Empire Company Limited
Interim Condensed Consolidated Financial Statements
November 3, 2018

CONTENTS

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

	November 3 2018	May 5 2018	November 4 2017
ASSETS			
Current			
Cash and cash equivalents	**$ 663.3**	$ 627.9	$ 268.7
Receivables	**456.3**	433.2	449.0
Inventories (Note 4)	**1,383.1**	1,251.6	1,355.1
Prepaid expenses	**141.9**	126.8	130.9
Loans and other receivables	**26.6**	20.9	23.0
Income taxes receivable	**23.0**	15.2	28.1
Assets held for sale	**22.3**	20.4	22.4
	2,716.5	2,496.0	2,277.2
Loans and other receivables	**71.7**	80.6	82.1
Investments, at equity (Note 5)	**568.8**	571.8	616.7
Other assets	**32.8**	34.1	37.8
Property and equipment	**2,745.4**	2,787.3	2,939.4
Investment property	**93.4**	93.9	100.3
Intangibles	**820.6**	842.0	855.7
Goodwill	**1,028.6**	1,001.9	1,001.5
Deferred tax assets	**656.1**	754.4	724.3
	$ 8,733.9	$ 8,662.0	$ 8,635.0
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,259.5**	$ 2,253.8	$ 2,153.1
Income taxes payable	**37.3**	53.5	35.7
Provisions (Note 7)	**99.1**	127.6	156.5
Long-term debt due within one year (Note 8)	**27.4**	527.4	624.7
	2,423.3	2,962.3	2,970.0
Provisions (Note 7)	**110.7**	129.3	135.9
Long-term debt (Note 8)	**1,611.2**	1,139.5	1,179.4
Other long-term liabilities	**174.0**	158.6	150.5
Employee future benefits	**336.3**	361.2	344.7
Deferred tax liabilities	**127.8**	141.3	148.4
	4,783.3	4,892.2	4,928.9
SHAREHOLDERS' EQUITY			
Capital stock	**2,042.2**	2,039.5	2,038.3
Contributed surplus	**22.1**	22.9	23.2
Retained earnings	**1,771.6**	1,627.9	1,568.0
Accumulated other comprehensive income	**13.7**	12.5	11.3
	3,849.6	3,702.8	3,640.8
Non-controlling interest	**101.0**	67.0	65.3
	3,950.6	3,769.8	3,706.1
	$ 8,733.9	$ 8,662.0	$ 8,635.0

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

On Behalf of the Board

(signed) *"James Dickson"*
Director

(signed) *"Michael Medline"*
Director

Empire Company Limited
Condensed Consolidated Statements of Earnings (Loss)
Unaudited (in millions of Canadian dollars, except per share amounts)

	13 Weeks Ended		*26 Weeks Ended*	
	November 3 2018	**November 4 2017**	**November 3 2018**	**November 4 2017**
Sales	**$ 6,214.0**	$ 6,026.1	**$ 12,674.3**	$ 12,299.3
Other income (Note 9)	**9.9**	13.4	**25.2**	21.1
Share of earnings from investments, at equity	**11.8**	15.5	**34.9**	28.4
Operating expenses				
Cost of sales	**4,731.9**	4,552.6	**9,679.9**	9,294.8
Selling and administrative expenses	**1,330.4**	1,499.8	**2,706.4**	2,926.2
Operating income	**173.4**	2.6	**348.1**	127.8
Finance costs, net (Note 10)	**22.7**	29.8	**45.8**	58.5
Earnings (loss) before income taxes	**150.7**	(27.2)	**302.3**	69.3
Income tax expense (recovery)	**39.8**	(8.5)	**81.3**	21.6
Net earnings (loss)	**$ 110.9**	$ (18.7)	**$ 221.0**	$ 47.7
Earnings (loss) for the period attributable to:				
Non-controlling interest	**$ 7.1**	$ 4.9	**$ 21.6**	$ 17.3
Owners of the Company	**103.8**	(23.6)	**199.4**	30.4
	$ 110.9	$ (18.7)	**$ 221.0**	$ 47.7
Earnings (loss) per share (Note 11)				
Basic	**$ 0.38**	$ (0.09)	**$ 0.73**	$ 0.11
Diluted	**$ 0.38**	$ (0.09)	**$ 0.73**	$ 0.11
Weighted average number of common shares outstanding, in millions (Note 11)				
Basic	**271.8**	271.8	**271.8**	271.8
Diluted	**272.2**	271.8	**272.3**	271.9

