

empire

COMPANY LIMITED

Consolidated Financial Statements

May 2, 2026



Consolidated Financial Statements

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Independent auditor's report

To the Shareholders of Empire Company Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Empire Company Limited and its subsidiaries (together, the Company) as at May 2, 2026 and May 3, 2025, and its financial performance and its cash flows for the 52 weeks ended May 2, 2026 and May 3, 2025 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at May 2, 2026 and May 3, 2025;
- the consolidated statements of earnings for the 52 weeks ended May 2, 2026 and May 3, 2025;
- the consolidated statements of comprehensive income for the 52 weeks ended May 2, 2026 and May 3, 2025;
- the consolidated statements of changes in shareholders' equity for the 52 weeks ended May 2, 2026 and May 3, 2025;
- the consolidated statements of cash flows for the 52 weeks ended May 2, 2026 and May 3, 2025; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 52 weeks ended May 2, 2026. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of vendor allowances</p> <p>Refer to note 2(f) – Basis of preparation (Vendor allowances) and note 3(x) – Summary of material accounting policies (Vendor allowances) to the consolidated financial statements.</p> <p>The Company receives allowances from certain vendors whose products are purchased for resale. Included in these vendor agreements are volume-related allowances, purchase discounts, listing fees and other allowances. The Company recognizes these vendor allowances as a reduction of cost of sales and related inventories. The number and variety of the vendor agreements can make it complex for management to</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• Tested the operating effectiveness of controls related to the recognition of vendor allowances, including management's approval of vendor agreements and the monitoring of the aging of vendor allowance receivables.• For a sample of vendor allowance transactions recognized during the 52 weeks, evaluated the reasonableness of management's determination that performance obligations associated with vendor allowances have been met by:

Key audit matter

determine the performance obligations associated with the vendor allowances and the related recognition thereof. As a result, management judgment is required.

We considered this a key audit matter due to the number of vendor allowance transactions and varying terms of the vendor agreements, making the recognition of vendor allowances more complex, requiring management judgment. This resulted in a high degree of auditor judgment and effort in performing procedures and evaluating evidence.

How our audit addressed the key audit matter

- evaluating the terms in vendor agreements and agreeing amounts recorded to vendor agreements, internal supporting documents, corresponding cash receipts/net settlements and any related correspondence with vendors.
- For a sample of vendor allowance receivables at the balance sheet date, evaluated the reasonableness of management's determination that performance obligations associated with vendor allowances have been met by:
 - evaluating the terms in vendor agreements and agreeing amounts recorded to vendor agreements, internal supporting documents and any related correspondence with vendors and, as applicable, recalculating the amount recognized;
 - tracing amounts to cash receipts/net settlements after the balance sheet date, where applicable; and
 - considering outstanding vendor claims as at and after the balance sheet date, where applicable.
- Assessed the aging of vendor allowance receivables at the balance sheet date.
- Considered credit notes issued after the balance sheet date.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Halifax, Nova Scotia

June 17, 2026

Consolidated Balance Sheets (in millions of Canadian dollars)			May 2 2026	May 3 2025
	Note			
ASSETS				
Current assets				
Cash and cash equivalents			\$ 291	\$ 285
Receivables			717	668
Inventories	4		1,919	1,833
Prepaid expenses			204	173
Lease and other receivables	5		121	121
Income taxes receivable			138	54
Total current assets			3,390	3,134
Non-current assets				
Lease and other receivables	5		582	636
Investments, at equity	7		721	720
Other assets			22	44
Property and equipment	8, 14		3,638	3,675
Right-of-use assets	9, 14		4,783	4,964
Investment property	10		138	162
Intangibles	11, 14		1,327	1,359
Goodwill	12		2,056	2,055
Deferred tax assets	13		423	270
Total assets			\$ 17,080	\$ 17,019
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities			\$ 3,024	\$ 3,122
Income taxes payable			66	73
Provisions	14, 15		148	46
Long-term debt due within one year	16		195	225
Lease liabilities due within one year	9		636	597
Other liabilities due within one year	17		59	33
Total current liabilities			4,128	4,096
Non-current liabilities				
Provisions	15		29	34
Long-term debt	16		1,053	857
Long-term lease liabilities	9		5,973	5,785
Other long-term liabilities	17		295	279
Employee future benefits	18		188	162
Deferred tax liabilities	13		262	262
Total liabilities			11,928	11,475
EQUITY				
Equity attributable to Owners of the Company				
Capital stock	19		1,572	1,660
Contributed surplus			94	30
Retained earnings			3,334	3,697
Accumulated other comprehensive income			3	23
Total equity attributable to Owners of the Company			5,003	5,410
Non-controlling interest			149	134
Total equity			5,152	5,544
Total liabilities and equity			\$ 17,080	\$ 17,019

See accompanying notes to the Consolidated Financial Statements.

On behalf of the Board
(signed) "James Dickson"
Director

(signed) "Pierre St-Laurent"
Director

Consolidated Statements of Earnings		May 2	May 3
(in millions of Canadian dollars, except per share amounts)		2026	2025
	Note	52 Weeks	52 Weeks
Sales	20	\$ 31,950	\$ 31,277
Other income	21	64	90
Share of earnings from investments, at equity	7	65	68
Operating expenses			
Cost of sales		23,286	22,895
Selling and administrative expenses		7,461	7,251
Impairment losses of long-lived assets and related charges	8, 9, 11, 14, 15	746	-
Operating income		586	1,289
Finance costs, net	23	278	294
Earnings before income taxes		308	995
Income tax expense	13	62	249
Net earnings		\$ 246	\$ 746
Earnings for the year attributable to:			
Owners of the Company		\$ 198	\$ 700
Non-controlling interest		48	46
		\$ 246	\$ 746
Earnings per share	24		
Basic		\$ 0.86	\$ 2.94
Diluted		\$ 0.86	\$ 2.93
Weighted average number of common shares outstanding, in millions	24		
Basic		229.7	237.9
Diluted		230.4	238.6

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (in millions of Canadian dollars)	Note	May 2 2026 52 Weeks	May 3 2025 52 Weeks
Net earnings		\$ 246	\$ 746
Other comprehensive loss, net			
Items that will be reclassified subsequently to net earnings			
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of tax)	13	(3)	3
Share of other comprehensive losses of investments, at equity (net of tax)		-	(1)
Items that will not be reclassified subsequently to net earnings			
Actuarial losses on defined benefit plans (net of tax)	13, 18	(20)	(8)
Total other comprehensive loss, net		(23)	(6)
Total comprehensive income		\$ 223	\$ 740
Total comprehensive income for the year attributable to:			
Owners of the Company		\$ 175	\$ 694
Non-controlling interest		48	46
		\$ 223	\$ 740

See accompanying notes to the Consolidated Financial Statements.

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

	Note	Attributable to Owners of the Company						Non-controlling Interest	Total Equity
		Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company			
Balance at May 3, 2025		\$ 1,660	\$ 30	\$ 23	\$ 3,697	\$ 5,410	\$ 134	\$ 5,544	
Net earnings		-	-	-	198	198	48	246	
Other comprehensive loss		-	-	(3)	(20)	(23)	-	(23)	
Total comprehensive (loss) income for the year		-	-	(3)	178	175	48	223	
Reclassification adjustment for gains on derivatives on cash flow hedges realized in net income		-	-	(3)	-	(3)	-	(3)	
Reclassification adjustment for foreign exchange translation on foreign associates realized in net income		-	-	(14)	-	(14)	-	(14)	
Dividends paid	19	-	-	-	(201)	(201)	(2)	(203)	
Dividends paid to non-controlling interest	19	-	-	-	(2)	(2)	2	-	
Equity based compensation, net		12	64	-	-	76	-	76	
Repurchase of common shares	19	(94)	-	-	(306)	(400)	-	(400)	
Tax on repurchase of common shares	19	-	-	-	(8)	(8)	-	(8)	
Shares held in trust, net		(6)	-	-	-	(6)	-	(6)	
Capital transactions with structured entities		-	-	-	-	-	(23)	(23)	
Revaluation of put options		-	-	-	(24)	(24)	(10)	(34)	
Transactions with owners		(88)	64	(17)	(541)	(582)	(33)	(615)	
Balance at May 2, 2026		\$ 1,572	\$ 94	\$ 3	\$ 3,334	\$ 5,003	\$ 149	\$ 5,152	

