empire
COMPANY LIMITED

Interim Condensed Consolidated Financial Statements

August 1, 2026

Interim Condensed Consolidated Financial Statements

Table of Contents

Condensed Consolidated Balance Sheets **Unaudited (in millions of Canadian dollars)**	**Note**	**August 1** **2026**	**May 2** **2026**	**August 2** **2025**
ASSETS				
Current assets				
Cash and cash equivalents		**$ 320**	$ 291	$ 372
Receivables		**696**	717	679
Inventories	4	**1,901**	1,919	1,870
Prepaid expenses		**225**	204	199
Lease and other receivables		**94**	121	164
Income taxes receivable		**102**	138	54
Total current assets		**3,338**	3,390	3,338
Non-current assets				
Lease and other receivables		**564**	582	568
Investments, at equity	5	**654**	721	725
Other assets		**23**	22	48
Property and equipment		**3,723**	3,638	3,658
Right-of-use assets		**4,806**	4,783	4,956
Investment property		**138**	138	161
Intangibles		**1,322**	1,327	1,356
Goodwill		**2,056**	2,056	2,055
Deferred tax assets		**423**	423	285
Total assets		**$ 17,047**	$ 17,080	$ 17,150
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**$ 2,993**	$ 3,024	$ 3,007
Income taxes payable		**60**	66	66
Provisions		**141**	148	52
Long-term debt due within one year	6	**211**	195	215
Lease liabilities due within one year		**629**	636	604
Other liabilities due within one year		**53**	59	35
Total current liabilities		**4,087**	4,128	3,979
Non-current liabilities				
Provisions		**32**	29	34
Long-term debt	6	**958**	1,053	1,060
Long-term lease liabilities		**5,978**	5,973	5,743
Other long-term liabilities		**289**	295	295
Employee future benefits		**164**	188	169
Deferred tax liabilities		**268**	262	270
Total liabilities		**11,776**	11,928	11,550
EQUITY				
Equity attributable to Owners of the Company				
Capital stock	7	**1,560**	1,572	1,649
Contributed surplus		**88**	94	23
Retained earnings		**3,464**	3,334	3,771
Accumulated other comprehensive income		**3**	3	21
Total equity attributable to Owners of the Company		**5,115**	5,003	5,464
Non-controlling interest		**156**	149	136
Total equity		**5,271**	5,152	5,600
Total liabilities and equity		**$ 17,047**	$ 17,080	$ 17,150

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

On behalf of the Board

(signed) "James Dickson"
Director

(signed) "Pierre St-Laurent"
Director

Condensed Consolidated Statements of Earnings **Unaudited (in millions of Canadian dollars, except per share amounts)**	**Note**	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Sales	8	**$ 8,475**	$ 8,258
Other income	9	**8**	16
Share of earnings from investments, at equity		**6**	17
Operating expenses			
Cost of sales		**6,206**	6,023
Selling and administrative expenses		**1,872**	1,886
Operating income		**411**	382
Finance costs, net	10	**74**	71
Earnings before income taxes		**337**	311
Income taxes expense		**88**	81
Net earnings		**$ 249**	$ 230
Earnings for the period attributable to:			
Owners of the Company		**$ 233**	$ 212
Non-controlling interest		**16**	18
		$ 249	$ 230
Earnings per share	11		
Basic		**$ 1.04**	$ 0.91
Diluted		**$ 1.04**	$ 0.91
Weighted average number of common shares outstanding, in millions	11		
Basic		**224.6**	232.3
Diluted		**224.9**	233.4

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Comprehensive Income **Unaudited (in millions of Canadian dollars)**	**Note**	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Net earnings		**$ 249**	$ 230
Other comprehensive income (loss), net			
Items that will be reclassified subsequently to net earnings			
Unrealized losses on derivatives designated as cash flow hedges (net of tax)	12	**-**	(2)
Items that will not be reclassified subsequently to net earnings			
Actuarial gains (losses) on defined benefit plans (net of tax)	12	**2**	(7)
Total other comprehensive income (loss), net		**2**	(9)
Total comprehensive income		**$ 251**	$ 221
Total comprehensive income for the period attributable to:			
Owners of the Company		**$ 235**	$ 203
Non-controlling interest		**16**	18
		$ 251	$ 221