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

Empire Company Limited
Condensed Consolidated Statements of Comprehensive Income (Loss)
Unaudited (in millions of Canadian dollars)

	13 Weeks Ended November 3 2018	*13 Weeks Ended* November 4 2017	*26 Weeks Ended* November 3 2018	*26 Weeks Ended* November 4 2017
Net earnings (loss)	**$ 110.9**	$ (18.7)	**$ 221.0**	$ 47.7
Other comprehensive (loss) income				
Items that will be reclassified subsequently to net earnings (loss)				
Unrealized gains on derivatives designated as cash flow hedges (net of taxes of $ nil and $ nil (2017 - $(0.1) and $ nil))	**0.2**	0.9	**0.2**	0.9
Unrealized losses on financial assets at fair value through profit or loss (net of taxes of $ nil and $ nil (2017 - $ nil and $0.2))	**-**	-	**-**	(0.8)
Share of other comprehensive income of investments, at equity (net of taxes of $(0.3) and $(0.4) (2017 - $(0.4) and $(0.6)))	**0.7**	0.8	**1.0**	1.4
Exchange differences on translation of foreign operations (net of taxes of $ nil and $ nil (2017 - $0.1 and $0.4))	**(0.4)**	(1.3)	**-**	(1.9)
	0.5	0.4	**1.2**	(0.4)
Items that will not be reclassified subsequently to net earnings (loss)				
Actuarial (losses) gains on defined benefit plans (net of taxes of $0.9 and $(5.0) (2017 - $(2.6) and $(8.0)))	**(2.6)**	7.6	**13.1**	21.8
Total comprehensive income (loss)	**$ 108.8**	$ (10.7)	**$ 235.3**	$ 69.1
Total comprehensive income (loss) for the period attributable to:				
Non-controlling interest	**$ 7.1**	$ 4.9	**$ 21.6**	$ 17.3
Owners of the Company	**101.7**	(15.6)	**213.7**	51.8
	$ 108.8	$ (10.7)	**$ 235.3**	$ 69.1

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

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

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance at May 6, 2017	$ 2,034.4	$ 25.3	$ 11.7	$ 1,572.8	$ 3,644.2	$ 58.5	$ 3,702.7
Dividends declared on common shares	-	-	-	(57.0)	(57.0)	-	(57.0)
Equity based compensation, net	0.2	(2.1)	-	-	(1.9)	-	(1.9)
Shares held in trust, net	3.7	-	-	-	3.7	-	3.7
Capital transactions with structured entities	-	-	-	-	-	(10.5)	(10.5)
Transactions with owners	3.9	(2.1)	-	(57.0)	(55.2)	(10.5)	(65.7)
Net earnings	-	-	-	30.4	30.4	17.3	47.7
Other comprehensive income	-	-	(0.4)	21.8	21.4	-	21.4
Total comprehensive income for the period	-	-	(0.4)	52.2	51.8	17.3	69.1
Balance at November 4, 2017	$ 2,038.3	$ 23.2	$ 11.3	$ 1,568.0	$ 3,640.8	$ 65.3	$ 3,706.1
Balance at May 5, 2018	**$ 2,039.5**	**$ 22.9**	**$ 12.5**	**$ 1,627.9**	**$ 3,702.8**	**$ 67.0**	**$ 3,769.8**
Dividends declared on common shares	**-**	**-**	**-**	**(59.7)**	**(59.7)**	**-**	**(59.7)**
Equity based compensation, net	**1.9**	**(0.8)**	**-**	**-**	**1.1**	**-**	**1.1**
Shares held in trust, net	**0.8**	**-**	**-**	**-**	**0.8**	**-**	**0.8**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(6.0)**	**(6.0)**
Non-controlling interest recognized on business acquisitions	**-**	**-**	**-**	**(9.1)**	**(9.1)**	**18.4**	**9.3**
Transactions with owners	**2.7**	**(0.8)**	**-**	**(68.8)**	**(66.9)**	**12.4**	**(54.5)**
Net earnings	**-**	**-**	**-**	**199.4**	**199.4**	**21.6**	**221.0**
Other comprehensive income	**-**	**-**	**1.2**	**13.1**	**14.3**	**-**	**14.3**
Total comprehensive income for the period	**-**	**-**	**1.2**	**212.5**	**213.7**	**21.6**	**235.3**
Balance at November 3, 2018	**$ 2,042.2**	**$ 22.1**	**$ 13.7**	**$ 1,771.6**	**$ 3,849.6**	**$ 101.0**	**$ 3,950.6**

