025	January 1, 2028

Multi-employer plans

The Company participates in various multi-employer pension plans which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. Approximately 11% of employees in the Company and of its franchisees and affiliates participate in these plans. Defined benefit multi-employer pension plans are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements. The contributions made by the Company to multi-employer plans are expensed as contributions are due.

During the year ended May 3, 2025, the Company recognized an expense of $37 million (May 4, 2024 - $38 million) in selling and administrative expense which represents the contributions made in connection with multi-employer pension plans. During fiscal 2026, the Company expects to continue to make contributions to these multi-employer pension plans.

Other benefit plans

The Company also offers certain employee post-retirement and post-employment benefit plans which are not funded and include health care, life insurance and dental benefits.

Defined contribution plans

The total expense, and cash contributions, for the Company's defined contribution plans was $40 million for the year ended May 3, 2025 (May 4, 2024 - $37 million).

Defined benefit plans

Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans		Other Benefit Plans		Total	
(in millions of Canadian dollars)	May 3 2025	May 4 2024	May 3 2025	May 4 2024	May 3 2025	May 4 2024
Defined benefit obligation						
Balance, beginning of year	**$ 532**	$ 582	**$ 89**	$ 87	**$ 621**	$ 669
Current service costs, net of employee contributions	**1**	1	**2**	2	**3**	3
Interest costs	**26**	26	**4**	4	**30**	30
Benefits paid	**(43)**	(47)	**(5)**	(5)	**(48)**	(52)
Remeasurement - actuarial losses (gains) included in other comprehensive income	**31**	(30)	**2**	1	**33**	(29)
Balance, end of year	**$ 547**	$ 532	**$ 92**	$ 89	**$ 639**	$ 621
Plan assets						
Fair value, beginning of year	**$ 461**	$ 502	**$ -**	$ -	**$ 461**	$ 502
Interest income on plan assets	**23**	23	**-**	-	**23**	23
Remeasurement gains (losses) on plan assets (excluding amount in net interest)	**22**	(32)	**-**	-	**22**	(32)
Employer contributions	**16**	15	**5**	5	**21**	20
Benefits paid	**(43)**	(47)	**(5)**	(5)	**(48)**	(52)
Administrative costs	**(2)**	-	**-**	-	**(2)**	-
Fair value, end of year	**$ 477**	$ 461	**$ -**	$ -	**$ 477**	$ 461

	Pension Benefit Plans		Other Benefit Plans		Total	
(in millions of Canadian dollars)	May 3 2025	May 4 2024	May 3 2025	May 4 2024	May 3 2025	May 4 2024
Funded status						
Total fair value of plan assets	**$ 477**	$ 461	**$ -**	$ -	**$ 477**	$ 461
Present value of unfunded obligations	**(70)**	(71)	**(92)**	(89)	**(162)**	(160)
Present value of partially funded obligations	**(477)**	(461)	**-**	-	**(477)**	(461)
Accrued benefit liabilities	**$ (70)**	$ (71)	**$ (92)**	$ (89)	**$ (162)**	$ (160)

	Pension Benefit Plans		Other Benefit Plans		Total	
(in millions of Canadian dollars)	May 3 2025	May 4 2024	May 3 2025	May 4 2024	May 3 2025	May 4 2024
Expenses						
Current service costs, net of employee contributions	**$ 1**	$ 1	**$ 2**	$ 2	**$ 3**	$ 3
Net interest on net defined benefit liability	**3**	3	**4**	4	**7**	7
Administrative costs	**2**	1	**-**	-	**2**	1
Expenses	**$ 6**	$ 5	**$ 6**	$ 6	**$ 12**	$ 11

Current and past service costs have been recognized in selling and administrative expenses, whereas interest costs and return on plan assets (excluding amounts in net interest costs) have been recognized in finance costs, net on the Consolidated Statements of Earnings.