	Note	Attributable to Owners of the Company						Non-controlling Interest	Total Equity
		Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company			
Balance at May 4, 2024		\$ 1,779	\$ 56	\$ 21	\$ 3,485	\$ 5,341	\$ 128	\$ 5,469	
Net earnings		-	-	-	700	700	46	746	
Other comprehensive income (loss)		-	-	2	(8)	(6)	-	(6)	
Total comprehensive income for the year		-	-	2	692	694	46	740	
Dividends paid	19	-	-	-	(190)	(190)	(2)	(192)	
Dividends paid to non-controlling interest	19	-	-	-	(2)	(2)	2	-	
Equity based compensation, net		9	(26)	-	-	(17)	-	(17)	
Repurchase of common shares	19	(128)	-	-	(272)	(400)	-	(400)	
Tax on repurchase of common shares	19	-	-	-	(11)	(11)	-	(11)	
Capital transactions with structured entities		-	-	-	-	-	(32)	(32)	
Revaluation of put options		-	-	-	(5)	(5)	(8)	(13)	
Transactions with owners		(119)	(26)	-	(480)	(625)	(40)	(665)	
Balance at May 3, 2025		\$ 1,660	\$ 30	\$ 23	\$ 3,697	\$ 5,410	\$ 134	\$ 5,544	

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows		May 2	May 3
(in millions of Canadian dollars)		2026	2025
	Note	52 Weeks	52 Weeks
Operations			
Net earnings		\$ 246	\$ 746
Adjustments for:			
Depreciation		1,047	1,002
Income tax expense		62	249
Finance costs, net	23	278	294
Amortization of intangibles		121	118
Net gains on disposal of net assets	21	(38)	(57)
Net gains on lease modifications and terminations	21	(12)	(18)
Impairment losses of non-financial assets, net		3	14
Impairment losses of long-lived assets	14	599	3
Amortization of deferred items		-	1
Equity earnings (losses) of other entities, net of distributions received		6	(3)
Employee future benefits		(1)	(9)
Equity based compensation		10	16
Reclassification adjustment for gains on derivatives on cash flow hedges		(3)	-
Reclassification adjustment for foreign exchange translation on foreign associates		(14)	-
Increase (decrease) in provisions		95	(16)
Net change in non-cash working capital	25	(182)	27
Income taxes paid, net		(306)	(240)
Cash flows from operating activities		1,911	2,127
Investment			
Increase in equity investments	7	(25)	(26)
Property, equipment and investment property purchases		(696)	(640)
Intangible purchases		(135)	(137)
Proceeds on disposal of assets		190	127
Proceeds on lease modifications and terminations	30	16	22
Leases and other receivables, net		16	(22)
Other assets		(6)	(8)
Other liabilities		8	4
Business acquisitions	26	(6)	(15)
Payments received for finance subleases		86	96
Interest received		2	2
Cash flows used in investing activities		(550)	(597)
Financing			
Issuance of long-term debt		409	98
Advance on non-revolving credit facility		-	120
Repayments of long-term debt		(97)	(94)
Repayments on revolving credit facilities, net		(146)	(138)
Interest paid		(58)	(59)
Payments of lease liabilities (principal portion)		(578)	(548)
Payments of lease liabilities (interest portion)		(259)	(260)
Repurchase of common shares	19	(400)	(400)
Dividends paid		(203)	(192)
Non-controlling interest	28	(23)	(32)
Cash flows used in financing activities		(1,355)	(1,505)
Increase in cash and cash equivalents		6	25
Cash and cash equivalents, beginning of year		285	260
Cash and cash equivalents, end of year		\$ 291	\$ 285

See accompanying notes to the Consolidated Financial Statements.

Note 1 Reporting entity

Empire Company Limited (“Empire” or the “Company”) is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The Consolidated Financial Statements for the year ended May 2, 2026 include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. (“Sobeys”), Sobeys Capital Incorporated and Farm Boy, 51% owned Longo’s and certain enterprises considered structured entities (“SEs”), where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and its joint ventures are accounted for using the equity method. As at May 2, 2026, the Company’s business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 20, Segmented information. The Company’s Food retailing business is affected by seasonality and the timing of holidays. The Company’s fiscal year ends on the first Saturday in May.

Note 2 Basis of preparation

Statement of compliance

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

The Consolidated Financial Statements were authorized for issue by the Board of Directors on June 17, 2026.

Use of estimates, judgments and assumptions

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

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

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

(a) Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation and judgment is required in the determination of (i) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheets dates; and (ii) inventories valued at retail and adjusted to cost.

(b) Impairment of non-financial assets

Assumptions are used when management assesses impairment of non-financial assets such as investments in associates and joint ventures, goodwill, intangible assets, property and equipment, ROU assets and investment property. Management estimates the recoverable amount of each asset or CGU based on the higher of value-in-use (“VIU”) and fair value less costs of disposal (“FVLCD”). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company’s non-financial assets in subsequent reporting periods.

During the year ended May 2, 2026, the Company determined there were indicators of impairment related to its customer fulfillment centres (“CFC”), resulting in significant estimation and judgment to determine the recoverable amounts for each CFC, which the Company has determined to be a CGU. When measuring expected future cash flows, management makes key assumptions primarily related to estimated sublease income using market rates, lease terms, likelihood of extension of the sublease and discount rate. The Company recorded asset impairment and related charges totalling \$746 million for the year ended May 2, 2026, as a result of the rationalization and financial performance of its e-commerce network.

The impairment loss in the current year is primarily disclosed in Note 14. Also see disclosures in Notes 8, 9, 10, 11 and 12.

(c) Leases

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

(d) Income taxes

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

(e) Provisions

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

(f) Vendor allowances

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

(g) Employee future benefits

Accounting for the costs of defined benefit pension plans and other post-employment benefits requires the use of several assumptions. Pension obligations are based on current market conditions and actuarial determined data such as medical cost trends, mortality rates and future salary increases. A sensitivity analysis and more detail of key assumptions used in measuring the pension and post-employment benefit obligations are disclosed in Note 18.

(h) Non-controlling interest put and call options

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

Note 3 Summary of material accounting policies

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

(a) Basis of consolidation

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

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

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

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

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

(b) Business acquisitions

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

(c) Foreign currency translation

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

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

(d) Cash and cash equivalents

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

(e) Inventories

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

(f) Income taxes

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

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

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

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

(g) Assets held for sale

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

(h) Investments in associates

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

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

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

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

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

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

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

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

(i) Investments in joint ventures

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

(j) Financial instruments

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

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

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

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

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

(k) Hedges

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

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

Significant derivatives include the following:

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

(l) Property and equipment

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

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

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

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

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

(m) Investment property

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

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

(n) Leases

(i) The Company as a lessee

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

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

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

(ii) The Company as a lessor

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

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

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

(iii) Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. A sale and leaseback is recognized as a sale when the control of the asset has been transferred to the purchaser. If the transfer does not qualify as a sale under IFRS 15, "Revenue from contracts with customers" then the asset will remain on the Company's Consolidated Balance Sheet and accounted for under IAS 16, "Property, plant and equipment" with a financial liability recognized for the cash proceeds received. If the transfer does qualify as a sale the Company will measure the ROU asset arising from the leaseback and the proportion of the previous carrying amount of the asset that relates to the ROU asset retained by the Company. Any profit or loss in a sale and leaseback transaction related to the transfer of rights of the asset to the buyer-lessor is recognized immediately.

(o) Intangibles

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

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

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

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

(p) Goodwill

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

(q) Impairment of non-financial assets

Goodwill and indefinite life intangibles are reviewed for impairment at least annually by assessing the recoverable amount of each CGU or groups of CGUs to which the goodwill or indefinite life intangible relates. The recoverable amount is the higher of FVLCD and VIU. When the recoverable amount of the CGU(s) is less than the carrying amount, an impairment loss is recognized immediately in net earnings or loss. Impairment losses related to goodwill cannot be reversed.

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

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

(r) Customer loyalty programs

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

(s) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, if material. Where discounting is used, the increase in the provision due to passage of time (unwinding of the discount) is recognized in finance costs, net on the Consolidated Statements of Earnings.

(t) Borrowing costs

Borrowing costs are primarily comprised of interest on the Company's debts. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other borrowing costs are expensed in the period in which they are incurred and are reported in finance costs.

(u) Deferred revenue

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

(v) Employee benefits

(i) Short-term employment benefits

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

(ii) Post-employment benefits

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

The liability recognized on the Consolidated Balance Sheets for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair market value of plan assets. Current market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation.

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

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

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

(iii) Termination benefits

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

(w) Revenue recognition

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

(x) Vendor allowances

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

(y) Finance and dividend income

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

(z) Earnings per share

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

(aa) Stock-based compensation

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

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values. Where employees are rewarded using stock-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. Cash settled plans are revalued at each reporting date (Note 29).

(ab) Share capital

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

(ac) 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.

Note 4 Inventories

The cost of inventories recognized as an expense for the year ended May 2, 2026 was \$23,286 million (May 3, 2025 - \$22,895 million). The Company recorded an expense for the year ended May 2, 2026 of \$3 million (May 3, 2025 - \$3 million) for write-down of inventories below cost to net realizable value.