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

Empire Company Limited **Condensed Consolidated Statements of Cash Flows** **Unaudited (in millions of Canadian dollars)**	***13 Weeks Ended*** **November 3 2018**	 **November 4 2017**	***26 Weeks Ended*** **November 3 2018**	 **November 4 2017**
Operations				
Net earnings (loss)	**$ 110.9**	$ (18.7)	**$ 221.0**	$ 47.7
Adjustments for:				
Depreciation	**81.6**	89.4	**164.3**	179.9
Income tax expense (recovery)	**39.8**	(8.5)	**81.3**	21.6
Finance costs, net (Note 10)	**22.7**	29.8	**45.8**	58.5
Amortization of intangibles	**21.1**	21.0	**42.4**	44.1
Net gain on disposal of assets	**(4.7)**	(6.9)	**(15.7)**	(8.0)
Impairment of non-financial assets, net	**(12.7)**	2.0	**(30.2)**	4.3
Amortization of deferred items	**0.6**	3.2	**1.5**	4.9
Equity in earnings of other entities, net of distributions received	**2.5**	21.5	**3.7**	31.7
Employee future benefits	**(7.5)**	(1.8)	**(6.8)**	0.4
Increase in long-term lease obligation	**2.5**	3.8	**4.4**	6.3
(Decrease) increase in long-term provisions	**(11.5)**	23.0	**(22.2)**	27.0
Equity based compensation, net	**1.5**	1.6	**3.0**	4.3
Net change in non-cash working capital	**(128.2)**	(33.6)	**(194.5)**	(102.9)
Income taxes paid, net	**(5.2)**	(19.8)	**(27.9)**	(38.3)
Cash flows from operating activities	**113.4**	106.0	**270.1**	281.5
Investment				
Property, equipment and investment property purchases	**(66.8)**	(52.3)	**(109.6)**	(113.8)
Proceeds on disposal of assets	**18.4**	63.7	**36.8**	69.4
Additions to intangibles	**(6.6)**	(6.2)	**(11.4)**	(19.3)
Loans and other receivables	**3.5**	2.6	**3.2**	2.5
Other assets and other long-term liabilities	**(3.6)**	1.7	**0.6**	(3.1)
Business acquisitions (Note 13)	**-**	-	**(19.8)**	(1.0)
Interest received	**1.4**	0.1	**3.1**	0.1
Proceeds on redemption of investment	**-**	-	**-**	24.3
Cash flows (used in) from investing activities	**(53.7)**	9.6	**(97.1)**	(40.9)
Financing				
Issue of long-term debt	**12.7**	15.6	**35.2**	38.2
Repayment of long-term debt	**(511.4)**	(14.0)	**(542.7)**	(56.5)
Net advance (repayment) of credit facilities	**491.5**	(16.5)	**478.2**	(49.7)
Interest paid	**(34.8)**	(36.2)	**(42.6)**	(43.7)
Dividends paid, common shares	**(29.8)**	(28.5)	**(59.7)**	(57.0)
Non-controlling interest	**(3.0)**	(2.5)	**(6.0)**	(10.5)
Cash flows used in financing activities	**(74.8)**	(82.1)	**(137.6)**	(179.2)
(Decrease) increase in cash and cash equivalents	**(15.1)**	33.5	**35.4**	61.4
Cash and cash equivalents, beginning of period	**678.4**	235.2	**627.9**	207.3
Cash and cash equivalents, end of period	**$ 663.3**	$ 268.7	**$ 663.3**	$ 268.7

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

1. Reporting entity

Empire Company Limited ("Empire" or the "Company") is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited interim condensed consolidated financial statements for the period ended November 3, 2018 include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. ("Sobeys"), and certain enterprises considered structured entities, where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and its joint ventures are accounted for using the equity method. As at November 3, 2018, the Company's business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 12, *Segmented Information*. The Company's Food retailing business is affected by seasonality and the timing of holidays. Retail sales are traditionally higher in the Company's first quarter. The Company's fiscal year ends on the first Saturday in May.

2. Basis of preparation

Statement of compliance

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"). Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements have been omitted or condensed. 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 were authorized for issue by the Board of Directors on December 12, 2018.

