

empire

COMPANY LIMITED

Management's Discussion & Analysis

For the Fourth Quarter and Fiscal Year Ended May 2, 2026



Management's Discussion & Analysis

Table of Contents

1	Forward-Looking Information	1
2	Overview of the Business	3
2.1	Strategic Focus	3
2.2	Business Updates	4
3	Outlook	6
4	Summary Results - Fourth Quarter	7
4.1	Sales	8
4.2	Gross Profit	8
4.3	Operating Income	8
4.4	EBITDA	8
4.5	Depreciation and Amortization	8
4.6	Finance Costs	8
4.7	Income Taxes	9
4.8	Net Earnings	9
5	Operating Results - Full Year	10
5.1	Sales	11
5.2	Gross Profit	11
5.3	Operating Income	11
5.4	EBITDA	12
5.5	Depreciation and Amortization	12
5.6	Finance Costs	12
5.7	Income Taxes	12
5.8	Net Earnings	13
5.9	Adjusted Impacts on Net Earnings	13
6	Financial Performance by Segment	14
6.1	Food Retailing	14
6.2	Investments and Other Operations	15
7	Quarterly Results of Operations	15
8	Liquidity and Capital Resources	16
8.1	Operating Activities	16
8.2	Investing Activities	16
8.3	Capital Expenditures	17
8.4	Store Network Activity and Square Footage	17
8.5	Financing Activities	17
8.6	Free Cash Flow	18
8.7	Employee Future Benefit Obligations	18
8.8	Guarantees and Commitments	19
9	Consolidated Financial Condition	19
9.1	Key Financial Condition Measures	19
9.2	Shareholders' Equity	20
9.3	Normal Course Issuer Bid ("NCIB")	22
10	Accounting Standards and Policies	22
10.1	Standards, Amendments and Interpretations Issued but not yet Adopted	22
10.2	Critical Accounting Estimates	23
10.3	Disclosure Controls and Procedures	24
10.4	Internal Control Over Financial Reporting	25
11	Related Party Transactions	25
11.1	Crombie REIT	25
11.2	Key Management Personnel Compensation	26
11.3	Indemnities	26
12	Contingencies	26
13	Risk Management	26
14	Designation for Eligible Dividends	33
15	Non-GAAP Financial Measures & Financial Metrics	34
15.1	Financial Measures	34
15.2	Food Retailing Segment Adjustments Reconciliation	37
15.3	Quarterly Results of Operations Adjustment Reconciliation	38
15.4	Financial Metrics	38

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 2, 2026 compared to the fourth quarter and fiscal year ended May 3, 2025. 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 2, 2026 and the fiscal year ended May 3, 2025. 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. The information contained in this MD&A is current to June 17, 2026, 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 growing sales, gross margin (excluding fuel) and generating operating leverage, 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 plan to invest \$850 million capital in its network in fiscal 2027, including new store expansions and renovations and renovate approximately 20% to 25% of the network, between fiscal 2027 and fiscal 2029 which may 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 of the timing and completion of the Mayrand Food Group Inc. acquisition, which may be impacted by final closing conditions;
- The Company's expectation that it will improve overall e-commerce financial performance through actions it is pursuing to reduce costs and gain access to a larger segment of the grocery e-commerce market, including the amount and timing of improvements in annualized operating income of approximately \$95 million, which may be impacted by future operating costs, customer response and timing and effectiveness of Management's strategic decisions;
- The Company's expectation to reinvest approximately one-third of the \$95 million annualized e-commerce benefits into accelerating growth engines, which may be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;
- 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 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 successfully implement the national SAP S/4HANA Enterprise Resource Planning ("ERP") platform and the timing and consequences of implementation with full deployment expected to be substantially completed by the end of fiscal 2027, which may be impacted by risks relating to implementation resources and timelines, complexity of integration and data conversion, and evolving technology requirements;
- The Company's expectation that Other income plus Share of earnings from investments, at equity will in aggregate, be in a range of \$90 million to \$110 million in fiscal 2027, 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 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 regarding the Company's medium term growth expectations of 10 to 20 basis points for gross margin excluding fuel which may be impacted by factors including business mix, execution of the Company's initiatives and inflationary impacts;
- 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 repurchase for cancellation Non-Voting 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 \$32 billion in annual sales and \$17 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 130,000 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, IGA.net, and ThriftyFoods.com, and operates and/or supplies more than 350 retail fuel locations.

2.1 Strategic Focus

The Company's ambition is to be the best retailer in Canada, providing quality and value with differentiated offerings and seamless experiences, with a strong focus on serving local cultures in every community. Empire recently launched its new three-year corporate strategy which is anchored to four core priority focus areas: *Customers, Stores, Growth, and Cost Efficiency*. Empire's belief is that long-term success is driven not solely by scale or market presence, but by the quality of the relationships the teammates in stores build with customers and the experiences they consistently deliver.

The Company prides itself on being a family nurturing families and its purpose is to serve the grocery shopping needs of millions of Canadians across the country.

Technology is a critical enabler of Empire's strategy. Advanced analytics, artificial intelligence, and modern digital platforms are being applied thoughtfully across the business to enhance the customer experience, support better decision making and improve how Empire's teams work every day.

Through these four core priority focus areas, which will be enabled by Empire's people, data and technology, the Company aims to grow total adjusted EPS over the long-term through sustained net earnings growth and share repurchases. Specifically, the Company intends to continue growing sales, expanding gross margin (excluding fuel), and generating operating leverage.

Customers: Strengthening the Value Proposition:

Empire's primary focus is to serve its customers by delivering greater value across all formats and channels. The Company is enhancing its customer value proposition through optimized assortments, differentiated and localized offerings, expanded fresh and prepared foods supported by central kitchen investments, and deeper customer engagement through *Scene+*. Empire continues to leverage the unique strengths of each banner particularly in local and multicultural offerings to differentiate at scale, supported by advanced analytics, tools, and capabilities.

Stores: Driving Retail Performance:

Empire is focused on improving retail performance by elevating the in-store experience, simplifying operations, and optimizing store economics so that stores can focus on what matters most - serving customers. The Company also prioritizes continuing to invest in the strategic expansion, renovation, and maintenance of its store network.

Growth: Accelerating Profitable Expansion:

With strong foundational capabilities in place, Empire's focus is now on accelerating growth. This includes enhancing performance across its existing platforms (such as Pharmacy, E-commerce, and Retail Media) and pursuing strategic acquisitions and partnerships that complement its core grocery and pharmacy retail operations and support long-term value creation. Driving growth is also a priority within the Company's existing network through the customer experience, offering, and executional standards within the four walls of its stores.

Cost Efficiency: Strengthening Operating Discipline:

As Empire realizes the full cost savings benefits from investments and initiatives that have been implemented over recent years, the Company will continue to maintain a strong focus on cost discipline to improve bottom-line performance. By simplifying processes, driving efficiencies, and reducing complexity, Empire is well positioned to invest in high-value opportunities that will deliver the greatest impact for customers and shareholders.

2.2 Business Updates

E-commerce

During the third quarter of fiscal 2026, the Company performed an assessment of expected financial performance across its e-commerce network. Following its review, the Company provided an e-commerce update on January 28, 2026 focused on delivering immediate e-commerce earnings improvement while expanding its third-party delivery partnerships. Key elements of this update included the immediate wind-down and closure of the Calgary Customer Fulfilment Centre ("CFC") and its support facility in Edmonton which had not achieved expected financial or operational expectations, and the continued pause on development of the Vancouver CFC, as well as the expansion of its third-party delivery partnerships through a new collaboration with DoorDash.

During the third quarter of fiscal 2026 the Company recognized impairment losses and related pre-tax costs ("E-commerce Impairment") of \$746 million, which was recognized in the food retailing segment and has been recorded in impairment losses of long-lived assets and related charges on the Interim Condensed Consolidated Statements of Earnings. These costs include impairment of right-of-use ("ROU") assets, property and equipment and intangibles, and direct costs associated with the closure of the CFC including severance costs, one-time cash contract termination payments, and decommissioning costs. The total carrying amount of the cash generating units prior to impairment was \$724 million, while the estimated recoverable amount was \$126 million. This resulted in an impairment loss of \$409 million to ROU assets, including \$55 million in decommissioning costs, \$214 million to property and equipment and \$31 million to intangibles.