Remeasurement effects recognized in other comprehensive loss:

	Pension Benefit Plans		Other Benefit Plans		Total	
(in millions of Canadian dollars)	**May 3 2025**	**May 4 2024**	**May 3 2025**	**May 4 2024**	**May 3 2025**	**May 4 2024**
(Return) loss on plan assets (excluding amounts in net interest)	**$ (22)**	$ 32	**$ -**	$ -	**$ (22)**	$ 32
Actuarial loss (gain) - experience changes	**3**	(1)	**-**	5	**3**	4
Actuarial gain - demographic assumptions	**-**	-	**(2)**	-	**(2)**	-
Actuarial loss (gain) - financial assumptions	**28**	(29)	**4**	(4)	**32**	(33)
Total	**$ 9**	$ 2	**$ 2**	$ 1	**$ 11**	$ 3

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions):

	Pension Benefit Plans		Other Benefit Plans	
	May 3, 2025	**May 4, 2024**	**May 3, 2025**	**May 4, 2024**
Discount rate	**4.6 %**	5.2 %	**4.7 %**	5.2 %
Rate of compensation increase	**3.0 %**	3.5 %		

For measurement purposes, a 4.5% annual rate of increase in the per capita cost of covered health care benefits was assumed (May 4, 2024 - 4.5%). The cumulative rate expectation to 2026 and thereafter is 4.5%.

These assumptions were developed by management with consideration of expert advice provided by independent actuarial appraisers. These assumptions are used in the determination of the Company's defined benefit obligations and should be regarded as management's best estimate. The actual outcome may vary. Estimation uncertainties exist, in particular regarding medical cost trends, which may vary significantly in future appraisals of the Company's obligations.

The following table outlines the sensitivity of the fiscal 2025 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on accrued benefit obligations or benefit plan expenses.

	Pension Benefit Plans		Other Benefit Plans	
(in millions of Canadian dollars)	**Benefit Obligations**	**Benefit Cost(1)**	**Benefit Obligations**	**Benefit Cost(1)**
Discount rate(2)	4.7 %	4.7 %	4.7 %	4.7 %
Impact of: 1% increase	$ (50)	$ (2)	$ (8)	$ -
Impact of: 1% decrease	$ 60	$ 2	$ 10	$ -
Growth rate of health care costs			4.5 %	4.5 %
Impact of: 1% increase			$ 3	$ -
Impact of: 1% decrease			$ (3)	$ -

(1) Reflects the impact on the current service cost, interest cost and net interest on defined benefit liability (asset).
(2) Based on weighted average of discount rates related to all plans.

The asset mix of the defined benefit pension plans as at year end is as follows:

	May 3, 2025	May 4, 2024
Fixed income funds	**99.3 %**	99.3 %
Net working capital	**0.7 %**	0.7 %
Total investments	**100.0 %**	100.0 %

All the securities are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities, or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The actual return (loss) on plan assets was $44 million for the year ended May 3, 2025 (May 4, 2024 - ($10) million).

Management's estimate of contributions expected to be paid to the defined benefit pension plans during the annual period beginning on May 4, 2025 and ending on May 2, 2026 is $7 million. The actual amount of contributions may vary from the estimated depending on the funded positions of the plan, filing of any actuarial valuations, and any new regulatory requirements or other factors.

Note 18 Capital stock

Under the normal course issuer bid ("NCIB") with the TSX from July 2, 2023 to July 1, 2024, the Company purchased 10,004,868 (July 1, 2023 - 10,500,000) Non-Voting Class A shares at a weighted average price of $35.31 (July 1, 2023 - $36.18) for total consideration of $353 million (July 1, 2023 - $380 million).

On June 19, 2024, the Company renewed its NCIB by filing notice of intention with the TSX to purchase for cancellation up to 12,800,000 Non-Voting Class A shares representing approximately 9.9% of the public float of Non-Voting Class A shares outstanding. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price the Company will pay for any such shares will be the market price at the time of acquisition. Purchases were eligible to commence on July 2, 2024 and will terminate not later than July 1, 2025. As of May 3, 2025, the Company purchased 8,909,039 Non-Voting Class A shares (May 4, 2024 - 9,025,893) under this filing at a weighted average price of $41.24 (May 4, 2024 - $35.53) for a total consideration of $367 million (May 4, 2024 - $321 million).

The following table reflects shares repurchased under the NCIB:

(in millions of Canadian dollars, except per share amounts)	May 3, 2025	May 4, 2024
Number of shares	**9,888,014**	11,301,318
Weighted average price per share	**$ 40.46**	$ 35.40
Reduction of share capital	**$ 128**	$ 136
Premium charged to retained earnings	**272**	264
Cash consideration paid	**$ 400**	$ 400

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

On June 20, 2024, the Canadian government enacted new legislation, implementing a 2.0% tax on repurchases of equity. The tax, effective January 1, 2024, applies to the net value of shares repurchased by any Canadian corporation whose shares are listed on a designated stock exchange. As a result, the Company has recognized $11 million as a charge to retained earnings on the Consolidated Balance Sheets for the repurchase of shares.

