EMPIRE
COMPANY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE 13 WEEKS ENDED AUGUST 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) and its subsidiaries, including wholly-owned Sobeys Inc. ("Sobeys") for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended August 5, 2017. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended August 5, 2017 and the audited annual consolidated financial statements for the 52 weeks ended May 5, 2018 and the related MD&A. Additional information about the Company can be found on SEDAR at www.sedar.com or on the Company's website at www.empireco.ca.

The unaudited 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") and are reported in Canadian dollars ("CAD"). The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 5, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The unaudited interim condensed consolidated financial statements include the accounts of Empire and its subsidiaries and structured entities ("SEs") which the Company is required to consolidate.

The information contained in this MD&A is current to September 12, 2018 unless otherwise noted. There have been no material changes to disclosures as contained in the "Critical Accounting Estimates", "Contingencies" or "Risk Management" sections of the Company's MD&A for the 52 weeks ended May 5, 2018 other than as noted in this MD&A.

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's expectations regarding the impact of Project Sunrise, including expected cost savings and efficiencies resulting from this transformation initiative, and the expected timing of the realization of fiscal 2019 in-year incremental benefits, which could be impacted by several factors, including the time required by the Company to complete the project as well as the factors identified under the heading "Risk Management" in the fiscal 2018 annual MD&A;

- The Company's expectations regarding its existing discount model and its plans to expand its discount model to Western Canada, which may be impacted by union negotiations, the current economic environment and future operating results;

- The Company's expectations regarding the implementation of its online grocery shopping business including the timing of launching the business, the overall customer response to the service and the performance of its business partner, Ocado Group plc ("Ocado");

- The Company's expectations regarding the impact of minimum wage increases in Ontario and Alberta, other incremental impacts of the Fair Workplaces, Better Jobs Act, 2017 ("Bill 148") and the Company's ability to mitigate the financial impact of these increases which may be impacted by factors described under the heading "Minimum Wage Increases";

- The Company's expectations regarding the impact of healthcare reform that came into effect on April 1, 2018 which may be impacted by factors described under the heading "Healthcare Reform" in this MD&A and "Risk Management – Drug Regulation, Legislation and Healthcare Reform" in the fiscal 2018 annual MD&A;

- The Company's estimates regarding future capital expenditures which includes acquisitions of property, equipment and investment properties as well as additions to intangibles, which may be impacted by operating results and the economic environment;

- The Company's expected contributions to its registered defined benefit plans, which could be impacted by fluctuations in capital markets;

- The Company's assessment that its operational and capital structure is sufficient to meet its ongoing business requirements, which could be impacted by changes in the current economic environment; and

- The Company's expectation that its cash and cash equivalents on hand, unutilized credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the economic environment.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section of the fiscal 2018 annual MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company's current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.

OVERVIEW OF THE BUSINESS

Empire's key businesses and financial results are segmented into two separate reportable segments: (i) Food retailing and (ii) Investments and other operations. With approximately $24.4 billion in annualized sales and $8.7 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 120,000 people.

Empire's Food retailing segment is carried out through Sobeys, a wholly-owned subsidiary. Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. Sobeys owns, affiliates or franchises more than 1,500 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods and Lawtons Drugs as well as more than 350 retail fuel locations.

Strategic Focus(1)

The Company has established a strategy that is designed to address an evolving retail environment while remaining focused on customer needs and improving the Company's overall service offering. The strategy will evolve as the Company continues to reorganize and transform to a nationally led and focused organization.

(i) Reset our Foundation

In the fourth quarter of fiscal 2017, the Company launched Project Sunrise, a comprehensive three year transformation intended to simplify the organizational structure and reduce costs. The transformation is expected to result in at least $500 million in annualized benefits by fiscal 2020. The transformation is on track and benefits are tracking to management's expectations. The Company realized approximately 20% of its target during fiscal 2018, and management anticipates up to a further 30% to be realized during fiscal 2019, principally during the second half of the year.

Costs incurred related to the organizational design changes from Project Sunrise were completed in the fourth quarter of fiscal 2018. The Company incurred total costs of $209 million of which $40 million were recorded in the first quarter of fiscal 2018.

(ii) Bolster our Brand

The Company is focused on improving customer connection with its banner brands and differentiating these brands in a highly competitive marketplace. Management has undertaken a comprehensive review of its customers and the relative positioning of its categories and store banners and is developing long-term strategic initiatives that will be implemented over the next several years.

(iii) Win in our Stores

Conventional stores will remain a key area of focus as management continues to evaluate and prioritize destination product categories designed to provide customers with the products they want at competitive prices while improving overall customer experience in conventional store banners.

(iv) Enhance Discount

The discount channel continues to be a relatively higher growth area in food retailing. In fiscal 2018, Sobeys announced plans to expand its discount banner to Western Canada and will convert up to 25% of its 255 Safeway and Sobeys full service format stores in Western Canada to its FreshCo banner over the next five years with the first two stores expected to open in Winnipeg, Manitoba in the spring of 2019.

(1) This section constitutes forward looking information described under the "Forward-Looking Information" section of this MD&A.

(v) Win E-commerce

In January 2018, Sobeys announced it had signed an agreement with Ocado, an industry-leading grocery e-commerce company, to launch a central pick, home delivery online grocery shopping business. Management expects this online business will participate in the rapidly growing online grocery shopping channel. Sobeys and Ocado are developing the first Customer Fulfillment Centre ("CFC") in the Greater Toronto Area with delivery to customers expected in the Spring of 2020. Sobeys and Ocado expect to deploy additional CFCs in Canada's major urban centres.

