Empire Company Limited
Unaudited Consolidated Financial Statements
February 2, 2013

CONTENTS

Empire Company Limited
Consolidated Balance Sheets
As At
Unaudited (in millions of Canadian dollars)

	February 2 2013	May 5 2012	February 4 2012
ASSETS			
Current			
Cash and cash equivalents	**$ 370.5**	$ 510.2	$ 544.6
Receivables	**324.6**	362.0	329.9
Inventories (Note 4)	**895.0**	825.3	850.5
Prepaid expenses	**72.4**	77.6	71.3
Loans and other receivables	**55.0**	41.0	45.5
Income taxes receivable	**21.8**	46.8	27.3
Assets held for sale	**36.2**	28.2	31.9
	1,775.5	1,891.1	1,901.0
Loans and other receivables	**53.5**	60.6	70.8
Investments	**36.7**	13.0	13.1
Investments, at equity (Note 5)	**410.4**	313.4	248.3
Other assets	**47.4**	68.5	71.9
Property and equipment	**2,696.2**	2,679.2	2,468.2
Investment property	**90.5**	86.9	67.4
Intangibles	**497.8**	461.8	441.3
Goodwill	**1,307.7**	1,302.1	1,238.8
Deferred tax assets	**42.8**	36.5	30.0
	$ 6,958.5	$ 6,913.1	$ 6,550.8
LIABILITIES			
Current			
Bank indebtedness	**$ 1.1**	$ 4.4	$ 1.0
Accounts payable and accrued liabilities	**1,657.0**	1,729.8	1,547.3
Income taxes payable	**46.1**	16.7	14.2
Provisions (Note 6)	**37.4**	30.1	26.9
Long-term debt due within one year (Note 7)	**43.3**	237.3	237.3
	1,784.9	2,018.3	1,826.7
Provisions (Note 6)	**52.2**	59.7	36.5
Long-term debt (Note 7)	**954.6**	889.1	841.4
Other long-term liabilities	**177.5**	178.5	191.8
Employee future benefits obligation (Note 15)	**132.0**	143.3	146.9
Derivative financial liabilities	**0.3**	2.8	5.2
Deferred tax liabilities	**190.3**	190.0	161.9
	3,291.8	3,481.7	3,210.4
SHAREHOLDERS' EQUITY			
Capital stock	**319.3**	319.3	319.3
Contributed surplus	**6.5**	6.1	5.5
Retained earnings	**3,317.5**	3,081.7	2,994.4
Accumulated other comprehensive loss	**(8.4)**	(10.8)	(11.9)
	3,634.9	3,396.3	3,307.3
Minority interest	**31.8**	35.1	33.1
	3,666.7	3,431.4	3,340.4
	$ 6,958.5	$ 6,913.1	$ 6,550.8

See accompanying notes to the unaudited, interim consolidated financial statements.

On Behalf of the Board

(signed) "Rob Dexter"
Director

(signed) "Paul Sobey"
Director

Empire Company Limited **Consolidated Statements of Earnings** **Unaudited (in millions of Canadian dollars, except per share amounts)**	*13 Weeks Ended*		*39 Weeks Ended*	
	February 2 2013	**February 4 2012**	**February 2 2013**	**February 4 2012**
Sales	**$ 4,342.0**	$ 3,984.8	**$ 13,303.8**	$ 12,175.3
Other income (Note 8)	**4.7**	12.3	**33.0**	28.2
Share of earnings from investments, at equity	**6.0**	11.7	**25.3**	31.1
Operating expenses				
Cost of sales	**3,313.0**	2,998.3	**10,146.1**	9,169.9
Selling and administrative expenses	**926.0**	887.3	**2,786.3**	2,666.8
Operating income	**113.7**	123.2	**429.7**	397.9
Finance costs, net (Note 9)	**11.3**	14.0	**38.3**	45.6
Earnings before income taxes	**102.4**	109.2	**391.4**	352.3
Income taxes	**28.3**	30.5	**105.9**	96.3
Net earnings	**$ 74.1**	$ 78.7	**$ 285.5**	$ 256.0
Earnings (loss) for the period attributable to:				
Minority interest	**$ (1.1)**	$ (1.3)	**$ 8.1**	$ 8.7
Owners of the parent	**75.2**	80.0	**277.4**	247.3
	$ 74.1	$ 78.7	**$ 285.5**	$ 256.0
Earnings per share (Note 10)				
Basic	**$ 1.11**	$ 1.18	**$ 4.08**	$ 3.64
Diluted	**$ 1.11**	$ 1.17	**$ 4.08**	$ 3.63
Weighted average number of common shares outstanding, in millions (Note 10)				
Basic	**67.9**	67.9	**67.9**	67.9
Diluted	**68.1**	68.1	**68.1**	68.1

See accompanying notes to the unaudited, interim consolidated financial statements.