Subsequent to the year ended May 3, 2025, the Company purchased for cancellation 973,542 Non-Voting Class A shares at a weighted average price of $51.37 for a total consideration of $50 million.

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

	Number of Shares	
Authorized	**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

	Number of Shares		Share Capital	
(in millions of Canadian dollars, except share amounts)	**May 3, 2025**	**May 4, 2024**	**May 3, 2025**	**May 4, 2024**
Issued and outstanding				
Balance, beginning of year, Non-Voting Class A shares	**143,932,071**	155,164,908	**$ 1,773**	$ 1,908
Repurchase of common shares	**(9,888,014)**	(11,301,318)	**(128)**	(136)
Issuance of shares for stock-based compensation	**443,962**	68,481	**9**	1
Balance, end of year, Non-Voting Class A shares	**134,488,019**	143,932,071	**$ 1,654**	$ 1,773
Class B common shares, without par value	**98,138,079**	98,138,079	**$ 7**	$ 7
Shares held in trust	**(38,341)**	(39,042)	**(1)**	(1)
Total capital stock			**$ 1,660**	$ 1,779

Under certain circumstances, where an offer (as defined in the share conditions) is made to purchase Class B common shares, the holders of the Non-Voting Class A shares shall be entitled to receive a follow-up offer at the highest price per share paid, pursuant to such offer to purchase Class B common shares.

During the year ended May 3, 2025, the Company paid common dividends of $190 million (May 4, 2024 - $180 million) to Empire's equity holders. This represents a payment of $0.80 per share (May 4, 2024 - $0.73 per share). The Company also paid dividends of $2 million (May 4, 2024 - $2 million) to non-controlling interest shareholders.

The Company has established a trust fund to facilitate the purchase of Non-Voting 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 Non-Voting Class A shares purchased are held by TSX Trust Company as trustee. The trust fund is an SE 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:

	Number of Shares		Share Capital	
(in millions of Canadian dollars, except share amounts)	**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

Note 19 Segmented information

The Company's reportable segments are Food retailing and Investments and other operations. The Food retailing segment is comprised of three operating segments: Sobeys National, Farm Boy and Longo's. These operating segments have been aggregated into one reportable segment, Food retailing, as they all share similar economic characteristics such as product offerings, customer base and distribution methods. Food retailing consists of corporate and franchisee-owned retail food stores, and includes convenience and fuel stores, retail pharmacy stores and in-store pharmacies, providing customers offerings in fresh and non-fresh grocery, fuel, pharmacy, health and beauty care and general merchandise. The Investments and other operations segment principally consists of investments in Crombie REIT, real estate partnerships and various other corporate operations.

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

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

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

All sales and cost of sales are generated by the Food retailing segment. The Company’s sales, by type of goods, are reconciled to total sales below:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Food sales	**$ 29,338**	$ 28,661
Fuel sales	**1,939**	2,072
Sales	**$ 31,277**	$ 30,733

Management assesses performance based on operating income where income attributable to the Investments and other operations segment is generated through its Share of earnings from investments, at equity which is disclosed separately on the Consolidated Statements of Earnings. Other income and Selling and administrative expenses which are also disclosed separately on the Consolidated Statements of Earnings, are primarily attributable to the Food retailing segment. Significant components of selling and administrative expenses are depreciation and amortization which is disclosed on the Consolidated Statements of Cash Flows, and employee benefits expenses, which is disclosed in Note 21. Cost of sales is disclosed on the Consolidated Statements of Earnings and in Note 4.

Operating income generated by each of the Company’s business segments is summarized as follows:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Segment operating income		
Food retailing	**$ 1,234**	$ 1,265
Investments and other operations		
Crombie REIT	**65**	44
Real estate partnerships	**16**	13
Other operations, net of corporate expenses	**(26)**	(11)
	55	46
Total	**$ 1,289**	$ 1,311

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

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Total segment operating income	**$ 1,289**	$ 1,311
Finance costs, net	**294**	282
Earnings before income taxes	**$ 995**	$ 1,029

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Total assets by segment		
Food retailing	**$ 16,234**	$ 16,010
Investments and other operations	**785**	780
Total	**$ 17,019**	$ 16,790

Note 20 Other income

(in millions of Canadian dollars)	Note	May 3, 2025	May 4, 2024
Net gains on disposal of net assets		**$ 57**	$ 108
Net gains on lease modifications and terminations		**18**	39
Lease income from owned property		**15**	16
Other	29	**-**	17
Total other income		**$ 90**	$ 180

During the year ended May 3, 2025, the Company sold and leased back a property from a third party. Total proceeds from the transaction were $90 million, of which $79 million was received in cash, resulting in a pre-tax gain of $39 million.