Other Significant Items

Minimum Wage Increases

The Company expects to incur increased labour costs as a result of minimum wage increases in Ontario and Alberta and other effects associated with Bill 148 that was passed into law in Ontario on November 27, 2017. Management was successful in largely mitigating the financial impact of these increased labour costs in fiscal 2018 and continues to develop further plans to mitigate impacts for fiscal 2019 onward. However, it is not expected that the Company will be able to fully offset the effects on earnings considering the short transition period of the cost increases. The Company estimates the unmitigated financial impact of the minimum wage increases, and other impacts including wage parity could be up to $90 million in fiscal 2019.

Commercial Bread Investigation

The Canadian Competition Bureau is currently investigating the practices of certain suppliers and retailers, including the Company, with regard to the supply and sale of commercial bread in Canada beginning in 2001. The Company is fully cooperating with the Competition Bureau. Based on the information available to date, the Company does not believe that it or any of its employees have violated the Competition Act.

Class action lawsuits have been filed against the Company, the suppliers and other retailers regarding the allegations.

While both the Competition Bureau investigation and the class action lawsuits are in the early stages, at this time the Company does not believe that they will have a material adverse effect on the Company's business or financial condition.

Healthcare Reform

On January 29, 2018, additional healthcare reform was introduced by the pan-Canadian Pharmaceutical Alliance with the Canadian Generic Pharmaceutical Association that came into effect on April 1, 2018. This resulted in the price reduction of almost 70 high volume generic drugs. The Company estimates that the effect, prior to any mitigation, of these changes may be to reduce annual income before taxes by up to $40 million.

SUMMARY RESULTS – FIRST QUARTER

($ in millions, except per share amounts)	13 Weeks Ended August 4, 2018	August 5, 2017	$ Change	% Change
Sales	**$ 6,460.3**	$ 6,273.2	$ 187.1	3.0%
Gross profit[1]	**1,512.3**	1,531.0	(18.7)	(1.2)%
Operating income	**174.7**	125.2	49.5	39.5%
Adjusted operating income [1]	**181.0**	171.7	9.3	5.4%
EBITDA[1]	**278.7**	238.8	39.9	16.7%
Adjusted EBITDA[1]	**278.7**	278.8	(0.1)	0.0%
Finance costs, net	**23.1**	28.7	(5.6)	(19.5)%
Income tax expense	**41.5**	30.1	11.4	37.9%
Non-controlling interest	**14.5**	12.4	2.1	16.9%
Net earnings[2]	**95.6**	54.0	41.6	77.0%
Adjusted net earnings[1][2]	**100.2**	87.5	12.7	14.5%
Basic earnings per share				
Net earnings[2]	**$ 0.35**	$ 0.20	$ 0.15	
Adjusted net earnings[2]	**$ 0.37**	$ 0.32	$ 0.05	
Basic weighted average number of shares outstanding (in millions)	**271.8**	271.5		
Diluted earnings per share				
Net earnings[2]	**$ 0.35**	$ 0.20	$ 0.15	
Adjusted net earnings[2]	**$ 0.37**	$ 0.32	$ 0.05	
Diluted weighted average number of shares outstanding (in millions)	**272.3**	271.6		
Dividend per share	**$ 0.1100**	$ 0.1050		

(Consolidated operating results as a % of sales)	13 Weeks Ended August 4, 2018	August 5, 2017
Gross margin[1]	**23.4%**	24.4%
Adjusted operating income	**2.8%**	2.7%
EBITDA	**4.3%**	3.8%
Adjusted EBITDA	**4.3%**	4.4%
Adjusted net earnings[2]	**1.6%**	1.4%

	13 Weeks Ended August 4, 2018	August 5, 2017
Same-store sales[1] growth	**2.3%**	0.5%
Same-store sales growth, excluding fuel	**1.3%**	0.5%
Same-store sales growth, excluding fuel and pharmacy	**1.8%**	0.5%
Effective income tax rate	**27.4%**	31.2%

Food Retailing

The following is a review of Empire's Food retailing segment's financial performance, comprising the consolidated results of Sobeys Inc. for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended August 5, 2017.

($ in millions)	13 Weeks Ended August 4, 2018	August 5, 2017	$ Change	% Change
Sales	**$ 6,460.3**	$ 6,273.2	$ 187.1	3.0%
Gross profit	**1,512.3**	1,531.0	(18.7)	(1.2)%
Operating income	**152.4**	111.3	41.1	36.9%
Adjusted operating income	**158.7**	157.8	0.9	0.6%
EBITDA	**256.4**	224.9	31.5	14.0%
Adjusted EBITDA	**256.4**	264.9	(8.5)	(3.2)%
Net earnings[2]	**80.7**	49.7	31.0	62.4%
Adjusted net earnings[2]	**85.3**	83.2	2.1	2.5%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Net of non-controlling interest.

Empire Company Limited Consolidated Operating Results

Sales

Sales for the 13 weeks ended August 4, 2018 increased by 3.0%, driven by successful promotional and marketing activity across the business, increases in traffic and basket size, along with increased fuel sales attributable to higher fuel prices. Same-store sales were higher in most areas of the country and tonnage was positive for the quarter. Partially offsetting these positive effects were the deflationary impact of drug reform and the wind down and closure of ten stores in Western Canada during the quarter. Internal inflation for the quarter was flat.