Empire Company Limited **Consolidated Statements of Comprehensive Income** **Unaudited (in millions of Canadian dollars)**	*13 Weeks Ended*		*39 Weeks Ended*	
	February 2 2013	**February 4 2012**	**February 2 2013**	**February 4 2012**
Net earnings	**$ 74.1**	$ 78.7	**$ 285.5**	$ 256.0
Other comprehensive income				
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of income taxes of $(0.2) and $(0.3) for the 13 and 39 weeks to date (February 4, 2012 - $0.5 and $0.6))	**0.5**	(1.0)	**0.6**	(1.1)
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings (net of income taxes of $nil and $(0.5) for the 13 and 39 weeks to date (February 4, 2012 - $(0.7) and $(1.8)))	**-**	1.5	**1.1**	3.9
Unrealized gains (losses) on available for sale financial assets (net of income taxes of $(0.6) and $(0.8) for the 13 and 39 weeks to date (February 4, 2012 - $nil and $(0.1)))	**1.5**	(0.1)	**2.7**	0.7
Reclassification of (gains) losses on available for sale financial assets to earnings (net of income taxes of $nil and $0.6 for the 13 and 39 weeks to date (February 4, 2012 - $nil and $nil))	**-**	-	**(3.0)**	0.1
Actuarial gains (losses) on defined benefit plans (net of income taxes of $(6.7) and $(2.6) for the 13 and 39 weeks to date (February 4, 2012 - $6.9 and $20.3))	**19.3**	(20.3)	**7.3**	(59.1)
Share of other comprehensive income of investments, at equity (net of income taxes of $(0.1) and $(0.5) for the 13 and 39 weeks to date (February 4, 2012 - $nil and $(0.3)))	**0.3**	0.1	**1.2**	0.8
Exchange differences on translation of foreign operations	**0.2**	(1.1)	**(0.2)**	1.8
Total comprehensive income	**$ 95.9**	$ 57.8	**$ 295.2**	$ 203.1
Total comprehensive income for the period attributable to:				
Minority interest	**$ (1.1)**	$ (1.3)	**$ 8.1**	$ 8.7
Owners of the parent	**97.0**	59.1	**287.1**	194.4
	$ 95.9	$ 57.8	**$ 295.2**	$ 203.1

See accompanying notes to the unaudited, interim consolidated financial statements.

Empire Company Limited
Consolidated Statements of Changes in Shareholders' Equity
Unaudited (in millions of Canadian dollars)