During the year ended May 4, 2024, Empire completed the sale of its 56 retail fuel sites in Western Canada between a wholly owned subsidiary of Sobeys and Canadian Mobility Services Limited, a wholly owned subsidiary of Shell Canada. Total proceeds from this transaction were $100 million, resulting in a pre-tax gain of $91 million.

Note 21 Employee benefits expense

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Wages, salaries and other short-term employment benefits	**$ 4,099**	$ 3,870
Post-employment benefits	**43**	41
Termination benefits	**5**	53
Total	**$ 4,147**	$ 3,964

Note 22 Finance costs, net

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Finance income		
Interest income on lease receivables	**$ 24**	$ 23
Fair value gains on forward contracts	**6**	3
Interest income from cash and cash equivalents	**2**	4
Accretion income on leases and other receivables	**2**	1
Total finance income	**34**	31
Finance costs		
Interest expense on lease liabilities	**260**	241
Interest expense on other financial liabilities at amortized cost	**59**	63
Pension finance costs, net	**7**	7
Accretion expense on provisions	**2**	2
Total finance costs	**328**	313
Finance costs, net	**$ 294**	$ 282

Note 23 Earnings per share

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

(in millions of Canadian dollars, except per share amounts)	**May 3, 2025**	May 4, 2024
Weighted average number of shares - basic	**237,909,547**	247,972,270
Shares deemed to be issued for no consideration in respect of stock-based payments	**705,871**	469,818
Weighted average number of shares - diluted	**238,615,418**	248,442,088
Earnings per share		
Earnings attributable to Owners of the Company	**$ 700**	$ 726
Basic weighted average number of shares outstanding (in millions)	**237.9**	248.0
Basic earnings per share	**$ 2.94**	$ 2.92
Diluted weighted average number of shares outstanding (in millions)	**238.6**	248.4
Diluted earnings per share	**$ 2.93**	$ 2.92

Note 24 Supplementary cash flow information

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

(in millions of Canadian dollars)	**May 3, 2025**	May 4, 2024
Receivables	**$ 10**	$ 6
Inventories	**(56)**	(21)
Prepaid expenses	**(11)**	(32)
Accounts payable and accrued liabilities	**104**	(40)
Other	**(20)**	7
Net change in non-cash working capital	**$ 27**	$ (80)

Note 25 Business acquisitions

During the year ended May 3, 2025, the Company completed the acquisitions of certain franchise and non-franchise stores. The results of these acquisitions have been included in the consolidated financial results of the Company since their acquisition dates and were accounted for through the use of the acquisition method.

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

(in millions of Canadian dollars)	**May 3, 2025**	May 4, 2024
Inventories	**$ 5**	$ 7
Property, equipment and investment property	**5**	7
Goodwill	**6**	5
Accounts payable and accrued liabilities	**(1)**	-
Total consideration	**$ 15**	$ 19

From the date of acquisition, the businesses acquired contributed sales of $87 million (May 4, 2024 - $46 million) and net loss of $ nil (May 4, 2024 - $(3) million) which are included in the Consolidated Financial Statements.

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

Note 26 Guarantees, commitments and contingencies

Guarantees

Franchisees and affiliates

Sobeys is party to several franchise and operating agreements as part of its business model. These agreements contain clauses which require Sobeys to provide support to franchisee and affiliate operators to offset or mitigate retail store losses, reduce store rental payments, minimize the impact of promotional pricing and assist in covering other store related operating expenses. Not all of the financial support noted above will apply in each instance as the provisions of the agreements vary. Sobeys will continue to provide financial support pursuant to the franchise and operating agreements in future years.

During fiscal 2009, Sobeys entered into an additional credit enhancement contract in the form of a standby letter of credit for certain franchisees and affiliates for the purchase and installation of equipment. Under the terms of the contract, should franchisees and affiliates be unable to fulfil their lease obligations or provide an acceptable remedy, Sobeys would be required to fund the greater of $6 million or 10.0% (May 4, 2024 - $6 million or 10.0%) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to provide a letter of credit in the amount of the outstanding guarantee, to be renewed each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain franchisees and affiliates. As at May 3, 2025, the amount of the guarantee was $6 million (May 4, 2024 - $6 million).