Gross Profit

Gross profit for the quarter was lower by 1.2%, principally as a result of the wind down and closure of ten stores in Western Canada, increased transportation and other costs, and lower margins in the Company's pharmacy business due to healthcare reform and the Alberta Air Miles inducement ban.

Gross margin decreased to 23.4%, driven by an increase in lower margin fuel sales, increased transportation and other costs, and changes in product mix in Quebec. Although results in Quebec were strong, average margin rates were affected by changes in the ratio of corporate to affiliate stores and higher sales of lower margin product. Conventional margins outside of Quebec were stable and broadly consistent with last year.

Operating Income

	13 Weeks Ended		$
($ in millions)	**August 4, 2018**	August 5, 2017	Change
Consolidated operating income			
Sobeys contribution	**$ 152.4**	$ 111.3	$ 41.1
Investments and other operations			
Crombie REIT	**20.3**	8.4	11.9
Real estate partnerships	**2.6**	4.1	(1.5)
Other operations, net of corporate expenses	**(0.6)**	1.4	(2.0)
	22.3	13.9	8.4
Operating income	**$ 174.7**	$ 125.2	$ 49.5

For the 13 weeks ended August 4, 2018, operating income increased due to several reasons. The sales increase and higher equity earnings from Crombie Real Estate Investment Trust ("Crombie REIT") had a positive impact on operating income. This was partially offset by lower gross profit. Selling and administrative expenses were lower due to items such as the reversal of previously impaired assets in Western Canada, costs incurred related to Project Sunrise in the prior year, Project Sunrise benefits achieved and a decrease in depreciation expense. These expenses were partially offset by increased operational labour costs, asset restructuring costs, discount conversion costs and some severance costs.

	13 Weeks Ended		$
($ in millions)	**August 4, 2018**	August 5, 2017	Change
Operating income	**$ 174.7**	$ 125.2	$ 49.5
Adjustments:			
Intangible amortization associated with the Canada Safeway acquisition	**6.3**	6.5	
Costs related to Project Sunrise	**-**	40.0	
	6.3	46.5	(40.2)
Adjusted operating income	**$ 181.0**	$ 171.7	$ 9.3

EBITDA

EBITDA increased in the 13 weeks ended August 4, 2018 as a result of the previously mentioned factors affecting operating income.

($ in millions)	13 Weeks Ended August 4, 2018	August 5, 2017	$ Change
EBITDA	**$ 278.7**	$ 238.8	$ 39.9
Adjustments:			
Costs related to Project Sunrise	**-**	40.0	
	-	40.0	(40.0)
Adjusted EBITDA	**$ 278.7**	$ 278.8	$ (0.1)

Finance Costs

For the 13 weeks ended August 4, 2018, net finance costs decreased primarily due to a decrease in interest expense caused by the repayment of $100.0 million Series C Medium term notes during the fourth quarter of fiscal 2018. Adjusted interest coverage[(1)] increased to 8.6 times compared to 6.7 times during the same period in the prior year as a result of an increase in adjusted operating income and lower financing costs.

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

Income Taxes

The effective income tax rate for the 13 weeks ended August 4, 2018 was 27.4% compared to 31.2% for the 13 weeks ended August 5, 2017. The prior period's effective rate was higher than the statutory rate due to the flow-through effects to the Company from the completion of a tax reorganization by Crombie REIT.

Net Earnings

The following is a reconciliation of adjusted net earnings:

($ in millions, except per share amounts)	13 Weeks Ended August 4, 2018	August 5, 2017	$ Change
Net earnings[(1)]	**$ 95.6**	$ 54.0	$ 41.6
EPS[(2)] (fully diluted)	**$ 0.35**	$ 0.20	$ 0.15
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	**4.6**	4.8	
Costs related to Project Sunrise	**-**	28.7	
	4.6	33.5	(28.9)
Adjusted net earnings[(1)]	**$ 100.2**	$ 87.5	$ 12.7
Adjusted EPS (fully diluted)[(3)]	**$ 0.37**	$ 0.32	$ 0.05
Diluted weighted average number of shares outstanding (in millions)	**272.3**	271.6	

(1) Net of non-controlling interest.
(2) Earnings per share ("EPS").
(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

Investments and Other Operations

($ in millions)	13 Weeks Ended August 4, 2018	August 5, 2017	$ Change
Crombie REIT	**$ 20.3**	$ 8.4	$ 11.9
Real estate partnerships (Genstar)	**2.6**	4.1	(1.5)
Other operations, net of corporate expenses	**(0.6)**	1.4	(2.0)
	$ 22.3	$ 13.9	$ 8.4

Income from investments and other operations increased primarily as a result of higher equity earnings from Crombie REIT as several properties were disposed of during the quarter, for net gains on sale, resulting in an increase in the Company's share of equity earnings.