Note 5 Lease and other receivables

<i>(in millions of Canadian dollars)</i>	Note	May 2, 2026	May 3, 2025
Leases receivable	9	\$ 562	\$ 600
Notes receivable and other		72	80
Loans receivable		69	77
		703	757
Less amount due within one year		121	121
		\$ 582	\$ 636

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

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

Included in notes receivable and other as at May 2, 2026 is \$52 million (May 3, 2025 - \$50 million) related to property sales and allowances due from third parties.

Note 6 Assets held for sale

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Opening balance	\$ -	\$ 47
Transfers and adjustments	49	-
Disposals	(49)	(47)
Closing balance	\$ -	\$ -

During the year ended May 2, 2026, the Company sold and leased back a property from Crombie Real Estate Investment Trust ("Crombie REIT"). Total proceeds from the transaction were \$115 million, resulting in a pre-tax gain of \$22 million (Note 21 and 30).

During the year ended May 2, 2026, the Company sold a property to a third party. Total proceeds from the transaction were \$20 million, resulting in a pre-tax gain of \$2 million (Note 21).

During the year ended May 3, 2025, the Company sold and leased back a property from a third party. Total proceeds from the transaction were \$90 million, of which \$79 million was received in cash, resulting in a pre-tax gain of \$39 million (Note 21).

Note 7 Investments, at equity

<i>(in millions of Canadian dollars)</i>	May 2 2026	May 3 2025
Investment in associates and joint ventures		
Crombie REIT	\$ 614	\$ 633
Real estate partnerships	67	62
Other investments and joint ventures	40	25
Total	\$ 721	\$ 720

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

<i>(in millions of Canadian dollars)</i>	May 2 2026	May 3 2025
Crombie REIT	\$ 1,314	\$ 1,148

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

The Company owns 76,871,121 (May 3, 2025 - 75,783,576) Class B Limited Partnership ("Class B LP") units and attached special voting units of Crombie REIT, along with 909,090 (May 3, 2025 - 909,090) REIT units, representing a 41.5% (May 3, 2025 - 41.5%) economic and voting interest in Crombie REIT.

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

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Balance, beginning of year	\$ 633	\$ 618
Equity earnings	51	65
Share of comprehensive loss	-	(2)
Distributions, net of DRIP	(53)	(51)
Deferral of gains on sale of property	(17)	-
Reversal of deferred gains on sale of property to unrelated party	-	3
Balance, end of year	\$ 614	\$ 633

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Balance, beginning of year	\$ 62	\$ 63
Equity earnings	23	16
Distributions	(18)	(17)
Balance, end of year	\$ 67	\$ 62

The following amounts represent the revenues, expenses, assets and liabilities of Crombie REIT as at and for the 12 months ended March 31, 2026, and 2025 as well as a reconciliation of the carrying amount of the Company's investment in Crombie REIT to the net assets attributable to unitholders of Crombie REIT:

<i>(in millions of Canadian dollars)</i>	March 31, 2026	March 31, 2025
Revenues	\$ 493	\$ 475
Operating income attributable to unit holders	122	158
Distributions to unit holders	(169)	(163)
Other comprehensive income (loss)	1	(5)
Total comprehensive loss	(48)	(14)

<i>(in millions of Canadian dollars)</i>	March 31, 2026	March 31, 2025
Assets		
Current	\$ 37	\$ 70
Non-current	4,478	4,354
Total	\$ 4,515	\$ 4,424
Liabilities		
Current	\$ 460	\$ 191
Non-current	2,218	2,387
Total	\$ 2,678	\$ 2,578

<i>(in millions of Canadian dollars)</i>	March 31, 2026	March 31, 2025
Unitholders' net assets		
REIT Units	\$ 1,088	\$ 1,094
Class B LP units	748	752
	1,836	1,846
Less total REIT units outstanding as at March 31	(1,088)	(1,094)
Cumulative changes since acquisition of Crombie REIT		
Issue costs related to Class B LP units	13	13
Deferred gains (net of depreciation addback and timing variances)	(170)	(155)
Dilution gains	39	39
Write-off of portion of AOCI on dilution of interest in Crombie REIT	1	1
Crombie REIT tax reorganization - deferred tax adjustment	(32)	(32)
Carrying amount attributable to investment in Class B LP units	599	618
REIT units owned by Empire	14	14
Cumulative equity earnings on REIT units	10	10
Cumulative distributions on REIT units	(9)	(9)
Empire's carrying amount of investment in Crombie REIT	\$ 614	\$ 633

The Company has interests in various real estate partnerships ranging from 40.7% to 49.0% which are involved in residential property developments in Ontario and Western Canada.

The following amounts represent the revenues, expenses, assets and liabilities of the real estate partnerships as at and for the 12 months ended March 31, 2026 and 2025:

<i>(in millions of Canadian dollars)</i>	March 31, 2026	March 31, 2025
Revenues	\$ 145	\$ 108
Expenses	90	69
Net earnings	\$ 55	\$ 39
<i>(in millions of Canadian dollars)</i>	March 31, 2026	March 31, 2025
Current assets	\$ 212	\$ 208
Current liabilities	65	72
Net assets	\$ 147	\$ 136
Carrying amount of investment	\$ 67	\$ 62

Note 8 Property and equipment

May 2, 2026 <i>(in millions of Canadian dollars)</i>	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	\$ 419	\$ 1,373	\$ 3,130	\$ 1,370	\$ 500	\$ 6,792
Additions	1	19	176	34	501	731
Additions from business acquisitions	-	-	2	-	-	2
Transfers and adjustments	(13)	(9)	233	37	(334)	(86)
Disposals and write-downs	(12)	(12)	(299)	(88)	(2)	(413)
Closing balance	\$ 395	\$ 1,371	\$ 3,242	\$ 1,353	\$ 665	\$ 7,026
Accumulated depreciation and impairment						
Opening balance	\$ -	\$ 667	\$ 1,760	\$ 690	\$ -	\$ 3,117
Disposals and write-downs	-	(9)	(290)	(42)	-	(341)
Transfers and adjustments	-	(30)	(3)	(47)	-	(80)
Depreciation	-	62	316	99	-	477
Impairment losses	-	1	11	78	127	217
Impairment reversals	-	(2)	-	-	-	(2)
Closing balance	\$ -	\$ 689	\$ 1,794	\$ 778	\$ 127	\$ 3,388
Net carrying value	\$ 395	\$ 682	\$ 1,448	\$ 575	\$ 538	\$ 3,638

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

Assets under construction

During the year ended May 2, 2026, the Company capitalized borrowing costs of \$8 million (May 3, 2025 - \$7 million) on indebtedness related to property and equipment under construction. The Company used a capitalization rate of 5.2% (May 3, 2025 - 5.3%).

Security

As at May 2, 2026, the net carrying value of property pledged as security for borrowings is \$31 million (May 3, 2025 - \$34 million).

Impairment of property and equipment

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

An impairment loss of \$214 million was recorded during the year ended May 2, 2026 (May 3, 2025 - \$ nil) for property and equipment and has been recognized in impairment losses of long-lived assets and related charges on the Consolidated Statements of Earnings (Note 14).

Other impairment losses of \$3 million and reversals of \$(2) million were recorded in selling and administrative expenses during the year ended May 2, 2026 (May 3, 2025 - \$1 million and \$(1) million) respectively.

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

Note 9 Leases

Finance leases, as lessee

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

Changes in ROU assets are as follows:

May 2, 2026			
<i>(in millions of Canadian dollars)</i>			
	Property	Other	Total
Opening balance	\$ 4,773	\$ 191	\$ 4,964
Additions	234	70	304
Extensions	517	-	517
Disposals	(24)	(1)	(25)
Depreciation	(518)	(50)	(568)
Impairment losses	(409)	-	(409)
Closing balance	\$ 4,573	\$ 210	\$ 4,783

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

The Company has variable rent payments which are recognized in selling and administrative expenses on the Consolidated Statements of Earnings. Contingent rent recognized for the year ended May 2, 2026 is \$15 million (May 3, 2025 - \$14 million).

An impairment loss of \$409 million, including \$55 million in decommissioning costs, was recorded during the year ended May 2, 2026 for ROU assets and has been recognized in impairment losses of long-lived assets and related charges on the Consolidated Statements of Earnings (Note 14).

Impairment of ROU assets follows the same methodology as property and equipment (Note 3(q)). There were no other impairment losses or reversals for the years ended May 2, 2026 and May 3, 2025.

Finance lease liabilities

Changes in lease liabilities are as follows:

<i>(in millions of Canadian dollars)</i>		
	May 2, 2026	May 3, 2025
Opening balance	\$ 6,382	\$ 6,265
Additions	326	377
Extensions	479	288
Interest expense on lease liabilities	259	260
Lease payments	(837)	(808)
Closing balance	\$ 6,609	\$ 6,382
Current	\$ 636	\$ 597
Non-current	5,973	5,785
Total	\$ 6,609	\$ 6,382

The weighted average incremental borrowing rate as at May 2, 2026 is 4.0% (May 3, 2025 - 4.1%). The weighted average lease term remaining as at May 2, 2026 is 11 years (May 3, 2025 - 12 years).