The Company will continue to leverage its Toronto and Montreal CFCs to support the e-commerce strategy in these areas with high density demand, with an emphasis on driving sales growth, and improving productivity and profitability. The Company's announcement of a new partnership with DoorDash expands the use of third-party delivery services to provide additional ways for customers to shop its stores online, and enhances its overall e-commerce offerings. This new partnership, along with the existing partnerships with Instacart and Uber Eats announced in fiscal 2025, 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, Foodland and Lawtons Drugs nationwide. The rollout of DoorDash was completed in the fourth quarter of fiscal 2026.

The Company has 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. The Company continues to work closely with Ocado, and continues to evaluate the e-commerce financial performance, remaining focused on pursuing strategic options to reduce costs and improve overall profitability. The Company expects an overall improvement in its e-commerce financial performance with annualized benefits of approximately \$95 million, largely driven by a reduction of operational losses from its Calgary CFC and reduction in future depreciation. Of this \$95 million, approximately one-third was identified to be reinvested in accelerating growth engines including technology investments. 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.

In the quarter ended May 2, 2026, the Company's e-commerce platforms Voilà (including curbside pickup), IGA.net, ThriftyFoods.com and partnerships with Instacart, Uber Eats, and DoorDash generated a combined sales increase of 6.0% compared to the same quarter in the prior year. The increase is primarily driven by growth in third-party partnership sales and continued sales growth for 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 *Scene+* program continues to expand their reward partners, broadening customer reach and strengthening the program's overall offering through increased earning and redemption opportunities. In the third quarter of fiscal 2026, Shell Canada Limited announced that it is joining the *Scene+* loyalty rewards program which launched in Alberta on March 3, 2026, and was rolled out nationwide on May 26, 2026. Members are now able to earn and redeem *Scene+* points at more than 1,400 Shell locations across Canada, including over 300 locations owned or supported by the Company in Québec and the Atlantic regions.

In the quarter ended May 2, 2026, Tangerine Bank announced the launch of its first rewards based credit card, powered by *Scene+*. Launched on April 22, 2026, the credit card will give Tangerine clients the ability to earn and redeem points at the Company's retail banners, including Sobeys, IGA, Safeway, Foodland, FreshCo and Voilà.

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.

Technology Platform

The Company is currently implementing a significant transformation of its core business systems by migrating the legacy ERP system to a modern national SAP S/4HANA platform. This implementation is a strategic investment aimed at centralizing the Company's ERP system to streamline financial reporting, procurement, and supply chain operations. The upgraded system will provide improved real-time data visibility, improved automation, and enhanced analytics capabilities, supporting more agile decision-making across the organization. The project is progressing according to plan, with full deployment expected to be substantially completed by the end of fiscal 2027.

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 across Ontario and Western Canada. In fiscal 2027, the Company will open its first FreshCo stores in Atlantic Canada.

As at June 17, 2026, FreshCo has a total of 161 FreshCo stores, 53 stores operating in Western Canada and 108 stores operating in Ontario. The Company expects to have opened 65 FreshCo stores in Western Canada over the next couple of years. In fiscal 2027, the Company expects to open approximately 15 new FreshCo stores across Western Canada, Ontario and Atlantic Canada.

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 118 years ago.

The Company published its 2025 Sustainable Business Report in July 2025, 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 31% as part of the Company's science-based climate targets, donating approximately 30 million pounds of surplus food to local charities through partnerships with Second Harvest, raising and donating nearly \$25 million to support health and wellness, and further embedding Diversity, Equity and Inclusion ("DE&I") initiatives with 92% of Directors and above setting DE&I performance and accountability goals.

The Sustainable Business Council ("SBC") plays a critical role in overseeing the Company's sustainability initiatives. The SBC is a functional group of senior business leaders with sustainability mandates whose purpose is to foster collaboration on sustainability commitments, key initiatives, and reporting disclosures.

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. We continue to assess potential Forest, Land and Agriculture ("FLAG") related targets for Scope 3, Category 1-purchased goods and services. We are collaborating with suppliers to collect the information required for FLAG emissions calculations and ensure we take a thoughtful approach.

Mayrand Food Group Inc. Acquisition

In the quarter ended May 2, 2026, the Company, and its wholly-owned subsidiary Sobeys, announced it has entered into an agreement to acquire Mayrand Food Group Inc., a long-established Québec food retailer operating four large-format locations across the Greater Montréal Area. Subsequent to the year ended May 2, 2026, the Company received the required court approval and regulatory approval for the transaction. The transaction is expected to close during the first quarter of fiscal 2027.

Pension Group Annuity Buy-Out

In the quarter ended May 2, 2026, the Company initiated a group annuity buy-out for its inactive defined benefit pension members of certain pension plans, for a total premium of \$335 million. On May 5, 2026, the pension assets and related pension liabilities of \$357 million were derecognized, resulting in a pre-tax settlement gain of \$22 million, to be recognized in the first quarter of fiscal 2027.

3 Outlook

The objective of the Company is to be the best retailer in Canada, through its four priority focus areas: Customers, Stores, Growth, and Cost Efficiency. Through these focus areas, which will be enabled by Empire's people, data and technology, the Company aims to grow total adjusted EPS over the long-term through net earnings and share repurchases. The Company intends to continue growing sales, gross margin (excluding fuel) and generating operating leverage. Empire will focus on strengthening the value proposition for its customers, driving retail performance within its stores, accelerating profitable expansion growth, and continue to execute strong cost control.

The outcome of the Company's e-commerce review is expected to improve overall e-commerce financial performance with improvements in annualized operating income of approximately \$95 million, which began in the fourth quarter of fiscal 2026 and will continue into fiscal 2027 and beyond. The Company is intensifying its focus on increasing customer engagement, cost discipline, operational efficiencies and accelerating execution.

For fiscal 2027, capital spend is expected to be approximately \$850 million, with approximately half of this investment allocated to renovations and new store expansion (including approximately 1.5% growth in store footprint expansion driven by new stores), approximately 25% allocated to IT and business development projects and the remainder allocated largely to logistics and sustainability. The Company expects to renovate approximately 20% to 25% of its store network between fiscal 2027 and fiscal 2029.

During fiscal 2027, 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 \$90 million to \$110 million (fiscal 2026 - \$129 million).

In the quarter ended May 2, 2026, the Company's internal food inflation continued 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 January 31, 2026. 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.

4 Summary Results - Fourth Quarter

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	\$ Change	% Change
Sales	\$ 7,807	\$ 7,637	\$ 170	2.2 %
Gross profit ⁽¹⁾	2,152	2,109	43	2.0 %
Operating income	347	313	34	10.9 %
Adjusted operating income ⁽²⁾	347	313	34	10.9 %
EBITDA ⁽¹⁾	644	599	45	7.5 %
Adjusted EBITDA ⁽²⁾	644	599	45	7.5 %
Finance costs, net	73	75	(2)	(2.7)%
Income tax expense	53	60	(7)	(11.7)%
Non-controlling interest	9	5	4	80.0 %
Net earnings ⁽³⁾	212	173	39	22.5 %
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	212	173	39	22.5 %
Basic earnings per share				
Net earnings ⁽³⁾	\$ 0.94	\$ 0.74	\$ 0.20	27.0 %
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	\$ 0.94	\$ 0.74	\$ 0.20	27.0 %
Basic weighted average number of shares outstanding (millions)	226.1	233.9	(7.8)	(3.3)%
Diluted earnings per share				
Net earnings ⁽³⁾	\$ 0.94	\$ 0.74	\$ 0.20	27.0 %
Adjusted net earnings ⁽²⁾⁽³⁾	\$ 0.94	\$ 0.74	\$ 0.20	27.0 %
Diluted weighted average number of shares outstanding (millions)	226.5	234.8	(8.3)	(3.5)%
Dividend per share	\$ 0.22	\$ 0.20	\$ 0.02	10.0 %

	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks
Gross margin ⁽¹⁾	27.6 %	27.6 %
EBITDA margin ⁽¹⁾	8.2 %	7.8 %
Adjusted EBITDA margin ⁽²⁾	8.2 %	7.8 %
Same-store sales ⁽¹⁾ growth	1.7 %	3.0 %
Same-store sales ⁽¹⁾ growth - food	1.5 %	3.8 %
Same-store sales ⁽¹⁾ growth (decline) - fuel	5.0 %	(7.8)%
Effective income tax rate	19.3 %	25.2 %

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

(2) There are no adjustments to operating income, EBITDA, or net earnings in the fourth quarter of fiscal 2025 or fiscal 2026.