Investment Portfolio

At August 4, 2018, Empire's investment portfolio, including equity accounted investments in Crombie REIT and Genstar, consisted of:

($ in millions)	August 4, 2018 Fair Value	August 4, 2018 Carrying Value	August 4, 2018 Unrealized Gain	May 5, 2018 Fair Value	May 5, 2018 Carrying Value	May 5, 2018 Unrealized Gain	August 5, 2017 Fair Value	August 5, 2017 Carrying Value	August 5, 2017 Unrealized Gain
Investment in associates									
Crombie REIT(1)	**$ 834.0**	**$ 456.0**	**$ 378.0**	$ 777.1	$ 448.5	$ 328.6	$ 833.6	$ 457.8	$ 375.8
Canadian real estate partnerships(2)	**82.8**	**82.8**	**-**	90.7	90.7	-	135.8	135.8	-
U.S. real estate partnerships(2)	**22.5**	**22.5**	**-**	23.2	23.2	-	34.9	34.9	-
Investment in joint ventures									
Canadian Digital Cinema Partnership(2)	**9.5**	**9.5**	**-**	9.4	9.4	-	9.7	9.7	-
	$ 948.8	**$ 570.8**	**$ 378.0**	$ 900.4	$ 571.8	$ 328.6	$ 1,014.0	$ 638.2	$ 375.8

(1) Fair value is calculated based on the closing price of Crombie REIT units traded on the Toronto Stock Exchange as of August 3, 2018.
(2) Assumes fair value equals carrying value.

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	**Fiscal 2019 Q1 (13 Weeks) Aug. 4, 2018**	Fiscal 2018 Q4 (13 Weeks) May 5, 2018	Fiscal 2018 Q3 (13 Weeks) Feb. 3, 2018	Fiscal 2018 Q2 (13 Weeks) Nov. 4, 2017	Fiscal 2018 Q1 (13 Weeks) Aug. 5, 2017	Fiscal 2017 Q4 (13 Weeks) May 6, 2017	Fiscal 2017 Q3 (13 Weeks) Feb. 4, 2017	Fiscal 2017 Q2 (13 Weeks) Nov. 5, 2016
Sales	**$ 6,460.3**	$ 5,886.1	$ 6,029.2	$ 6,026.1	$ 6,273.2	$ 5,798.9	$ 5,889.8	$ 5,930.9
EBITDA(1)	**278.7**	217.8	216.1	113.0	238.8	171.7	179.4	187.8
Operating income	**174.7**	110.6	108.1	2.6	125.2	61.4	68.6	76.4
Net earnings (loss)(2)	**95.6**	71.0	58.1	(23.6)	54.0	29.5	30.5	33.1
Per share information, basic								
Net earnings (loss)(2)	**$ 0.35**	$ 0.26	$ 0.21	$ (0.09)	$ 0.20	$ 0.11	$ 0.11	$ 0.12
Basic weighted average number of shares outstanding (in millions)	**271.8**	271.8	271.7	271.8	271.5	271.7	271.1	271.6
Per share information, diluted								
Net earnings (loss)(2)	**$ 0.35**	$ 0.26	$ 0.21	$ (0.09)	$ 0.20	$ 0.11	$ 0.11	$ 0.12
Diluted weighted average number of shares outstanding (in millions)	**272.3**	272.2	272.2	271.8	271.6	271.7	271.7	272.2

(1) EBITDA is reconciled to net earnings (loss), net of non-controlling interest, for the current and comparable period in the "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Net of non-controlling interest.

For the most recent eight quarters, results have fluctuated overall with sales consistently improving compared to the same period in the prior year.

Sales include fluctuations in quarter-to-quarter inflationary and deflationary market pressures. The Company does experience some seasonality, as evidenced in the results presented above, in particular during the summer months and over the holidays when retail sales trend higher and can result in stronger operating results. The sales, EBITDA, operating income and net earnings (loss), net of non-controlling interest, have been influenced by one-time adjustments, other investing activities, the competitive environment, cost management initiatives, food price and general industry trends and by other risk factors as outlined in the "Risk Management" section of the fiscal 2018 annual MD&A.

LIQUIDITY AND CAPITAL RESOURCES

The table below highlights the significant cash flow components for the relevant periods:

($ in millions)	13 Weeks Ended August 4, 2018	13 Weeks Ended August 5, 2017	$ Change
Cash flows from operating activities	**$ 156.7**	$ 175.5	$ (18.8)
Cash flows used in investing activities	**(43.4)**	(50.5)	7.1
Cash flows used in financing activities	**(62.8)**	(97.1)	34.3
Increase in cash and cash equivalents	**$ 50.5**	$ 27.9	$ 22.6

Operating Activities

Cash flows from operating activities for the 13 weeks ended August 4, 2018 decreased as a result of a decrease in gross margin and the drawdown of restructuring provisions due to Project Sunrise and the closure of stores in Western Canada.

Investing Activities

The table below outlines details of investing activities of the Company during the 13 weeks ended August 4, 2018 compared to the 13 weeks ended August 5, 2017:

($ in millions)	13 Weeks Ended August 4, 2018	13 Weeks Ended August 5, 2017	$ Change
Property, equipment and investment property purchases	**$ (42.8)**	$ (61.5)	$ 18.7
Proceeds on disposal of assets	**18.4**	5.7	12.7
Additions to intangibles	**(4.8)**	(13.1)	8.3
Loans and other receivables	**(0.3)**	(0.1)	(0.2)
Other assets and other long-term liabilities	**4.2**	(4.8)	9.0
Business acquisitions	**(19.8)**	(1.0)	(18.8)
Interest received	**1.7**	-	1.7
Proceeds on redemption of investment	**-**	24.3	(24.3)
Cash flows used in investing activities	**$ (43.4)**	$ (50.5)	$ 7.1

For the 13 weeks ended August 4, 2018, cash used in investing activities decreased compared to the prior year due to lower capital spending and an increase in proceeds on disposal of assets. This was offset by an increase in business acquisitions, including the acquisition of Kim Phat, an Asian food retailer located in Quebec. Sobeys acquired 51% of the company thereby becoming the majority shareholder of Kim Phat whose assets include three stores in the greater Montreal area. The impact of the decrease was also offset by the redemption of debentures by Crombie REIT in the prior year. In exchange for its investment in the debentures, the Company received $24.3 million in principal and interest payments.