The total future minimum rent payable under the Company's finance leases as of May 2, 2026 is \$8,310 million. The commitments over the next five fiscal years are:

<i>(in millions of Canadian dollars)</i>	Third Party Lease Payments	Related Party Lease Payments
2027	\$ 632	\$ 244
2028	626	246
2029	614	248
2030	562	241
2031	494	236
Thereafter	2,426	1,741

As at May 2, 2026, the Company had no commitments related to leases whose terms have not yet commenced.

Operating leases, as lessee

The Company has short-term operating leases that are primarily related to equipment and vehicles and has recorded \$21 million (May 3, 2025 - \$12 million) in selling and administrative expenses on the Consolidated Statements of Earnings.

Finance leases, as a lessor

Finance income for the year ended May 2, 2026 was \$22 million (May 3, 2025 - \$24 million). The total future minimum rent to be received by the Company relating to properties that are subleased to third parties are:

<i>(in millions of Canadian dollars)</i>	Finance Lease Payments to be Received
2027	\$ 88
2028	88
2029	87
2030	77
2031	66
Thereafter	271
Total undiscounted lease payments receivable	677
Unearned finance income	115
Net investment in finance subleases	\$ 562

Operating leases, as lessor

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

Lease income for the year ended May 2, 2026 was \$14 million (May 3, 2025 - \$15 million) and was recognized in other income on the Consolidated Statements of Earnings.

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

<i>(in millions of Canadian dollars)</i>	Operating Lease Payments to be Received
2027	\$ 10
2028	8
2029	6
2030	5
2031	3
Thereafter	39
Total	\$ 71

The Company recorded \$70 million (May 3, 2025 - \$58 million) of sublease income of which \$3 million (May 3, 2025 - \$4 million) was contingent rent received which has been recognized in selling and administrative expenses on the Consolidated Statements of Earnings.

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

<i>(in millions of Canadian dollars)</i>	Operating Lease Payments to be Received
2027	\$ 51
2028	39
2029	23
2030	15
2031	10
Thereafter	18
Total	\$ 156

Note 10 Investment property

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Cost		
Opening balance	\$ 187	\$ 181
Additions	-	1
Transfers and adjustments	(13)	6
Disposals and write-downs	(12)	(1)
Closing balance	\$ 162	\$ 187
Accumulated depreciation		
Opening balance	\$ 25	\$ 23
Depreciation	2	2
Transfers and adjustments	(4)	(2)
Disposals and write-downs	(1)	-
Impairment losses	2	2
Closing balance	\$ 24	\$ 25
Net carrying value	\$ 138	\$ 162
Fair value	\$ 225	\$ 283

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

An external, independent valuation company, having appropriate recognized professional qualifications and experience, assisted management in determining the fair value of certain investment properties chosen from a rotating sample each year at May 2, 2026 and May 3, 2025. Additions to investment property through acquisition are transacted at fair value, therefore, carrying value equals fair value at the time of acquisition. Properties reclassified from property and equipment are valued for disclosure purposes using comparable market information or the use of an external independent valuation company.

Note 11 Intangibles

May 2, 2026 <i>(in millions of Canadian dollars)</i>	Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Assets Under Construction	Other	Total
Cost							
Opening balance	\$ 721	\$ 189	\$ 301	\$ 570	\$ 128	\$ 223	\$ 2,132
Additions and transfers	-	12	-	133	(28)	3	120
Disposals and write-downs	-	(25)	(5)	(38)	(2)	(22)	(92)
Closing balance	\$ 721	\$ 176	\$ 296	\$ 665	\$ 98	\$ 204	\$ 2,160
Accumulated amortization and impairment							
Opening balance	\$ 32	\$ 122	\$ 236	\$ 266	\$ -	\$ 117	\$ 773
Amortization	-	12	18	81	-	10	121
Disposals, write-downs and transfers	-	(25)	(5)	(43)	-	(19)	(92)
Impairment losses	-	-	-	34	-	(3)	31
Closing balance	\$ 32	\$ 109	\$ 249	\$ 338	\$ -	\$ 105	\$ 833
Net carrying value	\$ 689	\$ 67	\$ 47	\$ 327	\$ 98	\$ 99	\$ 1,327
May 3, 2025 <i>(in millions of Canadian dollars)</i>							
Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Assets Under Construction	Other	Total	
Cost							
Opening balance	\$ 721	\$ 187	\$ 300	\$ 526	\$ 69	\$ 267	\$ 2,070
Additions and transfers	-	10	1	72	59	(15)	127
Disposals and write-downs	-	(8)	-	(28)	-	(29)	(65)
Closing balance	\$ 721	\$ 189	\$ 301	\$ 570	\$ 128	\$ 223	\$ 2,132
Accumulated amortization and impairment							
Opening balance	\$ 32	\$ 117	\$ 217	\$ 218	\$ -	\$ 138	\$ 722
Amortization	-	12	19	77	-	10	118
Disposals, write-downs and transfers	-	(7)	-	(29)	-	(43)	(79)
Impairment losses	-	-	-	-	-	12	12
Closing balance	\$ 32	\$ 122	\$ 236	\$ 266	\$ -	\$ 117	\$ 773
Net carrying value	\$ 689	\$ 67	\$ 65	\$ 304	\$ 128	\$ 106	\$ 1,359

Included in other intangibles at May 2, 2026 are liquor licenses of \$6 million (May 3, 2025 - \$6 million). These licenses have options to renew and it is the Company's intention to renew these licenses at each renewal date indefinitely. Therefore, cash inflows are expected to be generated at each store location for which the license is valid, and these assets are considered to have indefinite useful lives. Also included in other intangibles as at May 2, 2026 are the following amounts: loyalty programs - \$12 million (May 3, 2025 - \$12 million), lease rights \$10 million (May 3, 2025 - \$12 million) and private labels \$60 million (May 3, 2025 - \$60 million). The Company has determined that brand names with a net carrying value of \$689 million (May 3, 2025 - \$689 million) have indefinite useful lives. All intangibles with indefinite useful lives relate to the Food retailing segment. Impairment of these intangibles is assessed at least annually on the same basis as goodwill (Note 12). Impairment losses of \$ nil were recorded in selling and administrative expenses during the year ended May 2, 2026 (May 3, 2025 - \$ nil).

An impairment loss of \$31 million was recorded during the year ended May 2, 2026 (May 3, 2025 - \$ nil) for intangibles and has been recognized in impairment losses of long-lived assets and related charges on the Consolidated Statements of Earnings (Note 14).

Impairment of intangibles with finite useful lives follows the same methodology as property and equipment (Note 3(q)). Other impairment losses of \$ nil were recorded in selling and administrative expenses during the year May 2, 2026 (May 3, 2025 - \$12 million).

Note 12 Goodwill

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Opening balance	\$ 2,055	\$ 2,064
Additions from business acquisitions	1	6
Disposals	-	(15)
Closing balance	\$ 2,056	\$ 2,055

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Sobeys National	\$ 1,057	\$ 1,056
Farm Boy	541	541
Longo's	458	458
Total	\$ 2,056	\$ 2,055

Impairment testing of goodwill and indefinite life intangibles

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

During the third quarter of fiscal 2026, the Company completed its impairment test of groups of CGUs to which goodwill and indefinite life intangibles relate (Note 11) and concluded there was no impairment (May 3, 2025 - \$ nil).

In performing the impairment test for 2026, the Company determined the recoverable amount of the CGUs to which goodwill and indefinite life intangible assets relates, based on FVLCD for Sobeys National, Farm Boy and Longo's and concluded there was no impairment (May 3, 2025 - \$ nil).

Farm Boy and Longo's operating segments were measured using discounted cash flow projections, based on cash flow forecasts for the next fiscal year. Cash flow growth is based on projections for new retail sites as well as growth rates of 2.0% to 3.5% for existing sites. The key assumptions related to the cash flow projections used in the calculations are revenue and gross margin forecasts for ten years and terminal growth rates to extrapolate cash flow projections beyond the period covered by the most recent forecasts.

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

	2026	2025
After-tax discount rate	6.8% to 8.2%	7.6% to 8.2%
Terminal growth rate	2.0 %	2.0 %

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

The key assumptions used by management to determine the fair value of the CGU for the Sobeys National operating segment includes industry earnings multiples in a range from 6.5 to 14.0 (May 3, 2025 - 7.0 to 14.0).