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

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

		Attributable to Owners of the Company						
	Note	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance at May 2, 2026		**$ 1,572**	**$ 94**	**$ 3**	**$ 3,334**	**$ 5,003**	**$ 149**	**$ 5,152**
Net earnings		**-**	**-**	**-**	**233**	**233**	**16**	**249**
Other comprehensive income		**-**	**-**	**-**	**2**	**2**	**-**	**2**
Total comprehensive income for the period		**-**	**-**	**-**	**235**	**235**	**16**	**251**
Dividends paid		**-**	**-**	**-**	**(55)**	**(55)**	**(1)**	**(56)**
Dividends paid to non-controlling interest		**-**	**-**	**-**	**(1)**	**(1)**	**1**	**-**
Equity based compensation, net		**4**	**(6)**	**-**	**-**	**(2)**	**-**	**(2)**
Repurchase of common shares	7	**(19)**	**-**	**-**	**(56)**	**(75)**	**-**	**(75)**
Tax on repurchase of common shares	7	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Shares held in trust, net		**3**	**-**	**-**	**-**	**3**	**-**	**3**
Capital transactions with structured entities		**-**	**-**	**-**	**-**	**-**	**(10)**	**(10)**
Revaluation of put options		**-**	**-**	**-**	**9**	**9**	**1**	**10**
Transactions with owners		**(12)**	**(6)**	**-**	**(105)**	**(123)**	**(9)**	**(132)**
Balance at August 1, 2026		**$ 1,560**	**$ 88**	**$ 3**	**$ 3,464**	**$ 5,115**	**$ 156**	**$ 5,271**

		Attributable to Owners of the Company						
	Note	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance at May 3, 2025		$ 1,660	$ 30	$ 23	$ 3,697	$ 5,410	$ 134	$ 5,544
Net earnings		-	-	-	212	212	18	230
Other comprehensive loss		-	-	(2)	(7)	(9)	-	(9)
Total comprehensive (loss) income for the period		-	-	(2)	205	203	18	221
Dividends paid		-	-	-	(50)	(50)	(1)	(51)
Dividends paid to non-controlling interest		-	-	-	(1)	(1)	1	-
Equity based compensation, net		7	(7)	-	-	-	-	-
Repurchase of common shares	7	(18)	-	-	(62)	(80)	-	(80)
Tax on repurchase of common shares	7	-	-	-	(2)	(2)	-	(2)
Shares held in trust, net	7	-	-	-	-	-	-	-
Capital transactions with structured entities		-	-	-	-	-	(14)	(14)
Revaluation of put options		-	-	-	(16)	(16)	(2)	(18)
Transactions with owners		(11)	(7)	-	(131)	(149)	(16)	(165)
Balance at August 2, 2025		$ 1,649	$ 23	$ 21	$ 3,771	$ 5,464	$ 136	$ 5,600

See accompanying notes to the Interim Condensed Consolidated Financial Statements.