(3) Attributable to owners of the Company.

The following table provides a breakdown of the Company's total sales:

<i>(in millions of Canadian dollars)</i>	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	\$ Change	% Change
Food sales	\$ 7,337	\$ 7,189	\$ 148	2.1 %
Fuel sales	470	448	22	4.9 %

Empire Company Limited Operating Results

4.1 Sales

Food sales for the quarter ended May 2, 2026 increased by 2.1%, primarily driven by positive growth across the business, particularly in the Full-Service and Discount banners and the Company's national wholesale distribution network.

Fuel sales for the quarter ended May 2, 2026 increased by 4.9%, primarily driven by higher fuel prices.

4.2 Gross Profit

Gross profit for the quarter ended May 2, 2026 increased by 2.0% primarily driven by higher food sales, strong performance and operational discipline in Full-Service and Discount banners.

Gross margin for the quarter ended May 2, 2026 remained consistent with the prior year at 27.6%. Excluding the mix impact of fuel sales, gross margin for the quarter ended May 2, 2026 increased by 1 basis point.

4.3 Operating Income

<i>(in millions of Canadian dollars)</i>	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	\$ Change
Food retailing	\$ 322	\$ 307	\$ 15
Investments and other operations:			
Crombie REIT	13	11	2
Real estate partnerships	15	1	14
Other operations, net of corporate expenses	(3)	(6)	3
	25	6	19
Operating income	\$ 347	\$ 313	\$ 34

For the quarter ended May 2, 2026, operating income from the Food retailing segment increased mainly due to higher sales and gross profit, partially offset by higher selling and administrative expenses and an increase in depreciation and amortization.

For the quarter ended May 2, 2026, operating income from the Investments and other operations segment increased primarily as a result of the realization of foreign exchange on the wind up of real estate partnerships.

4.4 EBITDA

For the quarter ended May 2, 2026, EBITDA increased to \$644 million from \$599 million in the prior year mainly as a result of higher sales and gross profit, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased mainly due to higher retail and supply chain labour costs, and continued investment in business expansion (FreshCo & Farm Boy). The increases were partially offset by lower incentive program expenses and accruals which were elevated in the prior year by an increase in the share price and a decrease in expenses related to Voilà driven by the closure of the Calgary CFC. EBITDA margin increased to 8.2% (May 3, 2025 - 7.8%).

4.5 Depreciation and Amortization

For the quarter ended May 2, 2026, depreciation and amortization increased to \$297 million from \$286 million in the prior year mainly as a result of new lease agreements and higher ROU depreciation.

4.6 Finance Costs

For the quarter ended May 2, 2026, net finance costs decreased by (2.7)%, as a result of a decrease in interest expense on other financial liabilities at amortized cost.

4.7 Income Taxes

For the quarter ended May 2, 2026, the effective income tax rate was 19.3% compared to 25.2% in the same quarter in the prior year. The effective tax rate was lower than the statutory rate primarily due to non-taxable capital items, and the benefits of investment tax credits, partially offset by a change in deferred tax assets not recognized and the revaluation of tax estimates, not all of which are recurring. The effective tax rate in the same quarter last year was lower than the statutory rate due to the benefits of investment tax credits and the revaluation of tax estimates, not all of which are recurring.

4.8 Net Earnings

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026	May 3, 2025	\$ Change
	13 Weeks	13 Weeks	
Net earnings ⁽¹⁾	\$ 212	\$ 173	\$ 39
EPS (fully diluted)	\$ 0.94	\$ 0.74	\$ 0.20
Diluted weighted average number of shares outstanding (in millions)	226.5	234.8	(8.3)

(1) Attributable to owners of the Company.

5 Operating Results - Full Year

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026	May 3, 2025	May 4, 2024	2026 Compared to 2025	
	52 Weeks	52 Weeks	52 Weeks	\$ Change	% Change
Sales	\$ 31,950	\$ 31,277	\$ 30,733	\$ 673	2.2 %
Gross profit	8,664	8,382	8,071	282	3.4 %
Operating income	586	1,289	1,311	(703)	(54.5)%
Adjusted operating income ⁽¹⁾	1,332	1,303	1,256	29	2.2 %
EBITDA ⁽¹⁾	1,754	2,409	2,382	(655)	(27.2)%
Adjusted EBITDA ⁽¹⁾	2,500	2,423	2,327	77	3.2 %
Finance costs, net	278	294	282	(16)	(5.4)%
Income tax expense	62	249	266	(187)	(75.1)%
Non-controlling interest	48	46	37	2	4.3 %
Net earnings ⁽²⁾	198	700	726	(502)	(71.7)%
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	747	711	681	36	5.1 %
Basic earnings per share					
Net earnings ⁽²⁾	\$ 0.86	\$ 2.94	\$ 2.92	\$ (2.08)	(70.7)%
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	\$ 3.25	\$ 2.99	\$ 2.75	\$ 0.26	8.7 %
Basic weighted average number of shares outstanding (millions)	229.7	237.9	248.0	(8.2)	(3.4)%
Diluted earnings per share					
Net earnings ⁽²⁾	\$ 0.86	\$ 2.93	\$ 2.92	\$ (2.07)	(70.6)%
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	\$ 3.24	\$ 2.98	\$ 2.74	\$ 0.26	8.7 %
Diluted weighted average number of shares outstanding (millions)	230.4	238.6	248.4	(8.2)	(3.4)%
Dividend per share	\$ 0.88	\$ 0.80	\$ 0.73	\$ 0.08	10.0 %
<hr/>					
	May 2, 2026	May 3, 2025	May 4, 2024		
	52 Weeks	52 Weeks	52 Weeks		
Gross margin ⁽¹⁾	27.1 %	26.8 %	26.3 %		
EBITDA margin ⁽¹⁾	5.5 %	7.7 %	7.8 %		
Adjusted EBITDA margin ⁽¹⁾	7.8 %	7.7 %	7.6 %		
Same-store sales ⁽¹⁾ growth	1.4 %	1.9 %	1.3 %		
Same-store sales growth ⁽¹⁾ - food	1.9 %	2.3 %	2.0 %		
Same-store sales decline ⁽¹⁾ - fuel	(6.6)%	(4.2)%	(7.4)%		
Effective income tax rate	20.1 %	25.0 %	25.8 %		

(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.

The following table provides a breakdown of the Company's total sales:

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025		
	52 Weeks	52 Weeks	\$ Change	% Change
Food sales	\$ 30,145	\$ 29,338	\$ 807	2.8 %
Fuel sales	1,805	1,939	(134)	(6.9)%

Empire Company Limited Operating Results

5.1 Sales

Food sales for the fiscal year ended May 2, 2026 increased by 2.8% primarily driven by positive growth across the business, particularly in the Full-Service banners, the Company's national wholesale distribution network, and in the Discount banner.

Fuel sales for the fiscal year ended May 2, 2026 decreased by 6.9% driven by lower fuel prices due to the removal of the government carbon tax.

5.2 Gross Profit

Gross profit for the fiscal year ended May 2, 2026 increased by 3.4% primarily driven by higher food sales and strong performance and operational discipline in Full-Service and Discount banners.

Gross margin for the fiscal year ended May 2, 2026 increased to 27.1% from 26.8% in the prior year, primarily driven by strong performance in Full-Service and Discount banners as a result of disciplined execution and several targeted efficiencies in our stores, including initiatives aimed at inventory control and reducing shrink, and better promotional mix control and the mix impact of lower fuel sales, partially offset by the mix impact of higher wholesale distribution sales.

Excluding the mix impact of fuel sales, gross margin was 14 basis points higher than in prior year which is consistent with the Company's medium term growth expectations of 10-20 basis points.