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

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

Note 13 Income taxes

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Earnings before income taxes	\$ 308	\$ 995
Effective combined statutory income tax rate	26.4 %	26.4 %
Income tax expense according to combined statutory income tax rate	81	263
Income taxes resulting from:		
Non-deductible items	1	1
Non-taxable items	(17)	(8)
Change in tax rates and tax rate differential	(4)	(3)
Benefit of investment tax credits	(5)	(4)
Revaluation of tax estimates	2	-
Change in deferred tax assets not recognized	5	-
Other	(1)	-
Total income tax expense, combined effective tax rate of 20.1% (May 3, 2025 - 25.0%)	\$ 62	\$ 249

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Current tax expense	\$ 206	\$ 215
Deferred tax (recoveries) expense		
Origination and reversal of temporary differences	(144)	34
Total	\$ 62	\$ 249

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

May 2, 2026 <i>(in millions of Canadian dollars)</i>	Opening Balance	Recognized in:		Closing Balance
		OCI and Equity	Net Earnings	
Accounts payable and accrued liabilities	\$ 7	\$ -	\$ (16)	\$ (9)
Employee future benefits	43	7	-	50
Goodwill and intangibles	(131)	-	(10)	(141)
Inventory	8	-	-	8
Investments	(44)	-	3	(41)
Lease liabilities	1,678	-	53	1,731
Long-term debt	1	-	-	1
Other assets	(1)	-	-	(1)
Other long-term liabilities	5	2	8	15
Property, equipment and investment property	(136)	-	27	(109)
Provisions	19	-	28	47
Partnership deferral reserve	4	-	-	4
Right-of-use assets and lease receivables	(1,465)	-	64	(1,401)
Tax loss carry forwards	21	-	(13)	8
Other	(1)	-	-	(1)
	\$ 8	\$ 9	\$ 144	\$ 161

Recognized as:

Deferred tax assets	\$ 270	\$ 9	\$ 144	\$ 423
Deferred tax liabilities	\$ (262)	\$ -	\$ -	\$ (262)

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

Recognized as:

Deferred tax assets	\$ 305	\$ 3	\$ (38)	\$ 270
Deferred tax liabilities	\$ (265)	\$ -	\$ 3	\$ (262)

As at May 2, 2026, the Company had approximately \$17 million of Canadian non-capital tax loss carry forwards which expire between fiscal 2042 and 2046 (May 3, 2025 - \$ nil) that were not recognized because it is not probable that the future taxable income will be available to the Company to utilize the benefits of those assets. The amount of net deferred tax assets and deferred tax liabilities that are expected to be recovered or settled beyond the next 12 months is an asset of \$41 million.

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Unrealized (losses) gains on derivatives designated as cash flow hedges	\$ (1)	\$ 1
Share of other comprehensive losses of investments, at equity	-	(1)
Actuarial losses on defined benefit plans	(7)	(3)
Total	\$ (8)	\$ (3)

Note 14 Asset impairment and related charges

During the year ended May 2, 2026, the Company performed an assessment of expected financial performance across its e-commerce network, which showed lower than expected forecasted cash flows. Management considered this to be an indicator of impairment and as a result, the Company separately tested the recoverability of each CFC as they each represent a distinct CGU being the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The assets of the CFCs primarily include ROU assets and the related leasehold improvements, equipment and software. The impairment testing indicated the carrying value of the assets exceeded the sum of the discounted cash flows expected to result from the use and eventual disposal of the assets. Management will reassess the recoverable amount of the facilities if circumstances change significantly.

The recoverable amount is the higher of VIU and FVLCD. The recoverable amount of each CGU was determined using a discounted cash flow method, either with the recoverable amounts for VIU calculations using cash flows from the Company's latest internal forecasts or for FVLCD based on the expected cash flows from sublease arrangements for each of these facilities. Impairment resulted from recoverable amounts using FVLCD calculations (Level 3 fair value measurement), where the fair value of leased assets was determined using a discounted cash flow approach. Key assumptions included estimated market rental rates, estimated decommissioning costs, and after-tax discount rates ranging from 5.2% to 5.7%.

During the year ended May 2, 2026 the Company recognized an impairment loss and related costs 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 Consolidated Statements of Earnings. These costs include impairment of ROU assets, property and equipment, and intangibles, and direct costs associated with the planned closure of the Calgary CFC including severance costs, cash contract termination payments and decommissioning costs. The total carrying amount of the CGUs 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 software intangibles.

As a result of management's assessment of the future performance of certain assets in the e-commerce network, the Company made the decision in the year ended May 2, 2026, to wind-down the Calgary CFC and its support facility in Edmonton, and the development of the Vancouver CFC continues to be on hold.

The closure of the Calgary CFC and the continued pause on development of the Vancouver CFC did not meet the criteria for classification as a discontinued operation under IFRS 5, "Non-current assets held for sale and discontinued operations", as these sites did not represent a separate major line of business or geographical area of operations.

Note 15 Provisions

May 2, 2026					
<i>(in millions of Canadian dollars)</i>					
	Legal	Environmental	Restructuring	Total	
Opening balance	\$ 8	\$ 27	\$ 45	\$	80
Provisions made	7	1	184		192
Provisions used	(6)	(2)	(78)		(86)
Provisions reversed	(1)	(1)	(9)		(11)
Change due to discounting	-	1	1		2
Closing balance	\$ 8	\$ 26	\$ 143	\$	177
Current	\$ 8	\$ -	\$ 140	\$	148
Non-current	-	26	3		29
Total	\$ 8	\$ 26	\$ 143	\$	177

Legal costs

As at May 2, 2026 legal provisions relate to claims of \$8 million that arose in the ordinary course of business.

Environmental costs

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

Restructuring

Restructuring provisions related to the Company's initiatives to simplify organizational structures and reduce costs. As a result of these initiatives, restructuring provisions made and used for the year ended May 2, 2026 were \$184 million and \$78 million respectively. Of this, \$147 million relates to the e-commerce review and closure of the Calgary CFC, including contract termination fees and severance costs of \$92 million and decommissioning costs of \$55 million (Note 14). These costs have been recorded in impairment losses of long-lived assets and related charges on the Consolidated Statements of Earnings. Discounting of restructuring provisions has been calculated using a pre-tax discount rate of 9.0%.

Note 16 Long-term debt

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
First mortgage loan, interest rate 5.11%, due 2033	\$ 3	\$ 3
Medium term notes, Series D, interest rate 6.06% due October 29, 2035	175	175
Medium term notes, Series E, interest rate 5.79% due October 6, 2036	125	125
Medium term notes, Series F, interest rate 6.64%, due June 7, 2040	150	150
Senior unsecured notes, Series 2025-1, interest rate 3.10%, due October 30, 2028	300	-
Notes payable and other debt primarily at interest rates fluctuating with the prime rate, due 2026 - 2036 (May 3, 2025 due 2025 - 2036)	176	162
Credit facility, due on demand, interest rate fluctuates with the Canadian prime rate	46	82
Credit facility, due June 19, 2026, floating interest tied to the Canadian prime rate or CORRA	120	120
Credit facilities, expiring November 4, 2027, floating interest tied to Canadian prime rate, bankers' acceptance rates or CORRA	156	268
	1,251	1,085
Interest payable on credit facilities	-	(1)
Unamortized transactions costs	(3)	(2)
	1,248	1,082
Less amount due within one year	195	225
	\$ 1,053	\$ 857

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

Pursuant to an agreement dated October 30, 2025, Sobeys issued through private placement Series 2025-1 senior unsecured notes ("the Notes"), 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.

Pursuant to an agreement dated June 21, 2024, Sobeys entered into a senior unsecured non-revolving term credit agreement in the amount of \$120 million, with a maturity date of June 20, 2025. On June 18, 2025, Sobeys amended this facility by extending its maturity date to June 19, 2026. As of May 2, 2026, the outstanding amount of this facility was \$120 million (May 3, 2025 - \$120 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or Canadian Overnight Repo Rate Average ("CORRA").

Sobeys, through its acquisition of Longo's, has an operating line of credit which was amended from \$100 million to \$115 million on March 25, 2025. As of May 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.