Condensed Consolidated Statements of Cash Flows **Unaudited (in millions of Canadian dollars)**	**Note**	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Operations			
Net earnings		**$ 249**	$ 230
Adjustments for:			
Depreciation		**270**	258
Income tax expense		**88**	81
Finance costs, net	10	**74**	71
Amortization of intangibles		**31**	31
Net gains on disposal of net assets	9	**(4)**	(2)
Net gains on lease modifications and terminations	9	**-**	(10)
Impairment losses of non-financial assets, net		**1**	3
Equity earnings of other entities, net of distributions received	5	**8**	3
Net gain on pension annuity buyout	18	**(22)**	-
Employee future benefits		**1**	(2)
Equity based compensation		**4**	1
Decrease in provisions		**(4)**	(1)
Net change in non-cash working capital	13	**(30)**	(142)
Income taxes paid, net		**(52)**	(95)
Cash flows from operating activities		**614**	426
Investment			
Increase in equity investments		**(8)**	(8)
Property, equipment and investment property purchases		**(197)**	(159)
Intangible purchases		**(28)**	(34)
Proceeds on disposal of assets		**3**	7
Proceeds on lease modifications and terminations	17	**-**	16
Proceeds on disposal of investment, at equity	5	**71**	-
Leases and other receivables, net		**14**	(9)
Other assets		**(1)**	(6)
Other liabilities		**(2)**	-
Business acquisitions	14	**(31)**	(2)
Payments received for finance subleases		**21**	23
Interest received		**2**	1
Cash flows used in investing activities		**(156)**	(171)
Financing			
Issuance of long-term debt		**39**	42
Repayments of long-term debt		**(49)**	(46)
(Repayments) advances on revolving credit facilities, net		**(69)**	197
Interest paid		**(10)**	(11)
Payments of lease liabilities (principal portion)		**(151)**	(141)
Payments of lease liabilities (interest portion)		**(65)**	(64)
Repurchase of common shares	7	**(75)**	(80)
Dividends paid		**(56)**	(51)
Non-controlling interest		**(10)**	(14)
Cash flows used in financing activities		**(446)**	(168)
Increase in cash and cash equivalents		**12**	87
Cash and cash equivalents, beginning of period		**291**	285
Impact of adopting amendments to IFRS 7 and IFRS 9	3	**17**	-
Cash and cash equivalents, end of period		**$ 320**	$ 372

See accompanying notes to the Interim Condensed 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 Interim Condensed Consolidated Financial Statements for the period ended August 1, 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 August 1, 2026, the Company's business operations are conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 8, 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 Interim Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in the annual Consolidated Financial Statements have been omitted or condensed. The Interim Condensed Consolidated Financial Statements should be read in conjunction with the Company's annual audited Consolidated Financial Statements for the year ended May 2, 2026, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards").

The Interim Condensed Consolidated Financial Statements were authorized for issue by the Board of Directors on September 9, 2026.

Use of estimates, judgments and assumptions

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

Estimates, judgments and assumptions that could have a significant impact on the amounts recognized in the Interim Condensed Consolidated Financial Statements are summarized in the Company's annual audited Consolidated Financial Statements for the year ended May 2, 2026 and remain unchanged for the period ended August 1, 2026.

Note 3 Summary of material accounting policy information

These Interim Condensed Consolidated Financial Statements were prepared using the same accounting policies as disclosed in the Company's annual audited Consolidated Financial Statements for the year ended May 2, 2026, with the exception of the following:

Changes to accounting standards adopted during fiscal 2027

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. The adoption of the amendments did not have a material impact on the Company's unaudited interim condensed consolidated financial statements. For financial liabilities settled in cash through an electronic payment system, the Company elected to apply the exception that permits such liabilities to be deemed discharged before the settlement date. In accordance with the transition provisions of IFRS 9, the amendments were applied retrospectively without restatement of comparative information. As a result, the opening balance of cash and cash equivalents in the Condensed Consolidated Statements of Cash Flows increased by $17 million.

Standards, amendments and interpretations issued but not yet adopted

IFRS 18 Presentation and disclosure in financial statements (“IFRS 18”)
In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of earnings; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the impact of this new standard.

Note 4 Inventories

The cost of inventories recognized as an expense during the period ended August 1, 2026 was $6,206 million (August 2, 2025 - $6,023 million). The Company recorded an expense during the period ended August 1, 2026 of $3 million (August 2, 2025 - $3 million) for write-down of inventories below cost to net realizable value.

Note 5 Investments, at equity

(in millions of Canadian dollars)	**August 1 2026**	May 2 2026	August 2 2025
Investment in associates and joint ventures			
Crombie REIT	**$ 611**	$ 614	$ 635
Real estate partnerships	**2**	67	56
Other investments and joint ventures	**41**	40	34
Total	**$ 654**	$ 721	$ 725

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

(in millions of Canadian dollars)	**August 1 2026**	May 2 2026	August 2 2025
Crombie REIT	**$ 1,363**	$ 1,314	$ 1,105

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.