5.3 Operating Income

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	\$ Change
	52 Weeks	52 Weeks	
Food retailing	\$ 508	\$ 1,234	\$ (726)
Investments and other operations:			
Crombie REIT	51	65	(14)
Real estate partnerships	37	16	21
Other operations, net of corporate expenses	(10)	(26)	16
	78	55	23
Operating income	\$ 586	\$ 1,289	\$ (703)
Adjustments:			
E-commerce Impairment ⁽¹⁾	746	-	746
E-commerce Exclusivity ⁽¹⁾	-	12	(12)
Restructuring ⁽¹⁾	-	2	(2)
	746	14	732
Adjusted operating income ⁽²⁾	\$ 1,332	\$ 1,303	\$ 29

(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 2, 2026, operating income from the Food retailing segment decreased mainly due to the E-Commerce Impairment during the third quarter of fiscal 2026, higher selling and administration expenses, an increase in depreciation and amortization in the current year, partially offset by higher sales and gross profit.

For the fiscal year ended May 2, 2026, operating income from the Investments and other operations segment increased primarily as a result of the realization of foreign exchange on real estate partnerships.

5.4 EBITDA

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	\$ Change
	52 Weeks	52 Weeks	
EBITDA ⁽¹⁾	\$ 1,754	\$ 2,409	\$ (655)
Adjustments:			
E-commerce Impairment ⁽²⁾	746	-	746
E-commerce Exclusivity ⁽²⁾	-	12	(12)
Restructuring ⁽²⁾	-	2	(2)
	746	14	732
Adjusted EBITDA ⁽¹⁾	\$ 2,500	\$ 2,423	\$ 77

(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 2, 2026, EBITDA decreased to \$1,754 million from \$2,409 million in the prior year mainly as a result of the E-commerce Impairment and an increase in selling and administrative expenses. Selling and administrative expenses increased mainly due to higher retail and supply chain labour costs, continued investment in business expansion (FreshCo and Farm Boy), and investment in stores, tools, technology, and projects, partially offset by lower incentive program expenses and accruals which were elevated in the prior year by an increase in the share price. Adjusted EBITDA margin increased to 7.8% from 7.7% in the prior year.

5.5 Depreciation and Amortization

For the fiscal year ended May 2, 2026, depreciation and amortization increased to \$1,168 million from \$1,120 million in the prior year mainly as a result of new lease agreements and higher ROU depreciation.

5.6 Finance Costs

For the fiscal year ended May 2, 2026, net finance costs decreased from the prior year mainly as a result of higher finance income, driven primarily by higher interest income on long-term receivables and fair value gains on forward contracts.

5.7 Income Taxes

The effective income tax rate for the fiscal year ended May 2, 2026 was 20.1% compared to 25.0% last year. The current year effective tax rate was lower than the statutory rate primarily due to non-taxable capital items, the benefits of investment tax credits, and consolidated structured entities that are taxed at lower rates, partially offset by a change in deferred tax assets not recognized and the revaluation of tax estimates, not all of which are recurring. The effective tax rate in the prior year was lower than the statutory rate primarily due to non-taxable capital items, consolidated structured entities that are taxed at lower rates, and the benefits of investment tax credits.

5.8 Net Earnings

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026	May 3, 2025	\$ Change
	52 Weeks	52 Weeks	
Net earnings ⁽¹⁾	\$ 198	\$ 700	\$ (502)
EPS ⁽²⁾ fully diluted	\$ 0.86	\$ 2.93	\$ (2.07)
Adjustments ⁽³⁾ (net of income taxes):			
E-commerce Impairment ⁽⁴⁾	549	-	549
E-commerce Exclusivity ⁽⁴⁾	-	9	(9)
Restructuring ⁽⁴⁾	-	2	(2)
	549	11	538
Adjusted net earnings ⁽¹⁾⁽⁴⁾⁽⁵⁾	\$ 747	\$ 711	\$ 36
Adjusted EPS ⁽¹⁾⁽²⁾ (fully diluted)	\$ 3.24	\$ 2.98	\$ 0.26
Diluted weighted average number of shares outstanding (in millions)	230.4	238.6	(8.3)

(1) Attributable to owners of the Company.

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

(3) Total adjustments for the fiscal year ended are net of income taxes of \$197 million (May 3, 2025 - \$4 million).

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

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

5.9 Adjusted Impacts on Net Earnings

Adjustments Impacting Fiscal 2026, Fiscal 2025, & Fiscal 2024 Net Earnings

In the third quarter of fiscal 2026, the Company recognized an E-commerce Impairment related to its e-commerce network following an assessment of its expected financial performance. Following this assessment, the Company made a decision to immediately wind-down and close the Calgary CFC and its support facility in Edmonton and continue to pause on development of the Vancouver CFC. These costs include impairment of ROU assets, property and equipment and intangibles, and direct costs associated with the closure of the CFC including severance costs, one-time cash contract termination payments, and decommissioning costs. As a result, the impact to net earnings during the fiscal year ended May 2, 2026 was \$(549) million (May 3, 2025 - \$ nil).

In the first quarter of fiscal 2025, the Company took 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 incurred a non-cash charge related to ending the exclusivity. The impact to net earnings for the fiscal year ended May 2, 2026 was \$ nil (May 3, 2025 - \$(9) million).

In the first quarter of fiscal 2024, Empire began to pursue strategies to optimize its organization, improve efficiencies and reduce costs including changes to its leadership team and organizational structure and the voluntary buyout of certain unionized employees (the "Restructuring"). The Company included in adjusted metrics the adjustment for restructuring costs. The impact to net earnings for the fiscal year ended May 2, 2026 was \$ nil (May 3, 2025 - \$(2) million) (May 4, 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 4, 2024 was \$25 million.

In the first quarter of fiscal 2024, 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 4, 2024 was a recovery of \$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 quarters and fiscal years ended May 2, 2026, May 3, 2025 and May 4, 2024.

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.

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024	2026 Compared to 2025	
	13 Weeks	13 Weeks	13 Weeks	\$ Change	% Change
Sales	\$ 7,807	\$ 7,637	\$ 7,412	\$ 170	2.2 %
Gross profit	2,152	2,109	2,006	43	2.0 %
Operating income	322	307	280	15	4.9 %
Adjusted operating income ⁽¹⁾	322	307	286	15	4.9 %
EBITDA ⁽¹⁾	619	593	546	26	4.4 %
Adjusted EBITDA ⁽¹⁾	619	593	552	26	4.4 %
Net earnings ⁽²⁾	193	169	144	24	14.2 %
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	193	169	149	24	14.2 %

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024	2026 Compared to 2025	
	52 Weeks	52 Weeks	52 Weeks	\$ Change	% Change
Sales	\$ 31,950	\$ 31,277	\$ 30,733	\$ 673	2.2 %
Gross profit	8,664	8,382	8,071	282	3.4 %
Operating income	508	1,234	1,265	(726)	(58.8)%
Adjusted operating income ⁽¹⁾	1,254	1,248	1,210	6	0.5 %
EBITDA ⁽¹⁾	1,676	2,354	2,337	(678)	(28.8)%
Adjusted EBITDA ⁽¹⁾	2,422	2,368	2,282	54	2.3 %
Net earnings ⁽²⁾	146	659	712	(513)	(77.8)%
Adjusted net earnings ⁽¹⁾⁽²⁾⁽³⁾	695	670	668	25	3.7 %

(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.

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

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.

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024
	52 Weeks	52 Weeks	52 Weeks
Sales growth	2.2%	1.8%	0.8%
Same-store sales growth	1.4%	1.9%	1.3%
Same-store sales ⁽¹⁾ growth - food	1.9%	2.3%	2.0%
Same-store sales ⁽¹⁾ decline - fuel	(6.6)%	(4.2)%	(7.4)%
Return on equity ⁽¹⁾	3.7%	14.7%	16.4%
Adjusted return on equity ⁽¹⁾	16.4%	15.0%	15.4%
Funded debt to total capital ⁽¹⁾	66.0%	62.8%	62.9%
Funded debt to adjusted EBITDA ⁽¹⁾	3.1x	3.1x	3.2x
Acquisitions of property, equipment, investment property and intangibles	\$ 829	\$ 776	\$ 800

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

6.2 Investments and Other Operations

<i>(in millions of Canadian dollars)</i>	May 2, 2026 52 Weeks	May 3, 2025 52 Weeks	\$ Change
Crombie REIT	\$ 51	\$ 65	\$ (14)
Real estate partnerships	37	16	21
Other operations, net of corporate expenses	(10)	(26)	16
Operating income	\$ 78	\$ 55	\$ 23

For the fiscal year ended May 2, 2026, operating income from the Investments and other operations segment increased primarily as a result of the realization of foreign exchange on real estate partnerships.