Other

At May 3, 2025, the Company had entered into letters of credit issued in an aggregate amount of $80 million (May 4, 2024 - $72 million) to support the Company’s obligations.

Sobeys, through its subsidiaries, has guaranteed the payment of obligations under certain commercial development agreements. As at May 3, 2025, the Company has guaranteed $40 million (May 4, 2024 - $40 million) in obligations related to these agreements.

Capital and other commitments

As at May 3, 2025, the Company had commitments for the acquisition of property and equipment and intangible assets for a total cost of $103 million (May 4, 2024 - $48 million). The Company also had other commitments for operational expenditures of $251 million.

The Company invests in ventures as part of its business operations strategy. These investments have varying funding commitments over the medium term of approximately $42 million (May 4, 2024 - $60 million).

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 the Company, however the Crown has filed Notice of Appeal and the hearing was held in May 2024. The court has not yet released its judgement.

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.

Note 27 Financial instruments

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, receivables, loans receivables, derivative contracts and guarantees.

The Company's maximum exposure to credit risk corresponds to the carrying amount for all cash and cash equivalents, loans and receivables, and guarantee contracts for franchisees and affiliates (Note 26).

The Company mitigates credit risk associated with its trade receivables and loans receivables through established credit approvals, limits and a regular monitoring process. The Company generally considers the credit quality of its financial assets that are neither past due or impaired to be adequate. The Company regularly monitors collection performance and pledged security for all of its receivables, and leases and loans receivables to ensure adequate payments are being received and adequate security is available. Pledged security can vary by agreement, but generally includes inventory, fixed assets including land and/or building as well as personal guarantees. Credit risk is further mitigated due to the large number of customers and their dispersion across geographic areas. The Company only enters into derivative contracts with counterparties that are dual rated by recognized credit rating agencies and have a credit rating of "A" or better to minimize credit risk.

Receivables are substantially comprised of balances due from independent accounts, franchisee or affiliate locations as well as rebates and allowances from vendors. The due date of these amounts can vary by agreement but in general balances over 30 days are considered past due. The aging of the receivables is as follows:

(in millions of Canadian dollars)	**May 3, 2025**	May 4, 2024
0 - 30 days	**$ 529**	$ 510
31 - 90 days	**29**	55
Greater than 90 days	**140**	141
Total receivables before allowance for credit losses	**698**	706
Less allowance for credit losses	**30**	28
Receivables	**$ 668**	$ 678

Interest earned on past due accounts is recorded as a reduction to selling and administrative expenses on the Consolidated Statements of Earnings. Receivables are classified as current on the Consolidated Balance Sheets as of May 3, 2025.

Allowance for credit losses is reviewed at each balance sheet date. An allowance is taken on receivables from independent accounts, as well as receivables, leases and other receivables from franchisee or affiliate locations and is recorded as a reduction to its respective receivable account on the Consolidated Balance Sheets. The change in allowance for credit losses is recorded as selling and administrative expenses on the Consolidated Statements of Earnings and is presented as follows:

(in millions of Canadian dollars)	**May 3, 2025**	May 4, 2024
Allowance, beginning of year	**$ 28**	$ 21
Provision for losses	**9**	9
Recoveries	**(2)**	-
Write-offs and adjustments	**(5)**	(2)
Allowance, end of year	**$ 30**	$ 28

Liquidity risk

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

The Company monitors capital markets and the related conditions and monitors its cash flows in order to assist in optimizing its cash position and evaluate longer term cash and funding requirements. Market conditions allowing, the Company will access debt capital markets for various long-term debt maturities and as other liabilities come due, or as assessed to be appropriate, in order to minimize risk and optimize pricing.

The following table summarizes the amount and the contractual maturities of both the interest and principal portion of significant financial liabilities on an undiscounted basis as at May 3, 2025:

(in millions of Canadian dollars)	2026	2027	2028	2029	2030	Thereafter	Total
Derivative financial liabilities							
Foreign currency swaps	$ 100	$ -	$ -	$ -	$ -	$ -	$ 100
Non-controlling interest liabilities	33	38	58	41	-	123	293
Non-derivative financial liabilities							-
Accounts payable and accrued liabilities	3,122	-	-	-	-	-	3,122
Long-term debt	253	37	250	35	34	765	1,374
Total	$ 3,508	$ 75	$ 308	$ 76	$ 34	$ 888	$ 4,889

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Company would receive to sell financial assets or pay to transfer financial liabilities in an orderly transaction between market participants at the measurement date.