Basis of measurement

The unaudited interim condensed consolidated financial statements are prepared on the historical cost basis, except certain financial instruments and cash settled stock-based compensation plans, which are stated at their fair value. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Use of estimates and judgments

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

Estimates, judgments and assumptions that could have a significant impact to the amounts recognized on the unaudited interim condensed consolidated financial statements are summarized in the Company's annual consolidated financial statements for the year ended May 5, 2018 and remain unchanged for the period ended November 3, 2018.

3. Summary of significant accounting policies

These 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.

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

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.

4. Inventories

The cost of inventories recognized as an expense during the 13 and 26 weeks ended November 3, 2018 was $4,731.9 and $9,679.9 respectively (November 4, 2017 - $4,552.6 and $9,294.8). The Company recorded an expense of $1.4 (November 4, 2017 - $1.8) for the write-down of inventories below cost to net realizable value for inventories on hand. There were no reversals of inventories written down previously (November 4, 2017 - $ nil).

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

5. Investments, at equity

	November 3 2018	November 4 2017
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 448.3**	$ 457.9
Canadian real estate partnerships	**88.8**	116.2
U.S. real estate partnerships	**22.5**	33.0
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	**9.2**	9.6
Total	**$ 568.8**	$ 616.7

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

	November 3 2018	November 4 2017
Crombie REIT	**$ 806.0**	$ 839.6

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. Impairment reversal on property and equipment

Property and equipment
The Company performed an impairment test for property and equipment and determined recoverable amounts based on value-in-use ("VIU") calculations using cash flow projections from the Company's latest internal forecasts. When the recoverable amount of a cash-generating unit ("CGU") is less than the carrying amount, an impairment loss is recognized. When the recoverable amount of a previously impaired CGU is greater than the value of its impaired assets, an impairment reversal is recognized. Key assumptions used in determining VIU include discount rates, growth rates, and expected changes in cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. Forecasts are projected beyond three years based on long-term growth rates ranging from 2.0% to 5.0%. Discount rates are calculated on a pre-tax basis and range from 9.0% to 12.0%.

Impairment reversals of $13.7 and $32.6 and losses of $1.0 and $2.4 were recorded in selling and administrative expenses during 13 and 26 weeks ended November 3, 2018. The impairment reversals were a result of improved operating performance at previously impaired stores in Western Canada.

7. Provisions

November 3, 2018	**Lease Contracts**	**Legal**	**Environmental**	**Restructuring**	**Onerous Contracts**	**Total**
Opening balance	**$ 27.8**	**$ 8.0**	**$ 49.4**	**$ 163.2**	**$ 8.5**	**$ 256.9**
Provisions made	**1.1**	**3.8**	**0.3**	**19.1**	**-**	**24.3**
Provisions used	**(9.3)**	**(3.6)**	**(0.7)**	**(54.7)**	**(1.5)**	**(69.8)**
Provisions reversed	**(0.9)**	**(1.7)**	**(0.2)**	**(2.4)**	**-**	**(5.2)**
Change due to discounting	**0.8**	**-**	**0.6**	**2.2**	**-**	**3.6**
Closing balance	**$ 19.5**	**$ 6.5**	**$ 49.4**	**$ 127.4**	**$ 7.0**	**$ 209.8**
Current	**$ 8.8**	**$ 6.5**	**$ 2.3**	**$ 78.4**	**$ 3.1**	**$ 99.1**
Non-current	**10.7**	**-**	**47.1**	**49.0**	**3.9**	**110.7**
Total	**$ 19.5**	**$ 6.5**	**$ 49.4**	**$ 127.4**	**$ 7.0**	**$ 209.8**

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

8. Long-term debt

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. On August 8, 2018, Sobeys fully utilized the credit facility to repay long-term debt.

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

	13 Weeks Ended		26 Weeks Ended	
	November 3 2018	**November 4 2017**	**November 3 2018**	**November 4 2017**
Opening balance	**$ 1,645.4**	$ 1,818.3	**$ 1,666.9**	$ 1,870.8
Issuance of debt	**12.7**	15.6	**35.2**	38.2
Acquired through business acquisitions	**-**	-	**0.1**	-
Repayments	**(511.4)**	(14.0)	**(542.7)**	(56.5)
Net advance (repayment) of credit facilities	**491.5**	(16.5)	**478.2**	(49.7)
Total cash flow used in long-term debt financing	**(7.2)**	(14.9)	**(29.2)**	(68.0)
Deferred financing costs	**0.4**	0.7	**0.9**	1.3
Closing balance	**$ 1,638.6**	$ 1,804.1	**$ 1,638.6**	$ 1,804.1