7 Quarterly Results of Operations

<i>(in millions of Canadian dollars, except per share amounts)</i>	Fiscal 2026				Fiscal 2025			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	May 2, 2026 13 Weeks	Jan 31, 2026 13 Weeks	Nov 1, 2025 13 Weeks	Aug 2, 2025 13 Weeks	May 3, 2025 13 Weeks	Feb 1, 2025 13 Weeks	Nov 2, 2024 13 Weeks	Aug 3, 2024 13 Weeks
Sales	\$ 7,807	\$ 7,890	\$ 7,995	\$ 8,258	\$ 7,637	\$ 7,725	\$ 7,778	\$ 8,137
Operating income (loss)	347	(438)	295	382	313	288	319	369
Adjusted operating income ⁽¹⁾	347	308	295	382	313	288	319	383
EBITDA ⁽²⁾	644	(144)	583	671	599	564	601	645
Adjusted EBITDA ⁽¹⁾⁽²⁾	644	602	583	671	599	564	601	659
Net earnings (loss) ⁽³⁾	212	(385)	159	212	173	146	173	208
Adjusted net earnings ⁽¹⁾⁽³⁾	212	164	159	212	173	146	173	219
Per share information, basic								
Net earnings (loss) ⁽³⁾	\$ 0.94	\$ (1.68)	\$ 0.69	\$ 0.91	\$ 0.74	\$ 0.62	\$ 0.73	\$ 0.86
Adjusted net earnings ⁽¹⁾⁽³⁾	\$ 0.94	\$ 0.72	\$ 0.69	\$ 0.91	\$ 0.74	\$ 0.62	\$ 0.73	\$ 0.90
Basic weighted average number of shares outstanding (millions)	226.1	228.8	230.8	232.3	233.9	236.4	238.5	241.9
Per share information, diluted								
Net (loss) earnings ⁽³⁾⁽⁴⁾	\$ 0.94	\$ (1.68)	\$ 0.69	\$ 0.91	\$ 0.74	\$ 0.62	\$ 0.72	\$ 0.86
Adjusted net earnings ⁽¹⁾⁽³⁾	\$ 0.94	\$ 0.72	\$ 0.69	\$ 0.91	\$ 0.74	\$ 0.62	\$ 0.72	\$ 0.90
Diluted weighted average number of shares outstanding (millions)	226.5	229.3	231.4	233.4	234.8	237.2	239.1	242.3

(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) 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.

(4) Due to a net loss in the third quarter of fiscal 2026, diluted and basic loss per share are the same, as the inclusion of additional shares would have been anti-dilutive.

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. In the quarter ended January 31, 2026, the Company recognized an impairment loss which had a significant impact on operating income, EBITDA and net earnings.

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 2, 2026.

<i>(in millions of Canadian dollars)</i>	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	May 2, 2026 52 Weeks	May 3, 2025 52 Weeks
Cash flows from operating activities	\$ 470	\$ 685	\$ 1,911	\$ 2,127
Cash flows used in investing activities	(42)	(166)	(550)	(597)
Cash flows used in financing activities	(466)	(425)	(1,355)	(1,505)
(Decrease) increase in cash and cash equivalents	\$ (38)	\$ 94	\$ 6	\$ 25

8.1 Operating Activities

Cash flows from operating activities for the quarter ended May 2, 2026 decreased versus prior year primarily as a result of changes in non-cash working capital, the settlement of provisions for the direct costs associated with the closure of the Calgary CFC, and an increase in income taxes paid. The working capital changes are impacted primarily by changes in accounts payable and accrued liabilities, receivables and inventory compared to the prior year.

Cash flows from operating activities for the fiscal year ended May 2, 2026 decreased versus prior year primarily driven as a result of changes in non-cash working capital and an increase in income taxes. The working capital changes are impacted by changes in accounts payables and accrued liabilities, receivables, and inventories compared to the prior year.

8.2 Investing Activities

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	May 2, 2026 52 Weeks	May 3, 2025 52 Weeks
Increase in equity investments	\$ (7)	\$ (11)	\$ (25)	\$ (26)
Acquisitions of property, equipment, investment property and intangibles	(223)	(200)	(831)	(777)
Proceeds on disposal of assets ⁽¹⁾ and lease modifications and terminations	149	28	206	149
Leases and other receivables, net	(4)	(21)	16	(22)
Other assets	1	1	(6)	(8)
Other liabilities	15	10	8	4
Business acquisitions	-	-	(6)	(15)
Payments received for finance subleases	27	27	86	96
Interest received	-	-	2	2
Cash flows used in investing activities	\$ (42)	\$ (166)	\$ (550)	\$ (597)

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

Cash used in investing activities for the quarter ended May 2, 2026 decreased versus prior year primarily due to an increase in proceeds on disposal of assets and lease modifications and terminations, partially offset by an increase in capital investments and intangibles.

Cash used in investing activities for the fiscal year ended May 2, 2026 decreased slightly versus prior year primarily due to an increase in proceeds on disposal of assets and lease modifications and terminations and a decrease in leases and other receivables, partially offset by an increase in capital investments and intangibles.

8.3 Capital Expenditures

The Company invested \$260 million and \$842 million in capital expenditures⁽¹⁾ for the quarter and fiscal year ended May 2, 2026 (May 3, 2025 - \$233 million and \$721 million), respectively including renovations and construction of new stores, investments in advanced analytics technology and other technology systems.

In fiscal 2027, capital expenditures are expected to be approximately \$850 million, with approximately 50% of this investment allocated to store renovations and new store expansion (including approximately 1.5% growth in store footprint expansion driven by new stores), approximately 25% on IT projects and business development projects and the remainder allocated largely to logistics and sustainability. The Company is planning to renovate approximately 20% to 25% of the network between fiscal 2027 and fiscal 2029.

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

8.4 Store Network Activity and Square Footage

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

	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	May 2, 2026 52 Weeks	May 3, 2025 52 Weeks
<i>(Number of stores)</i>				
Opened/relocated/acquired ⁽¹⁾	8	4	22	20
Opened - FreshCo ⁽²⁾	2	-	5	1
Opened - Farm Boy	1	-	2	3
Closed - pending conversion ⁽¹⁾	1	-	2	-
Closed ⁽¹⁾	2	2	26	32
Closed - pending conversion to FreshCo ⁽²⁾	2	-	2	-
Closed - pending conversion to Farm Boy	-	-	1	1

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

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

The following table shows Sobeys' square footage changes:

	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks
<i>Square feet (in thousands)</i>		
Opened	200	118
Closed - pending conversion	(28)	-
Closed	(49)	(57)
Net change before the impact of the expansion of Farm Boy and FreshCo	123	61
Opened - FreshCo ⁽¹⁾	70	-
Closed - pending conversion to FreshCo ⁽¹⁾	(82)	-
Opened - Farm Boy	31	-
Net change	142	61

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

At May 2, 2026, the Company's retail space totalled 43.4 million square feet, a 0.8% increase compared to 43.1 million square feet at May 3, 2025.

8.5 Financing Activities

Cash used in financing activities for the quarter ended May 2, 2026 increased versus prior year mainly due to an increase in payments of lease liabilities, partially offset by a decrease in repayments on the revolving credit facility agreement.

For the fiscal year ended May 2, 2026, cash used in financing activities decreased versus prior year primarily due to an increase in issuance of long-term debt, partially offset by a decrease in advances on non-revolving credit facility and an increase in payments of lease liabilities.