During the period ended August 1, 2026, the Company disposed of its interest in an equity accounted partnership. The disposal was completed through a buyout agreement where another partner acquired the Company's final interest. Total cash proceeds were $71 million, resulting in gain of $4 million which has been recognized in other income on the Interim Condensed Consolidated Statements of Earnings (Note 9). Immediately following the buyout, the Company initiated a process to formally dissolve the partnerships.

Note 6 Long-term debt

(in millions of Canadian dollars)	August 1 2026	May 2 2026	August 2 2025
First mortgage loan, interest rate 5.11%, due 2033	**$ 3**	$ 3	$ 3
Medium term notes, Series D, interest rate 6.06% due October 29, 2035	**175**	175	175
Medium term notes, Series E, interest rate 5.79% due October 6, 2036	**125**	125	125
Medium term notes, Series F, interest rate 6.64%, due June 7, 2040	**150**	150	150
Senior unsecured notes, Series 2025-1, interest rate 3.10%, due October 30, 2028	**300**	300	-
Notes payable and other debt primarily at interest rates fluctuating with the prime rate, due 2027 - 2036 (May 2, 2026 due 2026 - 2036, August 2, 2025 due 2026 - 2036)	**167**	176	159
Credit facility, due on demand, interest rate fluctuates with the Canadian prime rate	**54**	46	68
Credit facility, due June 18, 2027, floating interest tied to the Canadian prime rate or CORRA	**120**	120	120
Credit facilities, expiring June 23, 2031, floating interest tied to Canadian prime rate, bankers' acceptance rates or CORRA	**79**	156	478
	1,173	1,251	1,278
Interest payable on credit facilities	**-**	-	(1)
Unamortized transactions costs	**(4)**	(3)	(2)
	1,169	1,248	1,275
Less amount due within one year	**211**	195	215
	$ 958	$ 1,053	$ 1,060

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

(in millions of Canadian dollars)	August 1 2026 13 Weeks	August 2 2025 13 Weeks
Opening balance	**$ 1,248**	$ 1,082
Issuance of long-term debt	**39**	42
Repayments of long-term debt	**(49)**	(46)
(Repayments) advances on revolving credit facilities, net	**(69)**	197
Total cash flows (used in) from long-term debt financing activities	**(79)**	193
Closing balance	**$ 1,169**	$ 1,275
Current	**$ 211**	$ 215
Non-current	**958**	1,060
Total	**$ 1,169**	$ 1,275

Sobeys' amended and restated senior, unsecured revolving term credit agreement dated November 3, 2022, in the amount of $650 million, was amended on June 24, 2026, extending the maturity from November 4, 2027 to June 23, 2031. As of August 1, 2026, the outstanding amount of this facility was $75 million (August 2, 2025 - $428 million) and the Company has issued $71 million (August 2, 2025 - $73 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 Canadian Overnight Repo Rate Average ("CORRA").

The Company's amended and restated senior, unsecured revolving term credit agreement dated November 3, 2022, in the amount of $150 million, was amended on June 24, 2026, extending the maturity date from November 4, 2027 to June 23, 2031. As of August 1, 2026, the outstanding amount of this facility was $4 million (August 2, 2025 - $50 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate, bankers' acceptance rates or CORRA.

Sobeys' amended senior unsecured non-revolving term credit agreement dated June 18, 2025, in the amount of $120 million, was amended on June 12, 2026, extending the maturity from June 19, 2026 to June 18, 2027. As of August 1, 2026, the outstanding amount of this facility was $120 million (August 2, 2025 - $120 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or CORRA.

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 August 1, 2026, the outstanding amount of the Notes was $300 million (August 2, 2025 - $ nil). 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.