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total Attributable to Parent	Minority Interest	Total Equity
Balance at May 7, 2011	$ 323.4	$ 4.7	$ (18.1)	$ 2,852.1	$ 3,162.1	$ 35.8	$ 3,197.9
Dividends	-	-	-	(45.9)	(45.9)	-	(45.9)
Employee share options	-	0.8	-	-	0.8	-	0.8
Redemption of capital stock	(4.1)	-	-	-	(4.1)	-	(4.1)
Capital transactions with special purpose entities	-	-	-	-	-	(11.4)	(11.4)
Transactions with owners	(4.1)	0.8	-	(45.9)	(49.2)	(11.4)	(60.6)
Net earnings	-	-	-	247.3	247.3	8.7	256.0
Other comprehensive income							
Unrealized losses on derivatives designated as cash flow hedges	-	-	(1.1)	-	(1.1)	-	(1.1)
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	-	-	3.9	-	3.9	-	3.9
Unrealized gains on available for sale financial assets	-	-	0.7	-	0.7	-	0.7
Reclassification of losses on available for sale financial assets to earnings	-	-	0.1	-	0.1	-	0.1
Actuarial losses on defined benefit plans	-	-	-	(59.1)	(59.1)	-	(59.1)
Share of other comprehensive income of investments, at equity	-	-	0.8	-	0.8	-	0.8
Exchange differences on translation of foreign operations	-	-	1.8	-	1.8	-	1.8
Total comprehensive income for the period	-	-	6.2	188.2	194.4	8.7	203.1
Balance at February 4, 2012	$ 319.3	$ 5.5	$ (11.9)	$ 2,994.4	$ 3,307.3	$ 33.1	$ 3,340.4
Balance at May 5, 2012	$ 319.3	$ 6.1	$ (10.8)	$ 3,081.7	$ 3,396.3	$ 35.1	$ 3,431.4
Dividends	**-**	**-**	**-**	**(48.9)**	**(48.9)**	**-**	**(48.9)**
Employee share options	**-**	**0.4**	**-**	**-**	**0.4**	**-**	**0.4**
Capital transactions with special purpose entities	**-**	**-**	**-**	**-**	**-**	**(11.4)**	**(11.4)**
Transactions with owners	**-**	**0.4**	**-**	**(48.9)**	**(48.5)**	**(11.4)**	**(59.9)**
Net earnings	**-**	**-**	**-**	**277.4**	**277.4**	**8.1**	**285.5**
Other comprehensive income							
Unrealized gains on derivatives designated as cash flow hedges	**-**	**-**	**0.6**	**-**	**0.6**	**-**	**0.6**
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	**-**	**-**	**1.1**	**-**	**1.1**	**-**	**1.1**
Unrealized gains on available for sale financial assets	**-**	**-**	**2.7**	**-**	**2.7**	**-**	**2.7**
Reclassification of gains on available for sale financial assets to earnings	**-**	**-**	**(3.0)**	**-**	**(3.0)**	**-**	**(3.0)**
Actuarial gains on defined benefit plans	**-**	**-**	**-**	**7.3**	**7.3**	**-**	**7.3**
Share of other comprehensive income of investments, at equity	**-**	**-**	**1.2**	**-**	**1.2**	**-**	**1.2**
Exchange differences on translation of foreign operations	**-**	**-**	**(0.2)**	**-**	**(0.2)**	**-**	**(0.2)**
Total comprehensive income for the period	**-**	**-**	**2.4**	**284.7**	**287.1**	**8.1**	**295.2**
Balance at February 2, 2013	**$ 319.3**	**$ 6.5**	**$ (8.4)**	**$ 3,317.5**	**$ 3,634.9**	**$ 31.8**	**$ 3,666.7**

See accompanying notes to the unaudited, interim consolidated financial statements.

Empire Company Limited
Consolidated Statements of Cash Flows
Unaudited (in millions of Canadian dollars)

	13 Weeks Ended		*39 Weeks Ended*	
	February 2 2013	**February 4 2012**	**February 2 2013**	**February 4 2012**
Operations				
Net earnings	**$ 74.1**	$ 78.7	**$ 285.5**	$ 256.0
Adjustments for:				
Depreciation	**77.5**	75.2	**235.2**	226.4
Income taxes	**28.3**	30.5	**105.9**	96.3
Finance costs, net (Note 9)	**11.3**	14.0	**38.3**	45.6
Amortization of intangibles	**12.1**	9.5	**32.2**	28.1
Gain on disposal of assets (Note 8)	**(4.4)**	(12.0)	**(28.3)**	(27.1)
Impairment of non-financial assets	**1.7**	0.3	**4.7**	1.0
Amortization of deferred items	**0.2**	0.3	**0.6**	0.9
Equity in earnings of other entities, net of dividends received	**10.4**	5.8	**31.3**	8.1
Employee future benefits obligation	**-**	2.1	**1.7**	3.6
Increase in long-term lease obligation	**4.2**	2.3	**4.5**	3.3
(Decrease) increase in long-term provisions	**(0.8)**	(0.5)	**(7.9)**	2.2
Stock-based compensation	**0.1**	0.3	**0.4**	0.8
	214.7	206.5	**704.1**	645.2
Net change in non-cash working capital	**(16.7)**	(13.0)	**(94.0)**	(89.5)
Income taxes paid, net	**10.8**	(14.7)	**(61.5)**	(108.4)
Dividends paid, preferred shares	**-**	(0.1)	**-**	(0.1)
Cash flows from operating activities	**208.8**	178.7	**548.6**	447.2
Investment				
Net (increase) decrease in investments	**(93.5)**	0.6	**(136.9)**	(31.6)
Property, equipment and investment property purchases	**(123.2)**	(135.1)	**(377.0)**	(408.0)
Proceeds on disposal of property, equipment and investment property	**27.2**	88.6	**99.7**	171.0
Additions to intangibles	**(9.5)**	(4.8)	**(32.8)**	(19.6)
Loans and other receivables	**(18.0)**	1.5	**(6.9)**	7.8
Other assets and other long-term liabilities	**(6.1)**	(13.0)	**11.9**	(24.3)
Business acquisitions (Note 12)	**(1.2)**	(7.3)	**(13.0)**	(27.2)
Interest received	**0.6**	0.7	**2.4**	3.0
Minority interest	**(1.2)**	(2.1)	**(11.4)**	(11.4)
Cash flows used in investing activities	**(224.9)**	(70.9)	**(464.0)**	(340.3)
Financing				
(Decrease) increase in bank indebtedness	**(33.2)**	(5.0)	**(3.3)**	1.0
Issue of long-term debt	**70.8**	7.0	**129.0**	50.6
Repayment of long-term debt	**(15.9)**	(27.2)	**(262.4)**	(127.2)
Redemption of preferred shares	**-**	(4.1)	**-**	(4.1)
Interest paid	**(8.7)**	(19.0)	**(38.7)**	(52.7)
Dividends paid, common shares	**(16.3)**	(15.2)	**(48.9)**	(45.8)
Cash flows used in financing activities	**(3.3)**	(63.5)	**(224.3)**	(178.2)
(Decrease) increase in cash and cash equivalents	**(19.4)**	44.3	**(139.7)**	(71.3)
Cash and cash equivalents, beginning of period	**389.9**	500.3	**510.2**	615.9
Cash and cash equivalents, end of period	**$ 370.5**	$ 544.6	**$ 370.5**	$ 544.6