8.6 Free Cash Flow

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025		May 2, 2026	May 3, 2025	
	13 Weeks	13 Weeks	\$ Change	52 Weeks	52 Weeks	\$ Change
Cash flows from operating activities	\$ 470	\$ 685	\$ (215)	\$ 1,911	\$ 2,127	\$ (216)
Add:						
Proceeds on disposal of assets ⁽¹⁾ and lease modifications and terminations	149	28	121	206	149	57
Less:						
Interest paid	(19)	(19)	-	(58)	(59)	1
Payments of lease liabilities, net of payments received for finance subleases	(256)	(176)	(80)	(751)	(712)	(39)
Acquisitions of property, equipment, investment property and intangibles	(223)	(200)	(23)	(831)	(777)	(54)
Free cash flow⁽²⁾	\$ 121	\$ 318	\$ (197)	\$ 477	\$ 728	\$ (251)

(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 2, 2026, free cash flow decreased versus prior year primarily as a result of a decrease in cash flows from operating activities, higher payments of lease liabilities, net of payments received from finance subleases and an increase in capital investments and intangibles, partially offset by an increase in proceeds on disposal of assets and lease modifications and terminations. The decrease in cash flows from operating activities is driven by working capital changes, the settlement of provisions for the direct costs associated with the closure of the Calgary CFC and an increase in income taxes paid.

For the fiscal year ended May 2, 2026, free cash flow decreased versus prior year primarily as a result of a decrease in cash flows from operating activities, an increase in capital investments and intangibles and higher payments of lease liabilities net of payments received for finance subleases, partially offset by an increase in proceeds on disposal of assets and lease modifications and terminations. The decrease in cash flows from operating activities is driven by working capital changes and an increase in income taxes paid.

8.7 Employee Future Benefit Obligations

For the fiscal year ended May 2, 2026, the Company contributed \$7 million (May 3, 2025 - \$16 million) to its registered defined benefit plans. The Company expects to contribute approximately \$6 million to these plans in fiscal 2027.

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 2, 2026:

<i>(in millions of Canadian dollars)</i>	2027	2028	2029	2030	2031	Thereafter	Total
Commitments							
Long-term debt ⁽¹⁾	\$ 195	\$ 168	\$ 309	\$ 9	\$ 7	\$ 563	1,251
Third party finance leases, as lessee	632	626	614	562	494	2,426	5,354
Related party finance leases, as lessee	244	246	248	241	236	1,741	2,956
Non-controlling interest liabilities	59	81	73	75	40	-	328
Capital commitments	70	35	-	-	-	-	105
Operational expenditure commitments	80	65	39	32	29	-	245
Venture commitments	10	10	10	10	3	-	43
Contractual obligations	1,290	1,231	1,293	929	809	4,730	10,282
Third party finance subleases, as lessor	(88)	(88)	(87)	(77)	(66)	(271)	(677)
Owned properties operating leases, as lessor	(10)	(8)	(6)	(5)	(3)	(39)	(71)
Subleased properties operating leases, as lessor	(51)	(39)	(23)	(15)	(10)	(18)	(156)
Contractual obligations, net	\$ 1,141	\$ 1,096	\$ 1,177	\$ 832	\$ 730	\$ 4,402	\$ 9,378

(1) *Principal debt repayments.*

For further information on guarantees and commitments, please see Notes 9, 16, and 27 of the Company's audited Consolidated Financial Statements for the fiscal year ended May 2, 2026.

9 Consolidated Financial Condition

9.1 Key Financial Condition Measures

<i>(in millions of Canadian dollars, except per share and ratio calculations)</i>	May 2, 2026	May 3, 2025	May 4, 2024
Shareholders' equity, net of non-controlling interest	\$ 5,003	\$ 5,410	\$ 5,341
Book value per common share ⁽¹⁾	\$ 22.13	\$ 23.13	\$ 21.54
Long-term debt, including current portion	\$ 1,248	\$ 1,082	\$ 1,096
Long-term lease liabilities, including current portion	\$ 6,609	\$ 6,382	\$ 6,265
Funded debt to total capital ⁽¹⁾	61.1%	58.0%	58.0%
Funded debt to adjusted EBITDA ⁽¹⁾	3.1x	3.1x	3.2x
Adjusted EBITDA to interest expense ⁽¹⁾	8.5x	8.2x	8.3x
Current assets to current liabilities	0.8x	0.8x	0.8x
Total assets	\$ 17,080	\$ 17,019	\$ 16,790
Total non-current financial liabilities	\$ 7,800	\$ 7,379	\$ 7,430

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

During fiscal 2026, 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 June 17, 2026:

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

On October 30, 2025, Sobeys issued through a private placement Series 2025-1 senior unsecured notes ("the Notes") in the aggregate principal amount of \$300 million, bearing interest at a fixed rate of 3.10%, due October 30, 2028. Interest is payable semi-annually beginning April 2026. As of May 2, 2026, the outstanding amount of the Notes was \$300 million. The Notes are redeemable at Sobeys' option, in whole or in part, at any time. The redemption price will equal the greater of the Canada Yield Price or par value, plus accrued and unpaid interest to the redemption date. The net proceeds were used to repay indebtedness outstanding under the Sobeys' revolving term credit facility, and for general corporate purposes.

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. On June 18, 2025, Sobeys amended the facility to extend the maturity to June 19, 2026. Subsequent to the year ended, May 2, 2026, Sobeys further amended the facility to extend the maturity by an additional year to June 18, 2027. All other terms of the facility remain the same. Interest payable on this facility fluctuates with changes in the Canadian prime rate or Canadian Overnight Repo Rate Average ("CORRA"). Upon its establishment, the facility was fully utilized, with proceeds used to refinance amounts owing under Sobeys' existing credit facility. As of May 2, 2026, the outstanding amount of the facility was \$120 million (May 3, 2025 - \$120 million).

Sobeys, through its acquisition of Longo's, has a \$115 million operating line of credit. As of May 2, 2026, the outstanding amount of the facility was \$46 million (May 3, 2025 - \$82 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 2, 2026, the outstanding amount of the credit facility was \$101 million (May 3, 2025 - \$53 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or CORRA.

Sobeys has a \$650 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of May 2, 2026, the outstanding amount of the facility was \$55 million (May 3, 2025 - \$215 million) and Sobeys has issued \$73 million in letters of credit against the facility (May 3, 2025 - \$69 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or CORRA.

The Company believes its cash and cash equivalents on hand as of May 2, 2026, together with approximately \$640 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.

9.2 Shareholders' Equity

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

Authorized	Number of Shares	
	May 2, 2026	May 3, 2025
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	715,992,961	723,970,789
Class B common shares, without par value, voting	122,400,000	122,400,000

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

(in millions of Canadian dollars)	Number of Shares		Share Capital	
	May 2, 2026	May 3, 2025	May 2, 2026	May 3, 2025
Non-Voting Class A shares	127,095,578	134,488,019	\$ 1,572	\$ 1,654
Class B common shares	98,138,079	98,138,079	7	7
Shares held in trust	(149,043)	(38,341)	(7)	(1)
Total capital stock			\$ 1,572	\$ 1,660

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

<i>(Number of shares)</i>	May 2, 2026 52 Weeks	May 3, 2025 52 Weeks
Non-Voting Class A shares		
Issued and outstanding, beginning of year	134,488,019	143,932,071
Issued during year	585,387	443,962
Repurchased for cancellation	(7,977,828)	(9,888,014)
Issued and outstanding, end of year	127,095,578	134,488,019
Shares held in trust, beginning of year	(38,341)	(39,042)
Released in settlement of equity settled plans	82,819	79,166
Purchased for future settlement of equity settled plans	(193,521)	(78,465)
Shares held in trust, end of year	(149,043)	(38,341)
Issued and outstanding, net of shares held in trust, end of year	126,946,535	134,449,678
Class B common shares		
Issued and outstanding, beginning and end of year	98,138,079	98,138,079

The outstanding options at May 2, 2026 were granted at prices between \$25.38 and \$42.60 and expire between June 2026 and June 2031 with a weighted average remaining contractual life of 3.65 years. Stock option transactions during fiscal 2026 and 2025 were as follows:

	Fiscal 2026		Fiscal 2025	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	3,383,065	\$ 34.54	4,758,189	\$ 33.19
Exercised	(1,553,175)	32.46	(1,320,194)	29.74
Expired	(19,266)	37.35	(20,611)	36.53
Forfeited	(284,801)	31.94	(34,319)	27.71
Balance, end of year	1,525,823	\$ 37.10	3,383,065	\$ 34.54
Stock options exercisable, end of year	1,092,019		1,581,631	

For the fiscal year ended May 2, 2026, the Company paid dividends of \$201 million (May 3, 2025 - \$190 million) to its shareholders, representing \$0.88 per share (May 3, 2025 - \$0.80 per share) for Non-Voting Class A shareholders and Class B common shareholders.