The Company invested $47.6 million in acquisitions of property, equipment, investment properties and intangibles. The Company expects to invest $425 million in its operations during fiscal 2019.

The table below summarizes store activity for the 13 weeks ended August 4, 2018 compared to the prior year.

# of stores	13 Weeks Ended August 4, 2018	13 Weeks Ended August 5, 2017
Opened/relocated/acquired	**10**	10
Expanded	**1**	2
Rebannered/redeveloped	**2**	9
Closed	**10**	15

The following table shows Sobeys' square footage changes for the 13 and 52 weeks ended August 4, 2018 by type:

Square feet (in thousands)	**13 Weeks Ended August 4, 2018**	**52 Weeks Ended August 4, 2018**
Opened	**35**	**345**
Relocated	**8**	**42**
Acquired	**77**	**77**
Expanded	**14**	**96**
Closed	**(202)**	**(459)**
Net change	**(68)**	**101**

At August 4, 2018, Sobeys' square footage totaled 39.3 million, a 0.3% increase over 39.2 million square feet operated at August 5, 2017.

Financing Activities

Cash used in financing activities decreased as a result of higher payments on Empire's credit facility in the prior year due to a higher opening balance in fiscal 2018.

Free Cash Flow

Management uses free cash flow[1] as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities.

	13 Weeks Ended		$
($ in millions)	**August 4, 2018**	August 5, 2017	Change
Cash flows from operating activities	**$ 156.7**	$ 175.5	$ (18.8)
Add: proceeds on disposal of property, equipment and investment property	**18.4**	5.7	12.7
Less: property, equipment and investment property purchases	**(42.8)**	(61.5)	18.7
Free cash flow	**$ 132.3**	$ 119.7	$ 12.6

Free cash flow increased for the 13 weeks ended August 4, 2018 compared to the 13 weeks ended August 5, 2017 due to lower capital spending and an increase in proceeds on the sale of property to Crombie REIT partially offset by decreased cash flows from operating activities.

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

Employee Future Benefit Obligations

For the 13 weeks ended August 4, 2018, the Company contributed $3.0 million (2018 – $1.9 million) to its registered defined benefit pension plans. The Company expects to contribute approximately $26.7 million to these plans in fiscal 2019.

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		**August 4, 2018**		May 5, 2018		August 5, 2017
Shareholders' equity, net of non-controlling interest	**$**	**3,776.4**	$	3,702.8	$	3,683.5
Book value per common share(1)	**$**	**13.89**	$	13.62	$	13.57
Long-term debt, including current portion	**$**	**1,645.4**	$	1,666.9	$	1,818.3
Funded debt to total capital(1)		**30.3%**		31.0%		33.0%
Net funded debt to net total capital(1)		**20.4%**		21.9%		30.1%
Funded debt to adjusted EBITDA(1)(2)		**1.6x**		1.6x		2.2x
Adjusted EBITDA to interest expense(1)(3)		**11.0x**		10.5x		8.1x
Trailing four-quarter adjusted EBITDA	**$**	**1,014.6**	$	1,014.7	$	832.6
Trailing four-quarter interest expense	**$**	**92.3**	$	96.9	$	102.7
Current assets to current liabilities		**0.9x**		0.8x		0.9x
Total assets	**$**	**8,746.2**	$	8,662.0	$	8,688.8
Total non-current financial liabilities	**$**	**1,880.8**	$	1,929.9	$	2,455.7

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Calculation uses trailing four-quarter adjusted EBITDA.
(3) Calculation uses trailing four-quarter adjusted EBITDA and interest expense.

For the 13 weeks ended August 4, 2018, Sobeys' credit ratings remained unchanged.

Rating Agency	**Credit Rating (Issuer rating)**	**Trend/Outlook**
Dominion Bond Rating Service	BB (high)	Stable
Standard and Poor's	BB+	Stable

On June 2, 2017, Sobeys established a new, senior, unsecured non-revolving credit facility for $500 million. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. Subsequent to the end of the first quarter, on August 8, 2018, Sobeys fully utilized the credit facility to repay long-term debt.

The Company believes that its cash and cash equivalents on hand, unutilized bank credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations. The Company mitigates potential liquidity risk by ensuring various sources of funds are diversified by term to maturity and source of credit.

The Company's financing facilities include certain financial and non-financial covenants. All covenants were complied with for the 13 weeks ended August 4, 2018.

Shareholders’ Equity

The Company’s share capital was comprised of the following on August 4, 2018:

	Number of Shares	
Authorized	**August 4, 2018**	August 5, 2017
2002 Preferred shares, par value of $25 each, issuable in series	**991,980,000**	991,980,000
Non-Voting Class A shares, without par value	**768,105,849**	768,105,849
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	**Number of Shares**	**August 4, 2018**	August 5, 2017
Non-Voting Class A shares	**173,635,593**	**$ 2,039.9**	$ 2,037.8
Class B common shares	**98,138,079**	**7.3**	7.3
Shares held in trust	**(270,343)**	**(5.2)**	(7.2)
Total		**$ 2,042.0**	$ 2,037.9

The Company’s share capital on August 4, 2018 compared to the same period in the last fiscal year is shown in the table below:

	13 Weeks Ended	
(Number of Shares)	**August 4, 2018**	August 5, 2017
Non-Voting Class A shares		
Issued and outstanding, beginning of period	**173,547,591**	173,537,901
Issued during period	**88,002**	-
Issued and outstanding, end of period	**173,635,593**	173,537,901
Shares held in trust, beginning of period	**(308,504)**	(555,409)
Issued for future settlement of equity settled plans	**39,640**	185,983
Purchased for future settlement of equity settled plans	**(1,479)**	(2,450)
Shares held in trust, end of period	**(270,343)**	(371,876)
Issued and outstanding, net of shares held in trust, end of period	**173,365,250**	173,166,025
Class B common shares		
Issued and outstanding, beginning of period	**98,138,079**	98,138,079
Issued during period	**-**	-
Issued and outstanding, end of period	**98,138,079**	98,138,079

During the first quarter of fiscal 2019, the Company paid common dividends of $29.9 million (2018 – $28.5 million) to its equity holders. This represents a payment of $0.1100 per share (2018 – $0.1050 per share) for common shareholders.

As at September 11, 2018, the Company had Non-Voting Class A and Class B common shares outstanding of 173,635,593 and 98,138,079, respectively. Options to acquire 4,689,376 Non-Voting Class A shares were outstanding as of August 4, 2018 (August 5, 2017 – 5,973,136). As at September 11, 2018, options to acquire 4,678,563 Non-Voting Class A shares were outstanding (September 11, 2017 – 5,941,118).

ACCOUNTING STANDARDS AND POLICIES

The unaudited interim condensed 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, 2018 with the exception of the following:

Changes to Accounting Standards Adopted During Fiscal 2019

(i) Revenue

The Company adopted IFRS 15 "Revenue from contracts with customers" ("IFRS 15") effective in the first quarter of fiscal 2019. IFRS 15 was issued in May 2014 and replaces IAS 18 "Revenue" ("IAS 18"), IAS 11 "Construction contracts" ("IAS 11"), and related interpretations. IFRS 15 became effective for annual periods beginning on or after January 1, 2018.

IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive five-step framework for recognition, measurement, and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts, and financial instruments. The Company has adopted the standard retrospectively, in accordance with IFRS 15 transitional provisions. The implementation of IFRS 15 did not materially impact the amounts recognized on the Company's unaudited interim condensed consolidated financial statements and no amounts have been reclassified or restated.

The Company has amended its accounting policies related to revenue recognition as follows:

> *Sales are recognized when the goods are delivered. Sales include revenues from customers through corporate stores operated by the Company and consolidated structured entities, 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. Franchise fees contractually due based on the dollar value of product shipped are recorded as revenue when the product is shipped. Franchise fees contractually due based on the franchisee's retail sales are recorded as revenue upon invoicing.*

(ii) Financial Instruments

The Company adopted IFRS 9 "Financial instruments" ("IFRS 9") which replaces the provisions of IAS 39 "Financial instruments: recognition and measurement" ("IAS 39"), and related amendments to IFRS 7 "Financial instruments: disclosures" effective in the first quarter of fiscal 2019. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

The IAS 39 requirements for the classification and measurement of financial assets and financial liabilities, and impairment of financial assets have been amended by IFRS 9. IFRS 9 also introduces a new hedge accounting model.

Classification and Measurement

IFRS 9 requires financial assets to be classified and measured based on both the business model for managing the asset, and the nature of the cash flows. The classification and measurement categories for financial assets are amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). The classification and measurement categories for financial liabilities are amortized cost and FVTPL. The impacts on financial assets and liabilities upon adoption of IFRS 9 are outlined below:

Asset/Liability	**IAS 39 Classification**	**IAS 39 Measurement**	**IFRS 9 Classification and Measurement**
Cash and cash equivalents	Loans and receivables	Amortized cost	Amortized cost
Receivables	Loans and receivables	Amortized cost	Amortized cost
Loans and other receivables	Loans and receivables	Amortized cost	Amortized cost
Derivative financial assets and liabilities	FVTPL	Fair value	FVTPL
Non-derivative other assets	FVTPL	Fair value	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Amortized cost
Long-term debt	Other liabilities	Amortized cost	Amortized cost

The changes in classification and measurement did not result in changes to the carrying amounts of the Company's financial instruments on adoption of IFRS 9.

The Company has amended its accounting policies for the classification and measurement of financial instruments as follows:

> *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 measurement of financial liabilities remains largely unchanged from IAS 39.

Impairment

IFRS 9 introduces a new expected credit loss ("ECL") impairment model for financial assets measured at amortized cost or FVOCI, except for equity investments. The ECL impairment model replaces the incurred loss model under IAS 39. It is no longer necessary for a triggering event to have occurred before credit losses are recognized.

Under the IFRS 9 ECL impairment model, loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

The application of the ECL impairment model did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

The Company has amended its accounting policies for the impairment of financial instruments as follows:

> *The Company recognizes loss allowances on its trade receivables based on lifetime ECLs. Loss allowances are recognized on loans 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 loans 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.*

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that aligns hedge accounting relationships with corresponding risk management activities. The new hedge accounting requirements did not result in an adjustment to the Company's unaudited interim condensed consolidated financial statements.