See accompanying notes to the unaudited, interim consolidated financial statements.

1. Reporting entity

Empire Company Limited ("Empire" or the "Company") is a diversified Canadian company whose key businesses include food retailing and corporate investment activities. 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 unaudited, interim consolidated financial statements for the period ended February 2, 2013 include the accounts of Empire, all subsidiary companies, including 100 percent owned Sobeys Inc. ("Sobeys"), and certain enterprises considered special purpose entities ("SPEs"), 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 investments in significant joint ventures are accounted for using the equity method. The Company's fiscal year ends on the first Saturday in May. As a result, the fiscal year is usually 52 weeks but results in a duration of 53 weeks every five to six years.

2. Basis of preparation

Statement of compliance

The unaudited, interim consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in annual consolidated financial statements have been omitted or condensed. The unaudited, interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 5, 2012.

The unaudited, interim consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2013.

Basis of measurement

The unaudited, interim consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through profit and loss, customer loyalty and financial instruments classified as available for sale.

Use of estimates and judgments

The preparation of consolidated financial statements, in conformity with International Financial Reporting Standards ("IFRS"), requires management to make judgements, estimates and assumptions that affect the amounts reported in 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 SPEs, the classification of leases and financial instruments, the level of componentization of property and equipment, the determination of cash generating units, the identification of indicators of impairment for property and equipment, investment property and intangible assets, the allocation of purchase price adjustments on business combinations, and the recognition of provisions.

Significant estimates include the valuation of inventories, goodwill, valuation of asset-backed commercial paper, provisions, impairments, employee future benefits, stock-based compensation, loyalty programs, useful lives of property and equipment, investment property and intangibles for purposes of depreciation and amortization and income taxes. Changes to these estimates could materially impact the financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

3. Summary of significant accounting policies

With the exception of the following amendments, these unaudited, interim consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 5, 2012.

(a) Accounting standards and policies adopted during fiscal 2013

(i) Financial instruments: disclosures
In October 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which require increased disclosure for transactions involving the transfer of financial assets. The amendments became effective in the Company's first quarter of fiscal 2013. No new disclosures were required for these interim consolidated financial statements as a result of implementing these amendments.

(ii) Deferred tax: recovery of underlying assets
In December 2010, the IASB issued amendments to IAS 12, "Income Taxes", which introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendments became effective in the Company's first quarter of fiscal 2013. These amendments did not impact the Company as its investment properties are not measured at fair value.

(b) Future accounting policies

(i) Financial instruments
In November 2009, the IASB issued IFRS 9, "Financial Instruments", which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The replacement is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

(ii) Consolidated financial statements
In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements", which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The objective of IFRS 10 is to define principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. It replaces portions of IAS 27, "Consolidated and Separate Financial Statements", and supersedes Standing Interpretations Committee ("SIC") 12, "Consolidation - Special Purpose Entities", completely and is effective for annual periods beginning on or after January 1, 2013.

(iii) Joint arrangements
In May 2011, the IASB issued IFRS 11, "Joint Arrangements", which establishes principles for financial reporting by entities that have an interest in a joint arrangement. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures", and SIC 13, "Jointly Controlled Entities - Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, the IFRS establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are jointly controlled and is effective for annual periods beginning on or after January 1, 2013.

(iv) Disclosure of interests in other entities
In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities", which outlines disclosure requirements for an entity that has interests in a subsidiary, a joint arrangement, an associate and an unconsolidated structured entity. IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. It is effective for annual periods beginning on or after January 1, 2013.