Sobeys' amended and restated senior, unsecured revolving term credit agreement dated November 3, 2022, in the amount of \$650 million, with a maturity date of November 4, 2027, was amended on June 24, 2024 for updated CORRA. As of May 2, 2026, the outstanding amount of this facility was \$55 million (May 3, 2025 - \$215 million) and the Company has issued \$73 million (May 3, 2025 - \$69 million) in letters of credit against the facility. Interest payable on this facility fluctuates with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

The Company's amended and restated senior, unsecured revolving term credit agreement date November 3, 2022, in the amount of \$150 million with a maturity date of November 4, 2027, was amended on June 24, 2024 for updated CORRA. As of May 2, 2026, the outstanding amount of this facility was \$101 million (May 3, 2025 - \$53 million). Interest payable on this facility may fluctuate with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Opening balance	\$ 1,082	\$ 1,096
Issuance of long-term debt	409	98
Advance on non-revolving credit facility	-	120
Repayments of long-term debt	(97)	(94)
Repayments on revolving credit facilities, net	(146)	(138)
Total cash flows from (used in) long-term debt financing activities	166	(14)
Closing balance	\$ 1,248	\$ 1,082
Current	\$ 195	\$ 225
Non-current	1,053	857
Total	\$ 1,248	\$ 1,082

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

<i>(in millions of Canadian dollars)</i>	
2027	\$ 195
2028	168
2029	309
2030	9
2031	7
Thereafter	563

Note 17 Other long-term liabilities

<i>(in millions of Canadian dollars)</i>	Note	May 2, 2026	May 3, 2025
Non-controlling interest liabilities	28	\$ 328	\$ 293
Deferred revenue		12	4
Deferred vendor allowances		8	9
Other		6	6
		354	312
Less amount due within one year		59	33
		\$ 295	\$ 279

Note 18 Employee future benefits

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

Defined contribution pension plans

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

Defined benefit pension plans

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

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

Interest rate risk

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

Mortality risk

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

Salary risk

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

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

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

Multi-employer plans

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

During the year ended May 2, 2026, the Company recognized an expense of \$30 million (May 3, 2025 - \$37 million) in selling and administrative expense which represents the contributions made in connection with multi-employer pension plans. During fiscal 2027, the Company expects to continue to make contributions to these multi-employer pension plans.

Other benefit plans

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

Defined contribution plans

The total expense, and cash contributions, for the Company's defined contribution plans was \$44 million for the year ended May 2, 2026 (May 3, 2025 - \$40 million).

Defined benefit plans

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

<i>(in millions of Canadian dollars)</i>	Pension Benefit Plans		Other Benefit Plans		Total	
	May 2 2026	May 3 2025	May 2 2026	May 3 2025	May 2 2026	May 3 2025
Defined benefit obligation						
Balance, beginning of year	\$ 547	\$ 532	\$ 92	\$ 89	\$ 639	\$ 621
Current service costs, net of employee contributions	1	1	1	2	2	3
Interest costs	24	26	4	4	28	30
Benefits paid	(49)	(43)	(5)	(5)	(54)	(48)
Remeasurement - actuarial losses included in other comprehensive income	13	31	-	2	13	33
Balance, end of year	\$ 536	\$ 547	\$ 92	\$ 92	\$ 628	\$ 639
Plan assets						
Fair value, beginning of year	\$ 477	\$ 461	\$ -	\$ -	\$ 477	\$ 461
Interest income on plan assets	21	23	-	-	21	23
Remeasurement (losses) gains on plan assets (excluding amount in net interest)	(14)	22	-	-	(14)	22
Employer contributions	7	16	5	5	12	21
Benefits paid	(49)	(43)	(5)	(5)	(54)	(48)
Administrative costs	(2)	(2)	-	-	(2)	(2)
Fair value, end of year	\$ 440	\$ 477	\$ -	\$ -	\$ 440	\$ 477

<i>(in millions of Canadian dollars)</i>	Pension Benefit Plans		Other Benefit Plans		Total	
	May 2 2026	May 3 2025	May 2 2026	May 3 2025	May 2 2026	May 3 2025
Funded status						
Total fair value of plan assets	\$ 440	\$ 477	\$ -	\$ -	\$ 440	\$ 477
Present value of unfunded obligations	(96)	(70)	(92)	(92)	(188)	(162)
Present value of partially funded obligations	(440)	(477)	-	-	(440)	(477)
Accrued benefit liabilities	\$ (96)	\$ (70)	\$ (92)	\$ (92)	\$ (188)	\$ (162)

<i>(in millions of Canadian dollars)</i>	Pension Benefit Plans		Other Benefit Plans		Total	
	May 2 2026	May 3 2025	May 2 2026	May 3 2025	May 2 2026	May 3 2025
Expenses						
Current service costs, net of employee contributions	\$ 1	\$ 1	\$ 1	\$ 2	\$ 2	\$ 3
Net interest on net defined benefit liability	3	3	4	4	7	7
Administrative costs	2	2	-	-	2	2
Expenses	\$ 6	\$ 6	\$ 5	\$ 6	\$ 11	\$ 12

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

On April 30, 2026 the Company initiated a group annuity buy-out for its inactive defined benefit pension members of certain pension plans (Note 32).

Remeasurement effects recognized in other comprehensive loss:

	Pension Benefit Plans		Other Benefit Plans		Total	
	May 2 2026	May 3 2025	May 2 2026	May 3 2025	May 2 2026	May 3 2025
<i>(in millions of Canadian dollars)</i>						
Loss (return) on plan assets (excluding amounts in net interest)	\$ 14	\$ (22)	\$ -	\$ -	\$ 14	\$ (22)
Actuarial (gain) loss - experience changes	(2)	3	-	-	(2)	3
Actuarial loss (gain) - demographic assumptions	21	-	1	(2)	22	(2)
Actuarial (gain) loss - financial assumptions	(6)	28	(1)	4	(7)	32
Total	\$ 27	\$ 9	\$ -	\$ 2	\$ 27	\$ 11

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

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2026	May 3, 2025	May 2, 2026	May 3, 2025
Discount rate	4.9 %	4.6 %	4.8 %	4.7 %
Rate of compensation increase	3.0 %	3.0 %		

For measurement purposes, a 4.5% annual rate of increase in the per capita cost of covered health care benefits was assumed (May 3, 2025 - 4.5%). The cumulative rate expectation to 2027 and thereafter is 4.5%.

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

The following table outlines the sensitivity of the fiscal 2026 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce the impact on accrued benefit obligations or benefit plan expenses.

<i>(in millions of Canadian dollars)</i>	Pension Benefit Plans		Other Benefit Plans	
	Benefit Obligations	Benefit Cost ⁽¹⁾	Benefit Obligations	Benefit Cost ⁽¹⁾
Discount rate ⁽²⁾	4.9 %	4.9 %	4.8 %	4.8 %
Impact of: 1% increase	\$ (51)	\$ (2)	\$ (8)	\$ -
Impact of: 1% decrease	\$ 61	\$ 2	\$ 10	\$ -
Growth rate of health care costs			4.5 %	4.5 %
Impact of: 1% increase		\$ 3	\$ -	\$ -
Impact of: 1% decrease		\$ (3)	\$ -	\$ -

(1) Reflects the impact on the current service cost, interest cost and net interest on defined benefit liability (asset).

(2) Based on weighted average of discount rates related to all plans.

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

	May 2, 2026	May 3, 2025
Fixed income funds	23.9 %	99.3 %
Net working capital	76.1 %	0.7 %
Total investments	100.0 %	100.0 %

On April 30, 2026, the Company liquidated a significant portion of its fixed income funds in advance of the planned group annuity buy-out for its inactive defined benefit pension members of certain pension plans (Note 32).

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

The actual return on plan assets was \$5 million for the year ended May 2, 2026 (May 3, 2025 - \$44 million).

Management's estimate of contributions expected to be paid to the defined benefit pension plans during the annual period beginning on May 3, 2026 and ending on May 1, 2027 is \$6 million. The actual amount of contributions may vary from the estimated depending on the funded positions of the plan, filing of any actuarial valuations, and any new regulatory requirements or other factors.

Note 19 Capital stock

Under the normal course issuer bid ("NCIB") with the TSX from July 2, 2024 to July 1, 2025, the Company purchased 9,956,481 (July 1, 2024 - 10,004,868) Non-Voting Class A shares at a weighted average price of \$42.34 (July 1, 2024 - \$35.31) for total consideration of \$422 million (July 1, 2024 - \$353 million).

On June 18, 2025, the Company renewed its NCIB by filing notice of intention with the TSX to purchase for cancellation up to 11,500,000 Non-Voting Class A shares representing approximately 9.6% of the public float of Non-Voting Class A shares outstanding. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price the Company will pay for any such shares will be the market price at the time of acquisition. Purchases were eligible to commence on July 2, 2025 and terminate no later than July 1, 2026. As of May 2, 2026, the Company purchased 6,930,386 Non-Voting Class A shares (May 3, 2025 - 8,909,039) under this filing at a weighted average price of \$49.92 (May 3, 2025 - \$41.24) for a total consideration of \$346 million (May 3, 2025 - \$367 million).

The following table reflects shares repurchased under the NCIB:

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026	May 3, 2025
Number of shares	7,977,828	9,888,014
Weighted average price per share	\$ 50.15	\$ 40.46
Reduction of share capital	\$ 94	\$ 128
Premium charged to retained earnings	306	272
Cash consideration paid	\$ 400	\$ 400

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

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

Subsequent to the year ended May 2, 2026 through to the date of authorization of issuance of June 17, 2026, the Company purchased for cancellation 1,060,950 Non-Voting Class A shares at a weighted average price of \$47.14 for a total consideration of \$50 million.