As at June 16, 2026, the Company had Non-Voting Class A and Class B common shares outstanding of 126,034,914 and 98,138,079, respectively. Options to acquire 1,525,823 Non-Voting Class A shares were outstanding as of May 2, 2026 (May 3, 2025 - 4,001,640). As at June 16, 2026, options to acquire 1,523,223 Non-Voting Class A shares were outstanding (June 17, 2025 - 3,278,952).

The Company 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 for performance share units. Contributions to the trust fund and the Non-Voting Class A shares repurchased 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:

<i>(in millions of Canadian dollars)</i>	Number of Shares		Share Capital	
	May 2, 2026	May 3, 2025	May 2, 2026	May 3, 2025
Shares held in trust				
Balance, beginning of year	38,341	39,042	\$ 1	\$ 1
Purchased	193,521	78,465	10	3
Released	(82,819)	(79,166)	(4)	(3)
Balance, end of year	149,043	38,341	\$ 7	\$ 1

9.3 Normal Course Issuer Bid ("NCIB")

Under the Company's current NCIB, that commenced on July 2, 2025 and expires on July 1, 2026, the Company received approval from the TSX to repurchase 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 as of June 17, 2025.

The Company intends to renew its NCIB on or before June 25, 2026, consistent with timing requirements of the Toronto Stock Exchange ("TSX"), by filing a notice of intention with the TSX to repurchase for cancellation up to 10,750,000 Non-Voting Class A shares representing approximately 9.6% of the public float, subject to regulatory approval.

The repurchases shall 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 shall 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.

The following table summarizes share repurchase activity in the quarter and fiscal year:

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	May 2, 2026 52 Weeks	May 3, 2025 52 Weeks
Number of shares	2,026,709	2,196,668	7,977,828	9,888,014
Weighted average price per share	\$ 49.35	\$ 45.53	\$ 50.15	\$ 40.46
Cash consideration paid	\$ 100	\$ 100	\$ 400	\$ 400

For the quarter and fiscal year ended May 2, 2026, the Company has recognized tax on the repurchase of equity of \$2 million and \$8 million (May 3, 2025 - \$2 million and \$11 million) respectively, as a charge to retained earnings on the Consolidated Balance Sheets.

10 Accounting Standards and Policies

10.1 Standards, Amendments and Interpretations Issued but not yet Adopted

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.

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.

10.2 Critical Accounting Estimates

The preparation of Consolidated Financial Statements, in conformity with generally accepted accounting principles ("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 18 of the Company's audited Consolidated Financial Statements for the year ended May 2, 2026.

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.

10.3 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 2, 2026 and that there were no material weaknesses relating to the design or operation of the DC&P.

10.4 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. Management, under the supervision of 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 2, 2026 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 January 31, 2026 and ended May 2, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

11 Related Party Transactions

11.1 Crombie REIT

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. As at May 2, 2026 the Company holds a 41.5% (May 3, 2025 - 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 \$253 million (May 3, 2025 - \$296 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 2, 2026, Crombie REIT disposed of one property to a third party (May 3, 2025 - nine properties). This transaction resulted in the recognition of previously deferred pre-tax gains of \$ nil (May 3, 2025 - \$3 million) which has been recognized in other income on the Consolidated Statements of Earnings.

During the fiscal year ended May 2, 2026, Sobeys, through a wholly-owned subsidiary, received \$46 million (May 3, 2025 - \$35 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 ROU 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 2, 2026			May 3, 2025		
	Number of sites	Cash consideration	Pre-tax gains	Number of sites	Cash consideration	Pre-tax gains
<i>(in millions of Canadian dollars)</i>						
Lease modifications and terminations	1	\$ 16	10	1	\$ 22	22
Properties sold and leased back	2	128	24	1	2	-
Total	3	\$ 144	34	2	\$ 24	22

11.2 Key Management Personnel Compensation

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

Key management personnel compensation is comprised of:

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Salaries, bonus and other short-term employment benefits	\$ 17	\$ 19
Post-employment benefits	3	2
Termination and retirement benefits	6	-
Share-based payments	24	18
Total	\$ 50	\$ 39

11.3 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. Sobeys reviewed this matter, received legal advice, and believed it was not required to collect GST. During fiscal 2006, Sobeys filed a Notice of Objection with CRA. Sobeys had deposited with CRA funds equal to the total tax, interest and penalties in the reassessment and had recorded this amount as an other long-term receivable from CRA pending resolution of the matter. During the year ended May 4, 2024, the court ruled in favour of Sobeys, however, the Crown filed Notice of Appeal and the hearing was held in May 2024. In October 2025, the Federal Court of Appeal ruled in favour of Sobeys and dismissed the Crown's appeal. For the fiscal year ended May 2, 2026, Sobeys recorded a recovery of \$9 million, related to the interest earned on the amounts deposited with CRA, net of costs associated with settling the matter, which has been recognized in finance costs, net on the Consolidated Statement of Earnings.

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, growing competitive pressures and the potential entry or expansion of retailers into the marketplace could adversely affect Sobeys' financial performance. Heightened regulatory and public scrutiny of grocery retail real estate practices, including in respect of certain property controls such as restrictive covenants and lease exclusivity provisions, together with amendments to the Competition Act and other applicable legislative or regulatory measures, may result in the modification or limitation of such arrangements and could limit Sobeys' flexibility in managing its real estate portfolio, put pressure on its financial performance, and adversely impact Sobeys' brand reputation and customer trust equity, both of which are important to long-term sustainability of the business. 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 could adversely affect Sobeys' financial performance. 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 and the United States dollar ("USD"). USD purchases of products represent approximately 4.1% of Sobeys' total annual purchases. 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.

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 into 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 has incorporated, and expects to continue to incorporate, artificial intelligence ("AI") and other advanced analytics technologies into its business and operations. The successful deployment of these technologies often relies on the use and analysis of large volumes of data, which in some instances may be processed or hosted by third-party service providers. There can be no assurance that investments in AI-related technologies, processes, and tools will generate expected benefits or returns. Any breach, misuse, or unauthorized disclosure of data used in connection with these technologies, or any failure to meet applicable legal, contractual, or regulatory requirements, could result in legal, financial, and reputational harm. In addition, the regulatory, contractual, and public policy framework governing AI continues to evolve rapidly, and changes in laws, regulations, public perception, or market acceptance could increase compliance costs, restrict permissible uses of such technologies, or expose the Company to additional operational and financial risks.

The Company recognizes that information is a critical enterprise asset. Data and information management risks are managed through a multi-layered security approach that includes software-based controls, as well as policies, standards, and procedures relating 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 ongoing business operations. The Company is currently transforming its legacy ERP environment to a national instance of the SAP S/4HANA 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 centres, 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. To manage the risk from exposure to utility prices, the Company may use financial instruments or fixed-price contractual arrangements. 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 Canada Revenue Agency, 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 Impairment adjustment includes costs primarily related to non-cash impairment of the ROU assets, property and equipment, and intangibles, and direct costs associated with the closure of the CFC including one-time cash contract termination fees, decommissioning costs and severance.
- 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.
- In the second quarter of fiscal 2023, Empire experienced IT system issues related to a Cybersecurity Event. The Cybersecurity Event adjustment includes the impact of incremental direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, and labour costs, net of insurance recoveries.
- 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.
- Gross profit is calculated as sales less cost of sales. Management believes cost of sales is a useful metric to monitor profitability on a product-level basis. Gross profit represents a supplementary metric to assess underlying operating performance and profitability.