(v) Fair value measurement
In May 2011, the IASB issued IFRS 13, "Fair Value Measurement", which defines fair value, sets out in a single IFRS a framework for measuring fair value and identifies required disclosures about fair value measurements. This IFRS is effective for annual periods beginning on or after January 1, 2013.

(vi) Employee benefits
In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits", which eliminate the option to defer the recognition of actuarial gains and losses, streamline the presentation of changes in assets and liabilities arising from defined benefit plans to be presented in other comprehensive income and enhance disclosure requirements around the characteristics of the defined benefit plans and risks associated with participation in those plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

The Company is currently evaluating the impact of these new standards and amendments on its consolidated financial statements.

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

4. Inventories

The cost of inventories recognized as an expense during the 13 and 39 weeks ended February 2, 2013 was $3,297.6 and $10,098.2 respectively (February 4, 2012 - $2,985.6 and $9,125.0). The Company has recorded $8.6 (February 4, 2012 - $14.3) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at February 2, 2013. There were no reversals of inventories written down previously (February 4, 2012 - $nil).

5. Investments, at equity

The carrying values of the investments, at equity are as follows:

	February 2 2013	February 4 2012
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 203.8**	$ 115.9
Investment in joint ventures		
Canadian real estate partnerships	**138.2**	86.6
U.S. real estate partnerships	**59.3**	38.6
Canadian Digital Cinema Partnership ("CDCP") (Note 12)	**9.1**	7.2
Total	**$ 410.4**	$ 248.3

The fair values of the investments based on a stock exchange are as follows:

	February 2 2013	February 4 2012
Crombie REIT	**$ 579.5**	$ 472.2

The Canadian and U.S. real estate partnerships and CDCP are not publicly listed on a stock exchange and hence published price quotes are not available.

6. Provisions

The provisions carrying amounts are comprised of the following:

February 2, 2013 (39 Weeks Ended)	Lease Contracts	Legal	Environmental	Other	Total
Opening balance	$ 32.3	$ 6.9	$ 30.9	$ 19.7	$ 89.8
Assumed in business combination	-	-	0.4	-	0.4
Provisions made	2.7	2.8	2.9	12.7	21.1
Provisions used	(8.1)	(2.7)	(0.1)	(8.3)	(19.2)
Provisions reversed	(2.3)	(0.7)	-	(1.7)	(4.7)
Change due to discounting	1.4	-	0.7	0.1	2.2
Closing balance	$ 26.0	$ 6.3	$ 34.8	$ 22.5	$ 89.6
Current	$ 8.4	$ 6.3	$ 2.9	$ 19.8	$ 37.4
Non-current	17.6	-	31.9	2.7	52.2
Total	$ 26.0	$ 6.3	$ 34.8	$ 22.5	$ 89.6

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

February 4, 2012 (39 Weeks Ended)	**Lease Contracts**	**Legal**	**Environmental**	**Other**	**Total**
Opening balance	$ 32.9	$ 7.1	$ 5.4	$ 18.8	$ 64.2
Provisions made	8.4	2.3	2.1	9.2	22.0
Provisions used	(7.6)	(2.5)	(0.2)	(8.0)	(18.3)
Provisions reversed	(4.5)	(0.5)	-	(0.3)	(5.3)
Change due to discounting	0.4	-	-	0.4	0.8
Closing balance	$ 29.6	$ 6.4	$ 7.3	$ 20.1	$ 63.4
Current	$ 8.8	$ 6.4	$ 1.2	$ 10.5	$ 26.9
Non-current	20.8	-	6.1	9.6	36.5
Total	$ 29.6	$ 6.4	$ 7.3	$ 20.1	$ 63.4

Lease contracts

Lease contract provisions are recorded when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The Company records onerous contract provisions for closed store and theatre locations where it has entered into a lease contract. The provision is measured at the lower of the expected cost to terminate the lease and the expected net cost of continuing the contract. The net cost is derived by considering both the lease payment and sublease income received. Once the store or theatre is closed, a liability is recorded to reflect the present value of the expected liability associated with any lease contract and other contractually obligated costs. Discounting of provisions resulting from lease contracts has been calculated using pre-tax discount rates ranging between 7 and 9 percent.

Legal costs

Legal provisions relate to claims of $6.3 that are outstanding as at February 2, 2013 (February 4, 2012 - $6.4) 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 primarily relate to decommissioning liabilities recorded for gas station locations owned by the Company at the net present value of the estimated future remediation costs. Discounting of environmental related provisions has been calculated using pre-tax discount rates ranging between 4 and 15 percent.