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

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

<i>(in millions of Canadian dollars, except share amounts)</i>	Number of Shares		Share Capital	
	May 2, 2026	May 3, 2025	May 2, 2026	May 3, 2025
Issued and outstanding				
Balance, beginning of year, Non-Voting Class A shares	134,488,019	143,932,071	\$ 1,654	\$ 1,773
Repurchase of common shares	(7,977,828)	(9,888,014)	(94)	(128)
Issuance of shares for stock-based compensation	585,387	443,962	12	9
Balance, end of year, Non-Voting Class A shares	127,095,578	134,488,019	\$ 1,572	\$ 1,654
Class B common shares, without par value	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 issued and outstanding shares are as follows:

<i>(in millions of Canadian dollars)</i>	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

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

During the year ended May 2, 2026, the Company paid common dividends of \$201 million (May 3, 2025 - \$190 million) to Empire's equity holders. This represents a payment of \$0.88 per share (May 3, 2025 - \$0.80 per share). The Company also paid dividends of \$2 million (May 3, 2025 - \$2 million) to non-controlling interest shareholders.

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

<i>(in millions of Canadian dollars, except share amounts)</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

Note 20 Segmented information

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

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

The measurement policies the Company uses for segment reporting under IFRS 8, "Operating segments", are the same as those used on its Consolidated Financial Statements.

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

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Food sales	\$ 30,145	\$ 29,338
Fuel sales	1,805	1,939
Sales	\$ 31,950	\$ 31,277

Management assesses performance based on operating income where income attributable to the Investments and other operations segment is generated through its Share of earnings from investments, at equity which is disclosed separately on the Consolidated Statements of Earnings. Other income, Selling and administrative expenses and Impairment losses of long-lived assets and related charges which are also disclosed separately on the Consolidated Statements of Earnings, are primarily attributable to the Food retailing segment. Significant components of selling and administrative expenses are depreciation and amortization, and employee benefits expenses (Note 22). Depreciation and amortization are disclosed on the Consolidated Statements of Cash Flows. Costs of sales is disclosed on the Consolidated Statements of Earnings and in Note 4.

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Segment operating income		
Food retailing	\$ 508	\$ 1,234
Investments and other operations		
Crombie REIT	51	65
Real estate partnerships	37	16
Other operations, net of corporate expenses	(10)	(26)
	78	55
Total	\$ 586	\$ 1,289

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Total segment operating income	\$ 586	\$ 1,289
Finance costs, net	278	294
Earnings before income taxes	\$ 308	\$ 995

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Total assets by segment		
Food retailing	\$ 16,280	\$ 16,234
Investments and other operations	800	785
Total	\$ 17,080	\$ 17,019

Note 21 Other income

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Net gains on disposal of net assets	\$ 38	\$ 57
Lease income from owned property	14	15
Net gains on lease modifications and terminations	12	18
Total other income	\$ 64	\$ 90

Note 22 Employee benefits expense

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Wages, salaries and other short-term employment benefits	\$ 4,203	\$ 4,099
Post-employment benefits	48	43
Termination benefits	16	5
Total	\$ 4,267	\$ 4,147

Note 23 Finance costs, net

<i>(in millions of Canadian dollars)</i>	Note	May 2, 2026	May 3, 2025
Finance income			
Interest income on lease receivables		\$ 22	\$ 24
Fair value gains on forward contracts		10	6
Interest income on long-term receivables	27	9	-
Accretion income on leases and other receivables		3	2
Interest income from cash and cash equivalents		2	2
Total finance income		46	34
Finance costs			
Interest expense on lease liabilities		259	260
Interest expense on other financial liabilities at amortized cost		56	59
Pension finance costs, net		7	7
Accretion expense on provisions		2	2
Total finance costs		324	328
Finance costs, net		\$ 278	\$ 294

Note 24 Earnings per share

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

<i>(in millions of Canadian dollars, except per share amounts)</i>	May 2, 2026	May 3, 2025
Weighted average number of shares - basic	229,723,540	237,909,547
Shares deemed to be issued for no consideration in respect of stock-based payments	626,712	705,871
Weighted average number of shares - diluted	230,350,252	238,615,418
Earnings per share		
Earnings attributable to Owners of the Company	\$ 198	\$ 700
Basic weighted average number of shares outstanding (in millions)	229.7	237.9
Basic earnings per share	\$ 0.86	\$ 2.94
Diluted weighted average number of shares outstanding (in millions)	230.4	238.6
Diluted earnings per share	\$ 0.86	\$ 2.93

Note 25 Supplementary cash flow information

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Receivables	\$ (40)	\$ 10
Inventories	(83)	(56)
Prepaid expenses	(31)	(11)
Accounts payable and accrued liabilities	(68)	104
Other	40	(20)
Net change in non-cash working capital	\$ (182)	\$ 27

Note 26 Business acquisitions

The Company completes acquisitions of certain franchise and non-franchise stores. The results of these acquisitions have been included in the consolidated financial results of the Company since their acquisition dates and were accounted for through the use of the acquisition method.

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

<i>(in millions of Canadian dollars)</i>	May 2 2026	May 3 2025
Inventories	\$ 3	\$ 5
Property, equipment and investment property	2	5
Goodwill	1	6
Accounts payable and accrued liabilities	-	(1)
Total consideration	\$ 6	\$ 15

From the date of acquisition, the businesses acquired contributed sales of \$36 million (May 3, 2025 - \$87 million) and net loss of \$(2) million (May 3, 2025 - \$ nil) which are included in the Consolidated Financial Statements.

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

During the year ended May 2, 2026, the Company, and its wholly-owned subsidiary Sobeys, announced that it had entered into an agreement to acquire Mayrand Food Group Inc., a long established Quebec food retailer. Subsequent to the year ended May 2, 2026, Sobeys received the required court approval and regulatory approval for the transaction. The transaction is expected to close during the first quarter of fiscal 2027.

Note 27 Guarantees, commitments and contingencies

Guarantees

Franchisees and affiliates

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

During fiscal 2009, Sobeys entered into an additional credit enhancement contract in the form of a standby letter of credit for certain franchisees and affiliates for the purchase and installation of equipment. Under the terms of the contract, should franchisees and affiliates be unable to fulfil their lease obligations or provide an acceptable remedy, Sobeys would be required to fund the greater of \$6 million or 10.0% (May 3, 2025 - \$6 million or 10.0%) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to provide a letter of credit in the amount of the outstanding guarantee, to be renewed each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain franchisees and affiliates. As at May 2, 2026, the amount of the guarantee was \$7 million (May 3, 2025 - \$6 million).

Other

At May 2, 2026, the Company had entered into letters of credit issued in an aggregate amount of \$83 million (May 3, 2025 - \$80 million) to support the Company's obligations.

Sobeys, through its subsidiaries, has guaranteed the payment of obligations under certain commercial development agreements. As at May 2, 2026, the Company has guaranteed \$40 million (May 3, 2025 - \$40 million) in obligations related to these agreements.

Capital and other commitments

As at May 2, 2026, the Company had commitments for the acquisition of property and equipment and intangible assets for a total cost of \$105 million (May 3, 2025 - \$103 million). The Company also had other commitments for operational expenditures of \$245 million (May 3, 2025 - \$251 million).

The Company invests in ventures as part of its business operations strategy. These investments have varying funding commitments over the medium term of approximately \$43 million (May 3, 2025 - \$42 million).

Contingencies

On June 21, 2005, Sobeys received a notice of reassessment from Canada Revenue Agency ("CRA") for fiscal years 1999 and 2000 related to Lumsden Brothers Limited, a wholesale subsidiary of Sobeys, and the Goods and Service Tax ("GST"). The reassessment related to GST on sales of tobacco products to eligible Indigenous peoples. CRA asserted 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 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 Statements of Earnings.

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

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

Note 28 Financial instruments

Credit risk

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

The Company's maximum exposure to credit risk corresponds to the carrying amount for all cash and cash equivalents, loans and receivables, and guarantee contracts for franchisees and affiliates (Note 27).

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

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
0 - 30 days	\$ 542	\$ 529
31 - 90 days	61	29
Greater than 90 days	146	140
Total receivables before allowance for credit losses	749	698
Less allowance for credit losses	32	30
Receivables	\$ 717	\$ 668

Interest earned on past due accounts is recorded as a reduction to selling and administrative expenses on the Consolidated Statements of Earnings. Receivables are classified as current on the Consolidated Balance Sheets as of May 2, 2026.

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Allowance, beginning of year	\$ 30	\$ 28
Provision for losses	8	9
Recoveries	(2)	(2)
Write-offs and adjustments	(4)	(5)
Allowance, end of year	\$ 32	\$ 30

Liquidity risk

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

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

The following table summarizes the amount and the contractual maturities of both the interest and principal portion of significant financial liabilities on an undiscounted basis as at May 2, 2026:

<i>(in millions of Canadian dollars)</i>	2027	2028	2029	2030	2031	Thereafter	Total
Derivative financial liabilities							
Non-controlling interest liabilities	\$ 59	\$ 81	\$ 73	\$ 75	\$ 40	-	\$ 328
Non-derivative financial liabilities							-
Accounts payable and accrued liabilities	3,024	-	-	-	-	-	3,024
Long-term debt	232	205	342	37	35	764	1,615
Total	\$ 3,315	\$ 286	\$ 415	\$ 112	\$ 75	\$ 764	\$ 4,967

Fair value of financial instruments

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

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

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

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

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

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

There were no transfers between classes of the fair value hierarchy during the years ended May 2, 2026 and May 3, 2025.