The book value of cash and cash equivalents, receivables, current portion of leases and other receivables, and accounts payable and accrued liabilities approximates fair value at the balance sheet dates due to the short-term maturity of these instruments.

The book value of the long-term portion of leases and other receivables approximates fair value at the balance sheet dates due to the current market rates associated with these instruments.

The fair value of the variable rate long-term debt approximates its carrying amount based on current market rates and consistency of credit spread. The fair value of long-term debt has been estimated by discounting future cash flows at a rate offered for borrowings of similar maturities and credit quality.

The fair value of derivative financial assets and liabilities, classified as Level 2, is estimated using valuation models that utilize market based observable inputs. Management believes that its valuation technique is appropriate.

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

As part of the Farm Boy acquisition, members of the Farm Boy senior management team (the "Stakeholders"), retained a combined 12% interest in Farm Boy, resulting in a non-controlling interest. The parties entered into put and call options such that the Stakeholders could put, and Sobeys could call, the remaining 12% at any time after five years following the acquisition date. Since the date of acquisition, the Company recorded a financial put liability based on the present value of the amount payable on exercise of the put option in accordance with IFRS 9 "Financial instruments". On January 6, 2024, the Company received formal notice from the Stakeholders exercising their put options. During the year ended May 4, 2024, the Company acquired the remaining 12% non-controlling interest in Farm Boy for $77 million and the put option liability was settled in cash.

There were no transfers between classes of the fair value hierarchy during the years ended May 3, 2025 and May 4, 2024.

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

(in millions of Canadian dollars)	May 3, 2025	May 4, 2024
Long-term debt		
Total carrying amount	**$ 1,082**	$ 1,096
Total fair value	**$ 1,135**	$ 1,133

As at May 3, 2025, the fair value hierarchy includes financial assets at FVTPL of $ nil, $8 million and $ nil for Levels 1, 2 and 3, respectively (May 4, 2024 - $ nil, $5 million and $ nil).

As at May 3, 2025, the fair value hierarchy includes financial liabilities at FVTPL of $ nil, $ nil and $293 million for Levels 1, 2 and 3, respectively (May 4, 2024 - $ nil, $ nil and $280 million).

Derivative financial instruments

Derivative financial instruments are recorded on the Consolidated Balance Sheets at fair value unless the derivative instrument is a contract to buy or sell a non-financial item in accordance with the Company's expected purchase, sale or usage requirements, referred to as a "normal purchase" or "normal sale". Changes in the fair values of derivative financial instruments are recognized in net earnings or loss unless it qualifies and is designated as an effective cash flow hedge or a normal purchase or normal sale. Normal purchases and normal sales are exempt from the application of the standard and are accounted for as executory contracts. Changes in fair value of a derivative financial instrument designated as a cash flow hedge are recorded in other assets and other long-term liabilities with the effective portion recorded in other comprehensive income or loss.

Cash flow hedges

The Company's cash flow hedges consist principally of foreign currency swaps, electricity sales agreements and natural gas sales agreements. Foreign exchange contracts are used to hedge future purchases or expenditures of foreign currency denominated goods or services. Electricity and natural gas sales agreements are used to mitigate the risk of changes in market prices of electricity and natural gas. Gains and losses are initially recognized directly in other comprehensive income or loss and are transferred to net earnings or loss when the forecast cash flows affect income or expense for the year.

As of May 3, 2025, the fair values of the outstanding derivatives designated as cash flow hedges of forecast transactions were assets of $8 million (May 4, 2024 - $5 million) and liabilities of $ nil (May 4, 2024 - $ nil).

Cash flows from cash flow hedges are expected to flow over fiscal 2026 and are expected to be recognized in net earnings or loss over this period, and, in the case of foreign currency swaps, over the life of the related debt in which a portion of the initial cost is being hedged.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Company to interest rate risk include financial liabilities with floating interest rates.

The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. A large portion of the Company's long-term debt is at fixed interest rates. Approximately 54.9% (May 4, 2024 - 53.5%) of the Company's long-term debt is exposed to interest rate risk due to floating rates.

Net earnings or loss is impacted by a change in interest rates on the average balance of interest-bearing financial liabilities during the year. For the year ended May 3, 2025, the Company's average outstanding unhedged floating rate debt was $598 million (May 4, 2024 - $564 million). An increase (decrease) of 25 basis points would have impacted net earnings by $1 million ($1) million (May 4, 2024 - $1 million ($1) million) as a result of the Company's exposure to interest rate fluctuations on its unhedged floating rate debt.