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 August 1, 2026, the outstanding amount of the facility was $54 million (August 2, 2025 - $68 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

Note 7 Capital stock

Under the normal course issuer bid (“NCIB”) with the TSX from July 2, 2025 to July 1, 2026, the Company purchased 8,279,136 (July 1, 2025 - 9,956,481) Non-Voting Class A shares at a weighted average price of $49.59 (July 1, 2025 - $42.34) for total consideration of $411 million (July 1, 2025 - $422 million).

On June 18, 2026, the Company renewed its NCIB by filing notice of intention with the TSX to purchase for cancellation up to 10,750,000 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, 2026 and terminate no later than July 1, 2027. As of August 1, 2026, the Company purchased 211,716 Non-Voting Class A shares under this filing at a weighted average price of $49.05 for a total consideration of $10 million.

The following table reflects shares repurchased under the NCIB:

(in millions of Canadian dollars, except per share amounts)	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Number of shares	**1,560,466**	1,510,442
Weighted average price per share	**$ 48.07**	$ 52.97
Reduction of share capital	**$ 19**	$ 18
Premium charged to retained earnings	**56**	62
Cash consideration paid	**$ 75**	$ 80

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.

For the period ended August 1, 2026, the Company has recognized tax on the repurchase of equity of $2 million (August 2, 2025 - $2 million) as a charge to retained earnings on the Interim Condensed Consolidated Balance Sheets.

Subsequent to the period ended August 1, 2026 through to the date of authorization of issuance of September 9, 2026, the Company purchased for cancellation 404,124 Non-Voting Class A shares at a weighted average price of $49.50 for a total consideration of $20 million.

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

	Number of Shares		Share Capital	
(in millions of Canadian dollars)	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Issued and outstanding				
Balance, beginning of period, Non-Voting Class A shares	**127,095,578**	134,488,019	**$ 1,572**	$ 1,654
Repurchase of common shares	**(1,560,466)**	(1,510,442)	**(19)**	(18)
Issuance of shares for stock-based compensation	**90,067**	344,178	**4**	7
Balance, end of period, Non-Voting Class A shares	**125,625,179**	133,321,755	**$ 1,557**	$ 1,643
Class B common shares, without par value	**98,138,079**	98,138,079	**$ 7**	$ 7
Shares held in trust	**(68,428)**	(20,954)	**(4)**	(1)
Total capital stock			**$ 1,560**	$ 1,649

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

	Number of Shares			Share Capital		
(in millions of Canadian dollars)	**August 1 2026**	**May 2 2026**	**August 2 2025**	**August 1 2026**	**May 2 2026**	**August 2 2025**
Non-Voting Class A shares	**125,625,179**	127,095,578	133,321,755	**$ 1,557**	$ 1,572	$ 1,643
Class B common shares	**98,138,079**	98,138,079	98,138,079	**7**	7	7
Shares held in trust	**(68,428)**	(149,043)	(20,954)	**(4)**	(7)	(1)
Total capital stock				**$ 1,560**	$ 1,572	$ 1,649

Note 8 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 ("IFRS 8"), are the same as those used on its Interim Condensed Consolidated Financial Statements.

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

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

(in millions of Canadian dollars)	August 1 2026 13 Weeks	August 2 2025 13 Weeks
Food sales	**$ 7,922**	$ 7,791
Fuel sales	**553**	467
Sales	**$ 8,475**	$ 8,258

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 Interim Condensed 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 Interim Condensed 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. Depreciation and amortization are disclosed on the Interim Condensed Consolidated Statements of Cash Flows. Costs of sales is disclosed on the Interim Condensed Consolidated Statements of Earnings and in Note 4.