Modification of Financial Liabilities

In October 2017, the IASB issued "Prepayment features with negative compensation" as an amendment to IFRS 9. The amendment clarifies the accounting treatment for modifications of financial liabilities and requires a financial liability measured at amortized cost to be remeasured when a modification occurs. Any resulting gain or loss is required to be recognized in profit or loss at the date of modification. The amendment became effective for annual periods beginning on or after January 1, 2018. The Company adopted the amendment on a retrospective basis effective in the first quarter of fiscal 2019, in accordance with IFRS 9 transitional provisions. The adoption did not result in an adjustment to the Company's unaudited interim condensed consolidated financial statements.

Disclosure

Financial instrument disclosures continue to fall within the scope of IFRS 7 "Financial instruments: disclosures" ("IFRS 7"). IFRS 7 has been amended by IFRS 9 to include additional qualitative and quantitative disclosure requirements. The Company has adopted these amendments effective in the first quarter of fiscal 2019. This did not impact the financial instrument disclosure in the notes to the unaudited interim condensed consolidated financial statements.

Critical Accounting Estimates

Critical accounting estimates used by the Company's management are discussed in detail in the fiscal 2018 annual MD&A.

Internal Control Over Financial Reporting

Management of the Company, which includes the President & Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining Internal Control over Financial Reporting ("ICFR"), as that term is defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings". The control framework management used to design and assess the effectiveness of ICFR is "*Internal Control Integrated Framework (2013*)" published by the Committee of Sponsoring Organizations of the Treadway Commission.

There have been no changes in the Company's ICFR during the period beginning May 6, 2018 and ended August 4, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

RELATED PARTY TRANSACTIONS

The Company has related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. There have been no material changes to the specified contractual obligations between the Company and Crombie REIT during the quarter, other than as described below. The Company holds a 41.5% ownership interest in Crombie REIT and accounts for its investment using the equity method.

During the 13 weeks ended August 4, 2018, Sobeys, through a wholly-owned subsidiary, sold and leased back a property to Crombie REIT for cash consideration of $12.5 million. This resulted in a pre-tax gain of $5.6 million.

CONTINGENCIES

The Company is subject to claims and litigation arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material.

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.

RISK MANAGEMENT

Risk and uncertainties related to economic and industry factors and the Company's management of risk are discussed in detail in the fiscal 2018 annual MD&A.

DESIGNATION FOR ELIGIBLE DIVIDENDS

"Eligible dividends" receive favourable treatment for income tax purposes. To be considered an eligible dividend, a dividend must be designated as such at the time of payment.

Empire has, in accordance with the administrative position of CRA, included the appropriate language on its website to designate the dividends paid by Empire as eligible dividends unless otherwise designated.

NON-GAAP FINANCIAL MEASURES & FINANCIAL METRICS

There are measures and metrics included in this MD&A that do not have a standardized meaning under generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. Management believes that certain of these measures and metrics, including gross profit and EBITDA, are important indicators of the Company's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt and fund future capital expenditures and uses these metrics for these purposes.

In addition, management adjusts measures and metrics, including EBITDA and net earnings in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

Financial Measures

The intent of Non-GAAP Financial Measures is to provide additional useful information to investors and analysts. Non-GAAP Financial Measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. The Company's definitions of the non-GAAP terms included in this MD&A are as follows:

- Gross profit is calculated as sales less cost of sales.

- Adjusted operating income is operating income excluding certain items to better analyze trends in performance. These adjustments result in a truer economic representation on a comparative basis. The Company no longer adjusts for items that are insignificant to current period results or the comparative period. Adjusted operating income is reconciled to operating income in its respective subsection of the "Summary Results – First Quarter" in section. Adjusted operating income for the Food Retailing segment is reconciled to operating income in the "Food Segment Reconciliations" section of this MD&A.

- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), is calculated as net earnings, before finance costs (net of finance income), income tax expense, depreciation and amortization of intangibles. The exclusion of depreciation and amortization of intangibles partially eliminates the non-cash impact from operating income.

The following table reconciles net earnings to EBITDA:

	13 Weeks Ended	
($ in millions)	**August 4, 2018**	August 5, 2017
Net earnings	**$ 110.1**	$ 66.4
Income taxes expense	**41.5**	30.1
Finance costs, net	**23.1**	28.7
Operating income	**174.7**	125.2
Depreciation	**82.7**	90.5
Amortization of intangibles	**21.3**	23.1
EBITDA	**$ 278.7**	$ 238.8

- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These adjustments result in a truer economic representation on a comparative basis. The Company no longer adjusts for items that are insignificant to current period results or the comparative period. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the "Summary Results – First Quarter" section. Adjusted EBITDA for the Food Retailing segment is reconciled to EBITDA in the "Food Segment Reconciliations" section of this MD&A.

- Management calculates interest expense as interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income or loss. Management believes that interest expense represents a true measure of the Company's debt service expense, without the offsetting total finance income.

The following table reconciles finance costs, net to interest expense:

	13 Weeks Ended	
($ in millions)	**August 4, 2018**	August 5, 2017
Finance costs, net	**$ 23.1**	$ 28.7
Plus: finance income	**2.9**	1.2
Less: net pension finance costs	**(3.0)**	(2.9)
Less: accretion expense on provisions	**(1.9)**	(1.3)
Interest expense	**$ 21.1**	$ 25.7

- Adjusted net earnings is net earnings, net of non-controlling interest, excluding certain items to better analyze trends in performance and financial results. These adjustments result in a truer economic representation of the underlying business on a comparative basis. The Company no longer adjusts for items that are insignificant to current period results or the comparative period. Adjusted net earnings are reconciled in its respective subsection of the "Summary Results – First Quarter" section. Adjusted net earnings for the Food Retailing segment is reconciled to net earnings in the "Food Segment Reconciliations" section of this MD&A.