Other costs

The Company continues to complete the rationalization of administration functions and continues to incur costs associated with the development of a new distribution centre in Terrebonne, Québec. These provisions relate mainly to severance costs.

The Company has obligations to provide various forms of support to Crombie REIT pursuant to various agreements between the parties. These amounts are included in other provisions.

7. Long-term debt

On August 22, 2011, the Company extended the term of its credit facilities to a maturity date of June 30, 2014. On September 26, 2012, the Company further extended the term of its credit facilities to a maturity date of June 30, 2015.

On February 14, 2012, Sobeys entered into an amended and restated credit agreement. The agreement provides for an unsecured revolving term credit facility of $450.0, and a $200.0 unsecured non-revolving term credit facility resulting in total authorized credit facilities of $650.0. The revolving term credit facility matures on February 14, 2017, and the non-revolving term credit facility matured and was repaid on July 23, 2012. Interest payable on the revolving term credit facility fluctuates with changes in the bankers' acceptance rate, Canadian prime rate or London InterBank Offered Rate ("LIBOR"). As of February 2, 2013, Sobeys had issued $80.6 in letters of credit against the revolving term credit facility (May 5, 2012 - $52.7).

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

8. Other income

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	February 4 2012	**February 2 2013**	February 4 2012
(Loss) gain on disposal of assets	**$ (0.2)**	$ 12.0	**$ 11.6**	$ 17.1
Dilution gains	**4.6**	-	**16.7**	10.0
Investment income	**0.3**	0.3	**4.7**	1.1
Total	**$ 4.7**	$ 12.3	**$ 33.0**	$ 28.2

9. Finance costs, net

Finance income and finance costs are reported on a net basis in the consolidated statements of earnings.

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	February 4 2012	**February 2 2013**	February 4 2012
Finance income				
Interest income from cash and cash equivalents	**$ 0.6**	$ 0.7	**$ 2.4**	$ 3.0
Fair value gains on cash flow hedges	**-**	-	**0.1**	-
Fair value gains on other financial assets	**1.6**	1.1	**1.6**	1.1
Total finance income	**2.2**	1.8	**4.1**	4.1
Finance costs				
Interest expense on financial liabilities measured at amortized cost	**13.4**	12.5	**38.8**	41.1
Fair value losses on forward contracts	**-**	0.1	**0.6**	-
Losses on cash flow hedges reclassified from other comprehensive income	**-**	2.2	**1.6**	5.7
Net pension finance costs	**0.1**	1.0	**1.4**	2.9
Total finance costs	**13.5**	15.8	**42.4**	49.7
Finance costs, net	**$ 11.3**	$ 14.0	**$ 38.3**	$ 45.6

10. Earnings per share

Earnings applicable to common shares are comprised of the following:

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	February 4 2012	**February 2 2013**	February 4 2012
Net earnings	**$ 75.2**	$ 80.0	**$ 277.4**	$ 247.3
Preferred share dividend	**-**	(0.1)	**-**	(0.1)
Earnings attributable to owners of the parent	**$ 75.2**	$ 79.9	**$ 277.4**	$ 247.2

Earnings per share is comprised of the following:

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	February 4 2012	**February 2 2013**	February 4 2012
Basic earnings per share	**$ 1.11**	$ 1.18	**$ 4.08**	$ 3.64
Diluted earnings per share	**$ 1.11**	$ 1.17	**$ 4.08**	$ 3.63

The weighted average number of outstanding shares as at February 2, 2013 used for basic earnings per share amounted to 67,948,510 (February 4, 2012 - 67,948,510) shares.

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

The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	**February 4 2012**	**February 2 2013**	**February 4 2012**
Weighted average number of shares used in basic earnings per share	**67,948,510**	67,948,510	**67,948,510**	67,948,510
Shares deemed to be issued for no consideration in respect of stock-based payments	**124,804**	118,896	**114,721**	101,552
Weighted average number of shares used in diluted earnings per share	**68,073,314**	68,067,406	**68,063,231**	68,050,062

11. Segmented information

The Board of Directors has determined that the primary segmental reporting format is by business segment, based on the Company's management and internal reporting structure. The Company operates principally in two business segments: food retailing and investments and other operations. The food segment consists of distribution of food products in Canada. Inter-segment transactions are carried out at market prices.

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

Each of these operating segments is managed separately as each of these segments requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices. The measurement policies the Company uses for segment reporting under IFRS 8, "Operating Segments", are the same as those used in its consolidated financial statements.