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

(in millions of Canadian dollars)	August 1 2026 13 Weeks	August 2 2025 13 Weeks
Segment operating income		
Food retailing	**$ 403**	$ 369
Investments and other operations		
Crombie REIT	**12**	15
Real estate partnerships	**5**	2
Other operations, net of corporate expenses	**(9)**	(4)
	8	13
Total	**$ 411**	$ 382

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

(in millions of Canadian dollars)	August 1 2026 13 Weeks	August 2 2025 13 Weeks
Total segment operating income	**$ 411**	$ 382
Finance costs, net	**74**	71
Earnings before income taxes	**$ 337**	$ 311

(in millions of Canadian dollars)	August 1 2026	May 2 2026	August 2 2025
Total assets by segment			
Food retailing	**$ 16,316**	$ 16,280	$ 16,356
Investments and other operations	**731**	800	794
Total	**$ 17,047**	$ 17,080	$ 17,150

Note 9 Other income

(in millions of Canadian dollars)	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Lease income from owned property	**$ 4**	$ 4
Net gains on disposal of net assets	**4**	2
Net gains on lease modifications and terminations	**-**	10
Total other income	**$ 8**	$ 16

Note 10 Finance costs, net

(in millions of Canadian dollars)	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Finance income		
Interest income on lease receivables	**$ 6**	$ 6
Interest income from cash and cash equivalents	**2**	1
Fair value gains on forward contracts	**-**	2
Accretion income on leases and other receivables	**-**	1
Total finance income	**8**	10
Finance costs		
Interest expense on lease liabilities	**65**	64
Interest expense on other financial liabilities at amortized cost	**15**	14
Pension finance costs, net	**2**	2
Accretion expense on provisions	**-**	1
Total finance costs	**82**	81
Finance costs, net	**$ 74**	$ 71

Note 11 Earnings per share

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

(in millions of Canadian dollars, except share amounts)	**August 1 2026 13 Weeks**	**August 2 2025 13 Weeks**
Weighted average number of shares - basic	**224,567,088**	232,342,074
Shares deemed to be issued for no consideration in respect of stock-based payments	**336,100**	1,067,343
Weighted average number of shares - diluted	**224,903,188**	233,409,417
Earnings per share		
Earnings attributable to Owners of the Company	**$ 233**	$ 212
Basic weighted average number of shares outstanding (in millions)	**224.6**	232.3
Basic earnings per share	**$ 1.04**	$ 0.91
Diluted weighted average number of shares outstanding (in millions)	**224.9**	233.4
Diluted earnings per share	**$ 1.04**	$ 0.91

Note 12 Income taxes recognized in other comprehensive income (loss)

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

(in millions of Canadian dollars)	**August 1 2026 13 Weeks**	August 2 2025 13 Weeks
Actuarial gains (losses) on defined benefit plans	**$ 1**	$ (2)
Total	**$ 1**	$ (2)

Note 13 Supplementary cash flow information

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

(in millions of Canadian dollars)	**August 1 2026 13 Weeks**	August 2 2025 13 Weeks
Receivables	**$ 24**	$ (11)
Inventories	**25**	(36)
Prepaid expenses	**(21)**	(26)
Accounts payable and accrued liabilities	**(53)**	(78)
Other	**(5)**	9
Net change in non-cash working capital	**$ (30)**	$ (142)

Note 14 Business acquisitions

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

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

(in millions of Canadian dollars)	**August 1 2026**	August 2 2025
Receivables	**$ 3**	$ -
Inventories	**7**	1
Property, equipment and investment property	**20**	1
Right-of-use assets	**8**	-
Goodwill	**1**	-
Deferred tax assets	**3**	-
Lease liabilities	**(11)**	-
Total consideration	**$ 31**	$ 2

From the date of acquisition, the businesses acquired contributed sales of $20 million (August 2, 2025 - $4 million) and net earnings of $ nil (August 2, 2025 - $ nil) which are included in the Interim Condensed Consolidated Financial Statements.

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

Note 15 Financial instruments

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

(in millions of Canadian dollars)	**August 1 2026**	May 2 2026	August 2 2025
Long-term debt			
Total carrying amount	**$ 1,169**	$ 1,248	$ 1,275
Total fair value	**$ 1,217**	$ 1,302	$ 1,340

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.