- Adjusted EPS (fully diluted) is calculated as adjusted net earnings divided by diluted weighted average number of shares outstanding.

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less property, equipment and investment property purchases. Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. Free cash flow is reconciled to GAAP measures as reported on the condensed consolidated statements of cash flows in the "Free Cash Flow" section of this MD&A.

- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances and long-term debt. Management believes that funded debt represents the best indicator of the Company's total financial obligations on which interest payments are made.

- Net funded debt is calculated as funded debt less cash and cash equivalents. Management believes that the deduction of cash and cash equivalents from funded debt represents a more accurate measure of the Company's financial obligations after 100% of cash and cash equivalents are applied against the total obligation.

- Total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest.

- Net total capital is total capital less cash and cash equivalents.

The following tables reconcile the Company's funded debt, net funded debt, net total capital and total capital to GAAP measures as reported on the balance sheets as at August 4, 2018, May 5, 2018 and August 5, 2017, respectively:

($ in millions)		**August 4, 2018**		May 5, 2018		August 5, 2017
Long-term debt due within one year	**$**	**527.1**	$	527.4	$	126.4
Long-term debt		**1,118.3**		1,139.5		1,691.9
Funded debt		**1,645.4**		1,666.9		1,818.3
Less: cash and cash equivalents		**(678.4)**		(627.9)		(235.2)
Net funded debt		**967.0**		1,039.0		1,583.1
Total shareholders' equity, net of non-controlling interest		**3,776.4**		3,702.8		3,683.5
Net total capital	**$**	**4,743.4**	$	4,741.8	$	5,266.6

($ in millions)		**August 4, 2018**		May 5, 2018		August 5, 2017
Funded debt	**$**	**1,645.4**	$	1,666.9	$	1,818.3
Total shareholders' equity, net of non-controlling interest		**3,776.4**		3,702.8		3,683.5
Total capital	**$**	**5,421.8**	$	5,369.7	$	5,501.8

Food Segment Reconciliations

The following tables adjust Sobeys' contributed operating income, EBITDA, and net earnings, net of non-controlling interest, for items which are considered not indicative of underlying business operating performance:

		13 Weeks Ended				$
($ in millions)		**August 4, 2018**		August 5, 2017		Change
Operating income	**$**	**152.4**	$	111.3	$	41.1
Adjustments:						
Intangible amortization associated with the Canada Safeway acquisition		**6.3**		6.5		
Costs related to Project Sunrise		**-**		40.0		
		6.3		46.5		(40.2)
Adjusted operating income	**$**	**158.7**	$	157.8	$	0.9

		13 Weeks Ended				$
($ in millions)		**August 4, 2018**		August 5, 2017		Change
EBITDA	**$**	**256.4**	$	224.9	$	31.5
Adjustments:						
Costs related to Project Sunrise		**-**		40.0		
		-		40.0		(40.0)
Adjusted EBITDA	**$**	**256.4**	$	264.9	$	(8.5)

($ in millions)	13 Weeks Ended August 4, 2018	August 5, 2017	$ Change
Net earnings	**$ 80.7**	$ 49.7	$ 31.0
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	**4.6**	4.8	
Costs related to Project Sunrise	**-**	28.7	
	4.6	33.5	(28.9)
Adjusted net earnings	**$ 85.3**	$ 83.2	$ 2.1

Financial Metrics

The intent of the following Non-GAAP Financial Metrics is to provide additional useful information to investors and analysts. Management uses financial metrics for decision making, internal reporting, budgeting and forecasting. The Company's definitions of the metrics included in this MD&A are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods.
- Gross margin is gross profit divided by sales. Management believes that gross margin is an important indicator of cost control and can help management, analysts and investors assess the competitive landscape and promotional environment of the industry in which the Company operates. An increasing percentage indicates lower cost of sales as a percentage of sales.
- Adjusted interest coverage is calculated as adjusted operating income divided by interest expense.
- Funded debt to total capital ratio is funded debt divided by total capital.
- Net funded debt to net total capital ratio is net funded debt divided by net total capital. Management believes that funded debt to total capital and net funded debt to net total capital ratios represent measures upon which the Company's changing capital structure can be analyzed over time. Increasing ratios would indicate that the Company is using an increasing amount of debt in its capital structure to fund its operations.
- Funded debt to adjusted EBITDA ratio is funded debt divided by trailing four-quarter adjusted EBITDA. Management uses this ratio to partially assess the financial condition of the Company. An increasing ratio would indicate that the Company is utilizing more debt per dollar of adjusted EBITDA generated.
- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense. Management uses this ratio to partially assess the coverage of its interest expense on financial obligations. An increasing ratio would indicate that the Company is generating more adjusted EBITDA per dollar of interest expense, resulting in greater interest coverage.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.

The following table shows the calculation of Empire's book value per common share as at August 4, 2018, May 5, 2018 and August 5, 2017:

($ in millions, except per share information)	August 4, 2018	May 5, 2018	August 5, 2017
Shareholders' equity, net of non-controlling interest	**$ 3,776.4**	$ 3,702.8	$ 3,683.5
Shares outstanding (basic)	**271.8**	271.8	271.5
Book value per common share	**$ 13.89**	$ 13.62	$ 13.57

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website www.empireco.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.

Approved by Board of Directors: September 12, 2018
Stellarton, Nova Scotia, Canada