Foreign currency exchange risk

The Company conducts the vast majority of its business in Canadian dollars. The Company's foreign currency exchange risk principally relates to purchases made in U.S. dollars, Great British pounds and European euros. In addition, the Company also uses forward contracts to fix the exchange rate on some of its expected requirements for foreign currencies. Amounts received or paid related to instruments used to hedge foreign exchange, including any gains and losses, are recognized in the cost of purchases. The Company does not consider its exposure to foreign currency exchange risk to be material.

The Company has entered into foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to expenditures denominated in foreign currencies. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the forward contracts are accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in net earnings or loss in future accounting periods.

The Company estimates that a 10% increase (decrease) in applicable foreign currency exchange rates for these forwards and swaps would impact net earnings by $ nil ($ nil) (May 4, 2024 - $ nil ($ nil)) and other comprehensive income by $8 million ($8) million (May 4, 2024 - $14 million ($14) million) for foreign currency derivatives in place at year end.

Note 28 Stock-based compensation

Performance share unit plan

The Company awards performance share units ("PSUs") to certain employees. The number of PSUs that vest under an award is predominantly dependent on service over time and the achievement of specific performance measures. During the year ended May 3, 2025, the PSUs accounting changed from equity-settled to cash-settled as employees were given the option to choose between cash or share settled upon vesting, which results in a cash-settled liability. Upon vesting, each employee is entitled to receive cash or Non-Voting Class A shares equal to the number of their vested PSUs. During the year ended May 3, 2025, the Company granted 613,703 (May 4, 2024 - 423,338) PSUs.

At May 3, 2025, there were 829,522 (May 4, 2024 - 857,935) PSUs outstanding and the total carrying amount of the liability was $40 million (May 4, 2024 - $ nil). The compensation expense for the year ended May 3, 2025 related to PSUs was $31 million (May 4, 2024 - $4 million) and have been recorded in selling and administrative expenses on the Consolidated Statements of Earnings.

Stock option plan

During the year ended May 3, 2025, the Company granted nil (May 4, 2024 - 778,079) options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The compensation expense for the year ended May 3, 2025 related to the issuance of options was $6 million (May 4, 2024 - $5 million) and have been recorded in selling and administrative expenses on the Consolidated Statements of Earnings.

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:

	2025		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.

The following table summarizes information related to stock options outstanding at May 3, 2025:

	Options Outstanding			Options Exercisable	
	Number of Outstanding Options	Weighted Average Remaining Contractual Life(1)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Year Granted					
2018	20,242	0.15	$ 19.24	20,242	$ 19.24
2019	66,377	1.15	27.56	66,377	27.56
2020	1,185,748	2.15	31.34	310,748	31.35
2021	488,862	3.15	30.83	488,862	30.83
2022	470,318	4.15	42.07	333,609	42.08
2023	474,986	5.15	40.41	212,160	40.41
2024	676,532	6.15	34.61	149,633	34.61
Total	3,383,065	3.76	$ 34.54	1,581,631	$ 34.66

(1) Weighted average remaining contractual life is expressed in years.

Deferred stock unit plans

Deferred stock units ("DSUs") issued to employees, under the Executive DSU Plan, vest dependent on time and the achievement of specific performance measures. During the year ended May 3, 2025, the Company granted 235,943 (May 4, 2024 - 149,152) DSUs. At May 3, 2025, there were 1,536,368 (May 4, 2024 - 1,677,371) DSUs outstanding and the total carrying amount of the liability was $78 million (May 4, 2024 - $50 million). The compensation expense (recovery) for the year ended May 3, 2025 related to DSUs was $37 million (May 4, 2024 - $(5) million).

Members of the Board of Directors may elect to receive all or any portion of their fees in DSUs in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' or employees' fee payment date. During the year ended May 3, 2025, the Company granted 54,077 (May 4, 2024 - 55,634) DSUs. At May 3, 2025, there were 535,656 (May 4, 2024 - 481,579) DSUs outstanding and the total carrying amount of the liability was $27 million (May 4, 2024 - $16 million). During the year ended May 3, 2025, the compensation expense recorded was $12 million (May 4, 2024 - $1 million).

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

Note 29 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 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) (Note 9).

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

During the 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 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:

	May 3, 2025			**May 4, 2024**		
(in millions of Canadian dollars)	**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 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.