Note 16 Stock-based compensation

Performance share unit plan

The Company awards performance share units ("PSUs") to certain employees. The number of PSUs that vest under an award is predominantly dependent on service over time and the achievement of specific performance measures. PSUs do not allow the grantee the option 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 period ended August 1, 2026, the Company granted 334,259 (August 2, 2025 - 358,034) equity-settled PSUs. The weighted average fair value of $44.14 per PSU issued during the period ended August 1, 2026 was determined using the Black-Scholes model with the following weighted average assumption:

Share price	**$ 46.61**
Expected life	**2.88 years**
Risk-free interest rate	**2.85%**
Expected volatility	**21.54%**
Dividend yield	**1.89%**

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 August 1, 2026, the total carrying amount of the liability was $17 million (August 2, 2025 - $36 million).

At August 1, 2026, there were 1,375,017 (August 2, 2025 - 1,327,369) PSUs outstanding. The compensation expense for the period ended August 1, 2026 related to equity-settled PSUs was $3 million (August 2, 2025 - $1 million). The compensation expense for the period ended August 1, 2026 related to cash-settled PSUs was $1 million (August 2, 2025 - $7 million). Compensation expense has been recorded in selling and administrative expenses on the Interim Condensed Consolidated Statements of Earnings.

Stock option plan

During the period ended August 1, 2026, the Company granted nil (August 2, 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 period ended August 1, 2026 related to the issuance of options was $ nil (August 2, 2025 - $ nil).

Deferred stock unit plans

Deferred stock units ("DSUs") issued to employees, under the Executive DSU Plan, vest dependent on time and the achievement of specific performance measures. During the period ended August 1, 2026, the Company granted 56,943 (August 2, 2025 - 88,155) DSUs. DSUs no longer allow the grantee the option for cash settlement, and therefore are accounted for as equity-settled awards effective March 13, 2026. At August 1, 2026, there were 1,248,390 (August 2, 2025 - 1,588,697) DSUs outstanding and the carrying amount of the liability was $ nil (August 2, 2025 - $81 million). The compensation expense for the period ended August 1, 2026 related to DSUs was $1 million (August 2, 2025 - $9 million). The weighted average fair value of the DSUs granted during the period was $44.14 and was determined using Black-Scholes model with the following weighted average assumption:

Share price	**$ 46.61**
Expected life	**2.88 years**
Risk-free interest rate	**2.85%**
Expected volatility	**21.54%**
Dividend yield	**1.89%**

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 period ended August 1, 2026, the Company granted 13,554 (August 2, 2025 - 12,022) DSUs at a weighted average fair value of $51.31. At August 1, 2026, there were 607,049 (August 2, 2025 - 547,678) DSUs outstanding. During the period ended August 1, 2026, the compensation expense recorded was $2 million (August 2, 2025 - $3 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. Upon redemption, participants are entitled to receive one Non-Voting Class A share for each vested DSU held.

Note 17 Related party transactions

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. As at August 1, 2026, the Company holds a 41.5% (August 2, 2025 - 41.5%) ownership interest in Crombie REIT and accounts for its investment using the equity method.

Crombie REIT has instituted a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. The Company has enrolled in the DRIP to maintain its economic and voting interest in Crombie REIT.

During the period ended August 2, 2025, Sobeys through wholly-owned subsidiaries, engaged in a lease modification transaction with Crombie REIT. The lease modification gives Crombie REIT the right to terminate the lease on the property for redevelopment in the future. Proceeds from this transaction were $16 million which resulted in pre-tax income of $10 million and has been recognized in other income on the Interim Condensed Consolidated Statements of Earnings.

Note 18 Employee future benefits

During the period ended August 1, 2026, the net employee future benefits expense reported in net earnings was $14 million (August 2, 2025 - $13 million). Actuarial gains (losses) before taxes on defined benefit pension plans for the period ended August 1, 2026 were $3 million (August 2, 2025 - $(9) million). These gains (losses) have been recognized in other comprehensive income (loss), net.

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. During the period ended August 1, 2026, the pension assets and related pension liabilities of $357 million were derecognized, resulting in a pre-tax settlement gain of $22 million and has been recognized in selling and administrative expenses on the Interim Condensed Consolidated Statements of Earnings.