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

<i>(in millions of Canadian dollars)</i>	May 2 2026	May 3 2025
Long-term debt		
Total carrying amount	\$ 1,248	\$ 1,082
Total fair value	\$ 1,302	\$ 1,135

As at May 2, 2026, the fair value hierarchy includes financial assets at FVTPL of \$ nil, \$ nil and \$ nil for Levels 1, 2 and 3, respectively (May 3, 2025 - \$ nil, \$8 million and \$ nil).

As at May 2, 2026, the fair value hierarchy includes financial liabilities at FVTPL of \$ nil, \$ nil and \$328 million for Levels 1, 2 and 3, respectively (May 3, 2025 - \$ nil, \$ nil and \$293 million).

Derivative financial instruments

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

Cash flow hedges

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

As of May 2, 2026, the fair values of the outstanding derivatives designated as cash flow hedges of forecast transactions were assets of \$ nil (May 3, 2025 - \$8 million) and liabilities of \$ nil (May 3, 2025 - \$ nil).

Cash flows from cash flow hedges are expected to flow over fiscal 2027 and are expected to be recognized in net earnings or loss over this period, and, in the case of foreign currency swaps, over the life of the related debt in which a portion of the initial cost is being hedged.

Interest rate risk

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

The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. A large portion of the Company's long-term debt is at fixed interest rates. Approximately 44.9% (May 3, 2025 - 54.9%) of the Company's long-term debt is exposed to interest rate risk due to floating rates.

Net earnings or loss is impacted by a change in interest rates on the average balance of interest-bearing financial liabilities during the year. For the year ended May 2, 2026, the Company's average outstanding unhedged floating rate debt was \$523 million (May 3, 2025 - \$598 million). An increase (decrease) of 25 basis points would have impacted net earnings by \$1 million (\$1) million (May 3, 2025 - \$1 million (\$1) million) as a result of the Company's exposure to interest rate fluctuations on its unhedged floating rate debt.

Foreign currency exchange risk

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

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

The Company estimates that a 10% increase (decrease) in applicable foreign currency exchange rates for these forwards and swaps would impact net earnings by \$ nil (\$ nil) (May 3, 2025 - \$ nil (\$ nil)) and other comprehensive income by \$ nil (\$ nil) (May 3, 2025 - \$8 million (\$8) million) for foreign currency derivatives in place at year end.

Note 29 Stock-based compensation

Performance share unit plan

The Company awards PSUs to certain employees. The number of PSUs that vest under an award is predominantly dependent on service over time and the achievement of specific performance measures. During the year ended May 2, 2026, newly granted PSUs do not allow the grantee the option to elect for cash settlement, and therefore are accounted for as equity-settled awards. Upon vesting, each employee is entitled to receive Non-Voting Class A shares equal to the number of their vested PSUs. During the year ended May 2, 2026, the Company granted 420,166 equity-settled PSUs. The weighted average fair value of \$48.72 per PSU issued during the year ended May 2, 2026 was determined using Black-Scholes model with the following weighted average assumption:

Share price	\$	50.73
Expected life		2.59 years
Risk-free interest rate		2.66%
Expected volatility		20.03%
Dividend yield		1.57%

During the prior year ended May 3, 2025, the Company granted 613,703 cash-settled PSUs. PSUs granted prior to May 3, 2025 continue to give holders the option to cash settle, which results in a cash settled liability. Upon vesting, each employee is entitled to receive cash or Non-Voting Class A shares equal to their vested PSUs. At May 2, 2026, the total carrying amount of the liability was \$32 million (May 3, 2025 - \$40 million).

At May 2, 2026, there were 1,336,914 (May 3, 2025 - 829,522) PSUs outstanding. The compensation expense for the year ended May 2, 2026 related to equity-settled PSUs was \$7 million (May 3, 2025 - \$ nil). The compensation expense for the year ended May 2, 2026 related to cash-settled PSUs was \$5 million (May 3, 2025 - \$31 million). Compensation expense has been recorded in selling and administrative expenses on the Consolidated Statements of Earnings.

Stock option plan

During the year ended May 2, 2026, the Company granted nil (May 3, 2025 - nil) options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The compensation expense for the year ended May 2, 2026 related to the issuance of options was \$1 million (May 3, 2025 - \$6 million) and have been recorded in selling and administrative expenses on the Consolidated Statements of Earnings.

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:

	2026		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	

The following table summarizes information related to stock options outstanding at May 2, 2026:

	Options Outstanding			Options Exercisable	
	Number of Outstanding Options	Weighted Average Remaining Contractual Life ⁽¹⁾	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Year Granted					
2019	16,206	0.16	\$ 26.48	16,206	\$ 26.48
2020	83,908	1.16	31.37	83,908	31.37
2021	157,979	2.05	30.82	157,979	30.82
2022	367,192	2.96	42.07	367,192	42.07
2023	355,839	3.93	40.41	237,540	40.43
2024	544,699	4.89	34.61	229,194	34.59
Total	1,525,823	3.65	\$ 37.10	1,092,019	\$ 37.46

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

Deferred stock unit plans

Deferred stock units ("DSUs") issued to employees, under the Executive DSU Plan, vest dependent on time and the achievement of specific performance measures. During the year ended May 2, 2026, the Company granted 204,410 (May 3, 2025 - 235,943) DSUs. At May 2, 2026, there were 1,207,452 (May 3, 2025 - 1,536,368) DSUs outstanding. The compensation expense (recovery) for the year ended May 2, 2026 related to DSUs was \$2 million (May 3, 2025 - \$37 million). During the year ended May 2, 2026, DSUs issued under this plan changed from cash-settled to equity-settled units measured at the fair value at the date of modification. Grant holders are entitled to receive Non-Voting Class A shares equal to the number of their vested DSUs. As a result, the accounting treatment for units issued under the Executive DSU Plan changed from cash settled to equity settled accounting in accordance with IFRS 2 Share-based payment ("IFRS 2"). The weighted average fair value of the modified awards on the date of modification was \$46.03 and was determined using Black-Scholes model with the following weighted average assumption:

Share price	\$ 48.70
Expected life	3.20 years
Risk-free interest rate	2.87%
Expected volatility	21.29%
Dividend yield	1.79%

Members of the Board of Directors ("BOD") may elect to receive all or any portion of their fees in DSUs in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' or employees' fee payment date. During the year ended May 2, 2026, the Company granted 56,735 (May 3, 2025 - 54,077) DSUs. At May 2, 2026, there were 592,391 (May 3, 2025 - 535,656) DSUs outstanding. During the year ended May 2, 2026, DSUs issued under this plan changed from cash-settled to equity-settled units, measured at a fair value at the date of modification. Grant holders are entitled to receive Non-Voting Class A Shares equal to the number of their vested DSUs. As a result, the accounting treatment for units issued under the BOD DSU Plan changed from cash-settled to equity-settled accounting in accordance with IFRS 2. The weighted average fair value of DSUs issued during the year ended May 2, 2026, was \$49.14 per DSU. During the year ended May 2, 2026, the compensation expense recorded was \$2 million (May 3, 2025 - \$12 million).

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

Note 30 Related party transactions

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. As at May 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 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) (Note 9).

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

During the year ended May 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 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:

<i>(in millions of Canadian dollars)</i>	May 2, 2026			May 3, 2025		
	Number of sites	Cash consideration	Pre-tax gains	Number of sites	Cash consideration	Pre-tax gains
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

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

Indemnities

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

Note 31 Capital management

The Company's objectives when managing capital are: (i) to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; (ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; (iii) to maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants; and (iv) to maintain an investment grade credit rating with each rating agency that assesses the credit worthiness of the Company. There have been no changes to the Company's objectives during the year ended May 2, 2026.

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

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

<i>(in millions of Canadian dollars)</i>	May 2, 2026	May 3, 2025
Long-term debt due within one year	\$ 195	\$ 225
Long-term debt	1,053	857
Lease liabilities due within one year	636	597
Long-term lease liabilities	5,973	5,785
Funded debt, including lease liabilities	7,857	7,464
Shareholders' equity, net of non-controlling interest	5,003	5,410
Capital under management	\$ 12,860	\$ 12,874

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

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

Note 32 Subsequent events

On April 30, 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.

Subsequent to the year ended May 2, 2026, on June 12, 2026, Sobeys amended its senior, unsecured non-revolving term credit facility in the amount of \$120 million by extending its maturity date to June 18, 2027.