9. Other income

	13 Weeks Ended		26 Weeks Ended	
	November 3 2018	**November 4 2017**	**November 3 2018**	**November 4 2017**
Net gain on disposal of assets	**$ 4.7**	$ 6.9	**$ 15.7**	$ 8.0
Lease revenue from owned property	**5.2**	6.5	**9.5**	13.1
Total	**$ 9.9**	$ 13.4	**$ 25.2**	$ 21.1

10. Finance costs, net

	13 Weeks Ended		26 Weeks Ended	
	November 3 2018	**November 4 2017**	**November 3 2018**	**November 4 2017**
Finance income				
Interest income from cash and cash equivalents	**$ 1.4**	$ 0.1	**$ 3.1**	$ 0.1
Fair value gains on forward contracts	**0.7**	0.7	**1.7**	1.5
Investment income	**-**	-	**-**	0.2
Accretion income on loans and receivables	**0.1**	0.2	**0.3**	0.4
Total finance income	**2.2**	1.0	**5.1**	2.2
Finance costs				
Interest expense on financial liabilities measured at amortized cost	**20.3**	26.1	**41.4**	51.8
Net pension finance costs	**2.9**	2.9	**5.9**	5.8
Accretion expense on provisions	**1.7**	1.8	**3.6**	3.1
Total finance costs	**24.9**	30.8	**50.9**	60.7
Finance costs, net	**$ 22.7**	$ 29.8	**$ 45.8**	$ 58.5

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

11. Earnings per share

	13 Weeks Ended		26 Weeks Ended	
	November 3 2018	**November 4 2017**	**November 3 2018**	**November 4 2017**
Weighted average number of shares - basic	**271,842,997**	271,784,242	**271,815,816**	271,827,995
Shares deemed to be issued for no consideration in respect of stock-based payments	**360,883**	-	**443,742**	72,961
Weighted average number of shares - diluted	**272,203,880**	271,784,242	**272,259,558**	271,900,956

12. Segmented information

The Company's reportable segments are Food retailing and Investments and other operations. The Food retailing segment is comprised of five operating segments: Sobeys West, Sobeys Ontario, Sobeys Quebec, Sobeys Atlantic, and Sobeys Pharmacy Group. These operating segments have been aggregated into one reportable segment, "Food retailing", as they all share similar economic characteristics such as product offerings, customer base and distribution methods. The Investments and other operations segment principally consists of investments, at equity, in Crombie REIT, real estate partnerships, and various other corporate operations.

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

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 on its consolidated financial statements.

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

All sales are generated by the Food retailing segment. Operating income generated by each of the Company's business segments is summarized as follows:

	13 Weeks Ended		26 Weeks Ended	
	November 3 2018	**November 4 2017**	**November 3 2018**	**November 4 2017**
Segmented operating income				
Food retailing	**$ 162.0**	$ (11.7)	**$ 314.4**	$ 99.6
Investments and other operations				
Crombie REIT	**5.0**	8.9	**25.3**	17.3
Real estate partnerships	**6.4**	6.5	**9.0**	10.6
Other operations, net of corporate expenses	**-**	(1.1)	**(0.6)**	0.3
	11.4	14.3	**33.7**	28.2
Total	**$ 173.4**	$ 2.6	**$ 348.1**	$ 127.8

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

	13 Weeks Ended		26 Weeks Ended	
	November 3 2018	**November 4 2017**	**November 3 2018**	**November 4 2017**
Total operating income	**$ 173.4**	$ 2.6	**$ 348.1**	$ 127.8
Finance costs, net	**22.7**	29.8	**45.8**	58.5
Total	**$ 150.7**	$ (27.2)	**$ 302.3**	$ 69.3

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

	November 3 2018	November 4 2017
Total assets by segment		
Food retailing	**$ 8,079.0**	$ 7,950.3
Investments and other operations	**654.9**	684.7
Total	**$ 8,733.9**	$ 8,635.0

13. Business acquisitions

The Company acquires franchise and non-franchise stores, retail fuel locations and prescription files. 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 fuel 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 estimated fair value of identifiable net assets and goodwill acquired have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

The following table represents the amounts of identifiable assets, liabilities, and non-controlling interest resulting from acquisitions for the 26 weeks ended November 3, 2018:

Stores	
Inventories	**$ 7.7**
Property and equipment	**5.3**
Intangibles	**8.8**
Goodwill	**26.7**
Other liabilities	**(8.1)**
Non-controlling interest	**(18.4)**
Total consideration	**$ 22.0**

Businesses acquired in fiscal 2019 consisted of franchise and non-franchise stores including Kim Phat, an Asian food retailer. From the date of acquisition, the businesses acquired contributed sales of $22.7 and $28.7 and net losses of $(0.1) and $(0.1) for the 13 and 26 weeks ended November 3, 2018 respectively.