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:

(in millions of Canadian dollars)	**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

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.

Note 30 Capital management

The Company's objectives when managing capital are: (i) to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; (ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; (iii) to maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants; and (iv) to maintain an investment grade credit rating with each rating agency that assesses the credit worthiness of the Company. There have been no changes to the Company's objectives during the year ended May 3, 2025.

The Company monitors and makes adjustments to its capital structure, when necessary, in light of changes in economic conditions, the objectives of its shareholders, the cash requirements of the business and the condition of capital markets.

The Company considers its total capitalization to include all interest-bearing debt, including bank loans, long-term debt (including the current portion thereof), lease liabilities and shareholders' equity. The calculation is set out in the following table:

(in millions of Canadian dollars)	**May 3, 2025**	**May 4, 2024**
Long-term debt due within one year	**$ 225**	$ 114
Long-term debt	**857**	982
Lease liabilities due within one year	**597**	585
Long-term lease liabilities	**5,785**	5,680
Funded debt, including lease liabilities	**7,464**	7,361
Shareholders' equity, net of non-controlling interest	**5,410**	5,341
Capital under management	**$ 12,874**	$ 12,702

The primary investments undertaken by the Company include additions to the retail square footage of its store network through the construction of new, expanded and renovated stores, as well as additions from strategic acquisitions. These additions and modifications to the store network include related leasehold improvements and the purchase of land bank sites for future store construction. The Company makes capital investments in information technology, customer fulfilment centres, and its distribution capabilities. The Company largely relies on its cash flow from operations to fund its capital investment program as well as share repurchases and dividend distributions to its shareholders. The cash flow is supplemented, when necessary, through the incurrence of additional debt or the issuance of additional capital stock.

Under the terms of existing debt agreements, two financial covenants are monitored on a quarterly basis by management to ensure compliance with the agreements. The covenants are: (i) net debt/EBITDA - calculated as net debt, divided by EBITDA (as defined by the credit agreements and for the previous 52 weeks); and (ii) interest coverage ratio - calculated as EBITDA, divided by interest expense (as defined by the credit agreements and for the previous 52 weeks). The Company was in compliance with these covenants during the year.

Note 31 Subsequent events

Subsequent to the year ended May 3, 2025, on June 18, 2025, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 11,500,000 Non-Voting Class A shares representing approximately 9.6% of the public float of Non-Voting Class A shares outstanding. Purchases under the renewed NCIB may commence on July 2, 2025 and shall terminate no later than July 1, 2026.

Subsequent to the year ended May 3, 2025, on June 18, 2025, Sobeys amended its senior, unsecured non-revolving term credit facility in the amount of $120 million by extending its maturity date to June 19, 2026.

Shareholder and Investor Information

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Telephone: (902) 752-8371
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Affiliated Company Web Address

www.sobeyscorporate.com

Investor Relations and Inquiries

Shareholders, analysts and investors should direct their financial inquiries or requests to:

E-mail: investor.relations@empireco.ca

Communication regarding investor records for Non-Voting Class A shares, including changes of address or ownership, lost certificates or tax forms, should be directed to the Company's transfer agent and registrar, TSX Trust Company.

Transfer Agent

TSX Trust Company
Investor Correspondence
301-100 Adelaide Street W
Toronto, Ontario
M5H 4H1

Telephone: 1-800-387-0825
E-mail: shareholderinquiries@tmx.com

Multiple Mailings

If you have more than one account, you may receive a separate mailing for each. If this occurs, please contact TSX Trust Company at 1-800-387-0825 to eliminate the multiple mailings.

Shareholders' Annual General Meeting

September 11, 2025 at 11:00 a.m. (ADT)

Cineplex Cinemas
612 East River Road
New Glasgow, Nova Scotia

Dividend Record and Payment Dates for Fiscal 2026

Record Date	Payment Date
July 15, 2025	July 31, 2025
October 15, 2025*	October 31, 2025*
January 15, 2026*	January 30, 2026*
April 15, 2026*	April 30, 2026*

*Subject to approval by the Board of Directors.

Outstanding Shares

As at June 17, 2025	
Non-Voting Class A shares	133,899,087
Class B common shares, voting	98,138,079

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol

Non-Voting Class A shares – EMP.A

Solicitors

Stewart McKelvey
Halifax, Nova Scotia

Auditor

PricewaterhouseCoopers, LLP
Halifax, Nova Scotia

COMPANY LIMITED

www.empireco.ca