No asymmetrical allocations have been applied between segments.

The sales and operating income generated by each of the group's business segments are summarized as follows:

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	**February 4 2012**	**February 2 2013**	**February 4 2012**
Segmented sales				
Food retailing	**$ 4,288.1**	$ 3,939.7	**$ 13,143.5**	$ 12,029.6
Investments and other operations	**57.2**	47.6	**169.6**	154.0
	4,345.3	3,987.3	**13,313.1**	12,183.6
Elimination of inter-segment	**3.3**	2.5	**9.3**	8.3
Total	**$ 4,342.0**	$ 3,984.8	**$ 13,303.8**	$ 12,175.3

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	**February 4 2012**	**February 2 2013**	**February 4 2012**
Segmented operating income				
Food retailing	**$ 102.1**	$ 110.6	**$ 386.1**	$ 355.8
Investments and other operations				
Crombie REIT	**(0.9)**	5.2	**8.8**	14.8
Real estate partnerships	**6.7**	6.4	**15.9**	16.8
Other operations, net of corporate expenses	**5.8**	1.0	**18.9**	10.5
	11.6	12.6	**43.6**	42.1
Total	**$ 113.7**	$ 123.2	**$ 429.7**	$ 397.9

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

	February 2 2013	February 4 2012
Total assets by segment		
Food retailing	**$ 6,242.1**	$ 6,025.4
Investments and other operations	**716.4**	525.4
	$ 6,958.5	$ 6,550.8

Segment operating income can be reconciled to group profit as follows:

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	February 4 2012	February 2 2013	February 4 2012
Total operating income	**$ 113.7**	$ 123.2	**$ 429.7**	$ 397.9
Finance costs, net	**11.3**	14.0	**38.3**	45.6
Total	**$ 102.4**	$ 109.2	**$ 391.4**	$ 352.3

The investments and other operations consists of the investments, at equity in Crombie REIT, real estate partnerships, and various other corporate operations.

12. Business acquisitions and formations

The Company acquired franchisee and non-franchisee stores, retail gas locations, prescription files and theatres. 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. Goodwill recorded on the acquisitions of franchise and non-franchise stores and retail gas locations relate 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 following table represents the amounts of identifiable assets from resulting acquisitions for the respective periods:

	13 Weeks Ended		39 Weeks Ended	
	February 2 2013	February 4 2012	February 2 2013	February 4 2012
Stores, retail gas locations and theatres				
Inventories	**$ -**	$ -	**$ 0.8**	$ 3.0
Property and equipment	**1.3**	1.8	**8.0**	4.9
Intangibles	**-**	0.3	**-**	0.6
Goodwill	**-**	5.5	**5.6**	18.8
Provisions	**(0.3)**	-	**(0.4)**	-
Other (liabilities) assets	**-**	(0.3)	**(1.2)**	(0.1)
Cash consideration	**$ 1.0**	$ 7.3	**$ 12.8**	$ 27.2
Prescription files				
Intangibles	**$ 0.2**	$ -	**$ 0.2**	$ -
Cash consideration	**$ 0.2**	$ -	**$ 0.2**	$ -

The businesses acquired contributed sales of $12.7 and $20.8 and earnings of $1.0 and $1.0 for the 13 and 39 weeks ended February 2, 2013 respectively.

Shell acquisition
During the second quarter of fiscal 2013, management amended the purchase price allocation related to the acquisition of 236 retail gas locations and related convenience store operations in Québec and Atlantic Canada from Shell Canada. As a result, the consolidated balance sheet as at November 3, 2012 was adjusted by an increase to land of $1.7, a decrease to equipment of $3.4, and goodwill increased $1.7.

Canadian Digital Cinema Partnership
During the first quarter of fiscal 2012, the Company formed CDCP, a joint venture with Cineplex Inc. ("Cineplex"). The costs of implementing digital projection systems in the venturers' theatres will be funded by CDCP, through a separate credit facility, which is non-recourse to the venturers, and the collection of virtual print fees from distributors.

Empire transferred digital projectors valued at $7.6 in exchange for a 21.8 percent interest in CDCP. Cineplex and Empire each have 50 percent of the voting rights of CDCP. Empire accounts for its investment in CDCP using the equity method.

The digital projection systems leased from CDCP will replace most of Empire's remaining 35 millimeter projection systems and allow Empire to add additional 3D screens to the circuit.