Concurrent with Sobeys' 51% acquisition of Kim Phat, the parties entered into put and call options such that Sobeys may acquire the remaining 49% nine years after the acquisition. A non-controlling interest liability of $9.1 was recorded at fair value for these options.

14. Financial instruments

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

Long-term debt	November 3, 2018	May 5, 2018	November 4, 2017
Total carrying amount	**$ 1,638.6**	$ 1,666.9	$ 1,804.1
Total fair value	**$ 1,682.3**	$ 1,707.6	$ 1,801.9

15. Stock-based compensation

Performance share unit plan

The Company awards performance share units ("PSUs") to certain employees. The number of PSUs that vest under an award, for the most part, is dependent on time and the achievement of specific performance measures. Upon vesting, each employee is entitled to receive Non-Voting Class A shares equal to the number of their vested PSUs. There were no PSUs issued during the 26 weeks ended November 3, 2018.

At November 3, 2018, there were 328,975 (November 4, 2017 - 561,935) PSUs outstanding. The compensation expense for the 13 and 26 weeks ended November 3, 2018 related to PSUs was $0.7 and $1.4 respectively (November 4, 2017 - $1.2 and $2.4).

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

Stock option plan
During the 26 weeks ended November 3, 2018, the Company granted 727,241 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The weighted average fair value of $5.33 per option issued during the period was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$24.45
Expected life	8.03 years
Risk-free interest rate	1.97%
Expected volatility	22.04%
Dividend yield	1.80%

The compensation expense for the 13 and 26 weeks ended November 3, 2018 related to the issuance of options was $0.8 and $1.6 respectively (November 4, 2017 - $0.4 and $1.9).

Deferred stock unit plans
Deferred stock units ("DSUs") issued to employees, under the Executive DSU Plan, vest dependent on time and the achievement of specific performance measures. At November 3, 2018, there were 1,084,368 (November 4, 2017 - 840,600) DSUs outstanding related to this plan and the total carrying amount of the liability was $10.8 (November 4, 2017 - $4.3). The compensation expense for the 13 and 26 weeks ended November 3, 2018 related to DSUs was $0.6 and $3.5 respectively (November 4, 2017 - $2.0 and $3.3).

Members of the Board of Directors may elect to receive all or any portion of their fees in DSUs in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' or employees' fee payment date. At November 3, 2018, there were 222,851 (November 4, 2017 - 169,535) DSUs outstanding and the total carrying amount of the liability was $5.2 (November 4, 2017 - $3.9). The compensation (reversal) expense recorded for the 13 and 26 weeks ended November 3, 2018 was $(0.1) and $0.5 (November 4, 2017 - $1.0 and $1.1).

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

16. Related party transactions

The Company enters into 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 first quarter 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. This resulted in a pre-tax gain of $5.6, which has been recognized in other income on the condensed consolidated statements of earnings (loss).

During the second quarter ended November 3, 2018, Sobeys, through a wholly-owned subsidiary, sold a property to Crombie REIT for cash consideration of $3.7. This resulted in a pre-tax gain of $1.5, which has been recognized in other income on the condensed consolidated statements of earnings (loss).

17. Employee future benefits

During the 13 and 26 weeks ended November 3, 2018, the net employee future benefits expense reported in net earnings (loss) was $13.3 and $26.6, respectively (November 4, 2017 - $13.1 and $25.9). Actuarial (losses) gains before taxes on defined benefit pension plans for the 13 and 26 weeks ended November 3, 2018 were $(3.5) and $18.1 respectively (November 4, 2017 - $10.2 and $29.8). These (losses) gains have been recognized in other comprehensive income (loss).

18. Subsequent event

On September 24, 2018, the Company, through a subsidiary, signed an agreement to acquire the business of Farm Boy, a food retailer with a network of 26 stores in Ontario, for a total purchase price of $800.0. Sobeys will finance the transaction through a combination of cash on hand and a new $400.0 senior, unsecured non-revolving credit facility.

On November 28, 2018, the Company received a no-action letter from the Canadian Competition Bureau in relation to the transaction. The transaction subsequently closed on December 10, 2018.