The following tables reconcile gross profit on a consolidated basis:

	May 2, 2026	May 3, 2025	May 4, 2024
<i>(in millions of Canadian dollars)</i>	13 Weeks	13 Weeks	13 Weeks
Sales	\$ 7,807	\$ 7,637	\$ 7,412
Cost of sales	5,655	5,528	5,406
Gross profit	\$ 2,152	\$ 2,109	\$ 2,006

	May 2, 2026	May 3, 2025	May 4, 2024
<i>(in millions of Canadian dollars)</i>	52 Weeks	52 Weeks	52 Weeks
Sales	\$ 31,950	\$ 31,277	\$ 30,733
Cost of sales	23,286	22,895	22,662
Gross profit	\$ 8,664	\$ 8,382	\$ 8,071

- 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 "Operating Results - Full Year".

- 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 reconcile net earnings to EBITDA on a consolidated basis and for the Food retailing segment:

	May 2, 2026 13 Weeks			May 3, 2025 13 Weeks			May 4, 2024 13 Weeks		
<i>(in millions of Canadian dollars)</i>	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total
Net earnings	\$ 203	\$ 18	\$ 221	\$ 175	\$ 3	\$ 178	\$ 151	\$ 5	\$ 156
Income tax expense	47	6	53	58	2	60	57	5	62
Finance costs, net	72	1	73	74	1	75	72	2	74
Operating income	322	25	347	307	6	313	280	12	292
Depreciation	266	-	266	255	-	255	236	(1)	235
Amortization of intangibles	31	-	31	31	-	31	30	-	30
EBITDA	\$ 619	\$ 25	\$ 644	\$ 593	\$ 6	\$ 599	\$ 546	\$ 11	\$ 557

	May 2, 2026 52 Weeks			May 3, 2025 52 Weeks			May 4, 2024 52 Weeks		
<i>(in millions of Canadian dollars)</i>	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total
Net earnings	\$ 195	\$ 51	\$ 246	\$ 705	\$ 41	\$ 746	\$ 750	\$ 13	\$ 763
Income tax expense	39	23	62	239	10	249	240	26	266
Finance costs, net	274	4	278	290	4	294	275	7	282
Operating income	508	78	586	1,234	55	1,289	1,265	46	1,311
Depreciation	1,047	-	1,047	1,002	-	1,002	950	-	950
Amortization of intangibles	121	-	121	118	-	118	121	-	121
EBITDA	\$ 1,676	\$ 78	\$ 1,754	\$ 2,354	\$ 55	\$ 2,409	\$ 2,336	\$ 46	\$ 2,382

- 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 "Operating Results - Full Year".
- 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:

<i>(in millions of Canadian dollars)</i>	May 2, 2026 13 Weeks	May 3, 2025 13 Weeks	May 4, 2024 13 Weeks
Finance costs, net	\$ 73	\$ 75	\$ 74
Plus: finance income, excluding interest income on lease receivables	3	2	2
Less: pension finance costs, net	(1)	(1)	(2)
Less: accretion expense on provisions	(1)	-	(1)
Interest expense	\$ 74	\$ 76	\$ 73

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024
	52 Weeks	52 Weeks	52 Weeks
Finance costs, net	\$ 278	\$ 294	\$ 282
Plus: finance income, excluding interest income on lease receivables	24	10	8
Less: pension finance costs, net	(7)	(7)	(7)
Less: accretion expense on provisions	(2)	(2)	(2)
Interest expense	\$ 293	\$ 295	\$ 281

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

The following table reconciles the Company's funded debt and total capital to GAAP measures:

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024
Long-term debt due within one year	\$ 195	\$ 225	\$ 114
Long-term debt	1,053	857	982
Lease liabilities due within one year	636	597	585
Long-term lease liabilities	5,973	5,785	5,680
Funded debt	7,857	7,464	7,361
Total shareholders' equity, net of non-controlling interest	5,003	5,410	5,341
Total capital	\$ 12,860	\$ 12,874	\$ 12,702

15.2 Food Retailing Segment Adjustments Reconciliation

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024	2026 Compared to 2025
	52 Weeks	52 Weeks	52 Weeks	\$ Change
Operating income	\$ 508	\$ 1,234	\$ 1,265	\$ (726)
Adjustments:				
E-commerce Impairment	746	-	-	746
E-commerce Exclusivity	-	12	-	(12)
Restructuring	-	2	72	(2)
Cybersecurity Event	-	-	(36)	-
Western Canada Fuel Sale	-	-	(91)	-
	746	14	(55)	732
Adjusted operating income	\$ 1,254	\$ 1,248	\$ 1,210	\$ 6

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024	2026 Compared to 2025
	52 Weeks	52 Weeks	52 Weeks	\$ Change
EBITDA	\$ 1,676	\$ 2,354	\$ 2,337	\$ (678)
Adjustments:				
E-commerce Impairment	746	-	-	746
E-commerce Exclusivity	-	12	-	(12)
Restructuring	-	2	72	(2)
Cybersecurity Event	-	-	(36)	-
Western Canada Fuel Sale	-	-	(91)	-
	746	14	(55)	732
Adjusted EBITDA	\$ 2,422	\$ 2,368	\$ 2,282	\$ 54

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025	May 4, 2024	2026 Compared to 2025
	52 Weeks	52 Weeks	52 Weeks	\$ Change
Net earnings	\$ 146	\$ 659	\$ 712	\$ (513)
Adjustments:				
E-commerce Impairment	549	-	-	549
E-commerce Exclusivity	-	9	-	(9)
Restructuring	-	2	53	(2)
Cybersecurity Event	-	-	(25)	-
Western Canada Fuel Sale	-	-	(72)	-
	549	11	(44)	538
Adjusted net earnings	\$ 695	\$ 670	\$ 668	\$ 25

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.

<i>(in millions of Canadian dollars)</i>	Fiscal 2026				Fiscal 2025			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	May 2, 2026 13 Weeks	Jan 31, 2026 13 Weeks	Nov 1, 2025 13 Weeks	Aug 2, 2025 13 Weeks	May 3, 2025 13 Weeks	Feb 1, 2025 13 Weeks	Nov 2, 2024 13 Weeks	Aug 3, 2024 13 Weeks
Operating income (loss)	\$ 347	\$ (438)	\$ 295	\$ 382	\$ 313	\$ 288	\$ 319	\$ 369
Adjustments:								
E-commerce Impairment	-	746	-	-	-	-	-	-
E-commerce Exclusivity	-	-	-	-	-	-	-	12
Restructuring	-	-	-	-	-	-	-	2
	-	746	-	-	-	-	-	14
Adjusted operating income	\$ 347	\$ 308	\$ 295	\$ 382	\$ 313	\$ 288	\$ 319	\$ 383
Operating income (loss)	\$ 347	\$ (438)	\$ 295	\$ 382	\$ 313	\$ 288	\$ 319	\$ 369
Depreciation	266	264	259	258	255	248	253	246
Amortization of intangibles	31	30	29	31	31	28	29	30
EBITDA	\$ 644	\$ (144)	\$ 583	\$ 671	\$ 599	\$ 564	\$ 601	\$ 645
Adjustments:								
E-commerce Impairment	-	746	-	-	-	-	-	-
E-commerce Exclusivity	-	-	-	-	-	-	-	12
Restructuring	-	-	-	-	-	-	-	2
	-	746	-	-	-	-	-	14
Adjusted EBITDA	\$ 644	\$ 602	\$ 583	\$ 671	\$ 599	\$ 564	\$ 601	\$ 659
Net earnings (loss)	\$ 212	\$ (385)	\$ 159	\$ 212	\$ 173	\$ 146	\$ 173	\$ 208
Adjustments:								
E-commerce Impairment	-	549	-	-	-	-	-	-
E-commerce Exclusivity	-	-	-	-	-	-	-	9
Restructuring	-	-	-	-	-	-	-	2
	-	549	-	-	-	-	-	11
Adjusted net earnings	\$ 212	\$ 164	\$ 159	\$ 212	\$ 173	\$ 146	\$ 173	\$ 219

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

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

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026	May 3, 2025	May 4, 2024
Shareholders' equity, net of non-controlling interest	\$ 5,003	\$ 5,410	\$ 5,341
Shares outstanding (basic)	226.1	233.9	248.0
Book value per common share	\$ 22.13	\$ 23.13	\$ 21.54

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 17, 2026
Stellarton, Nova Scotia, Canada