13. Related party transactions

The Company has related party transactions with Crombie REIT. The Company holds a 42.9 percent ownership interest and accounts for its investment using the equity method. As a result of the Company's subscription of Class B units and the conversion of Crombie REIT debentures during the third quarter of the current fiscal year, the Company's interest in Crombie REIT decreased from 43.0 to 42.9 percent.

On October 20, 2011, Crombie REIT closed a bought-deal offering of units at a price of $12.85 per unit. In satisfaction of its pre-emptive right with respect to the public offering, the Company subscribed for $30.0 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT).

During the quarter ended November 5, 2011, fixed rate secured mortgages provided to Crombie REIT in the amount of $5.6 were repaid in their entirety.

During the 39 weeks ended February 2, 2013, the Company sold four (February 4, 2012 - nine) properties to Crombie REIT, all (February 4, 2012 - seven) of which were leased back. Cash consideration received for the properties was recorded at the exchange amount of $52.7 (February 4, 2012 - $123.9), resulting in a pre-tax gain of $6.2 (February 4, 2012 - $12.4), which was recognized in the consolidated statements of earnings. During the quarter ended November 5, 2011, the Company acquired a property from Crombie REIT for $5.0 which management believes is equal to the fair market value of the property. As the property was leased by the Company from Crombie REIT, an additional $2.0 was paid for the cancellation of the lease and recognized in the consolidated statements of earnings, with total cash consideration paid of $7.0. No properties were acquired during the quarter ended February 2, 2013.

On July 3, 2012, the Company purchased $24.0 of convertible unsecured subordinated debentures (the "Debentures") from Crombie REIT, pursuant to a bought-deal prospectus offering for a total of $60.0. The Debentures have a maturity date of September 30, 2019. The Debentures have a coupon of 5.00% per annum and each $1,000 principal amount of Debenture is convertible into approximately 49.7512 units of Crombie REIT, at any time, at the option of the holder, based on a conversion price of $20.10 per unit.

On September 25, 2012, the Company converted convertible unsecured subordinated debentures with a face value of $10.0 into 909,090 units of Crombie REIT. The units were recorded at the exchange amount of $13.8, resulting in a pre-tax gain of $3.8.

During the quarter ended November 3, 2012, the Company acquired a parcel of land from a joint venture in which the Company holds a 40.7 percent interest. Cash consideration paid for the land was $7.6. The gain realized of $1.6 was eliminated from property and equipment.

On December 14, 2012, Crombie REIT closed a bought-deal public offering of units at a price of $14.75 per unit. Concurrent with the public offering, the Company subscribed for $24.5 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT).

14. Contingent liabilities

There are various claims and litigation, which the Company is involved with, 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 millions of Canadian dollars, except per share amounts)

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.

15. Employee future benefits

During the third quarter of fiscal 2013, the net employee future benefits expense reported in net earnings was $7.4 (February 4, 2012 - $8.0). For the 39 weeks ended February 2, 2013 it was $23.9 (February 4, 2012 - $24.2). Actuarial gains (losses) before taxes on defined benefit pension plans for the 13 and 39 weeks ended February 2, 2013 were $26.0 and $9.9 respectively (February 4, 2012 - $(27.2) and $(79.4)). These gains (losses) have been recognized in other comprehensive income.

16. Stock-based compensation

Deferred stock units

Members of the Board of Directors may elect to receive all or any portion of their fees in deferred stock units ("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' fee payment date. Additional DSUs are received as dividend equivalents. DSUs cannot be redeemed for cash until 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 on the consolidated statements of earnings. At February 2, 2013 there were 126,175 (February 4, 2012 - 115,514) DSUs outstanding. During the 13 and 39 weeks ended February 2, 2013, the compensation expense was $0.6 and $1.3 respectively (February 4, 2012 - $(0.3) and $0.9).

Stock option plan

During the first quarter, the Company granted an additional 45,310 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. These options allow holders to purchase Non-Voting Class A shares at $53.93 per share and expire in June 2020. The options vest over four years. These options have been treated as stock-based compensation.

The compensation cost relating to the 13 and 39 weeks ended February 2, 2013 was $0.1 and $0.4 respectively (February 4, 2012 - $0.3 and $0.8) with amortization of the cost over the vesting period. The total increase in contributed surplus in relation to the stock option compensation cost was $0.4 (February 4, 2012 - $0.8). The compensation cost was calculated using the Black-Scholes model with the following assumptions:

Expected life	5.25 years
Risk-free interest rate	1.40%
Expected volatility	19.4%
Dividend yield	1.78%

17. Subsequent event

On February 11, 2013, Sobeys extended the term on its revolving term credit facility from February 14, 2016 to February 14, 2017.