Correction Notice:

On March 14, 2019, Empire Company Limited refiled its Management's Discussion and Analysis ("MD&A") for the period ended February 2, 2019 to correct the following typographical error:

In the disclosure of the impact of IFRS 16 on the Company's balance sheets, the document stated the following on page 18:

The expected impact on the balance sheets is an inclusion of $3.6 billion to $3.9 billion of new lease liabilities and increases of $4.2 billion to $4.5 billion in assets mainly long-term.

The disclosure should read as follows:

The expected impact on the balance sheets is an inclusion of $4.2 billion to $4.5 billion of new lease liabilities and increases of $3.6 billion to $3.9 billion in assets mainly long-term.

EMPIRE
COMPANY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE 13 AND 39 WEEKS ENDED FEBRUARY 2, 2019

Forward-Looking Information 1
Overview of the Business 3
- Strategic Focus 3
- Other Significant Items 4

Summary Results – Third Quarter 5
- Sales 6
- Gross Profit 6
- Operating Income 7
- EBITDA 8
- Finance Costs 8
- Income Taxes 8
- Net Earnings 8
- Investments and Other Operations 9

Quarterly Results of Operations 10
Liquidity and Capital Resources 11
- Operating Activities 11
- Investing Activities 11
- Financing Activities 12
- Free Cash Flow 12
- Employee Future Benefit Obligations 12

Consolidated Financial Condition 13
- Key Financial Condition Measures 13
- Shareholders' Equity 14

Accounting Standards and Policies 15
- Changes to Accounting Standards Adopted During Fiscal 2019 15
- Future Standards 17
- Critical Accounting Estimates 20
- Internal Control Over Financial Reporting 20

Related Party Transactions 20
Contingencies 20
Risk Management 20
Designation for Eligible Dividends 20
Non-GAAP Financial Measures & Financial Metrics 21
- Financial Measures 21
- Food Segment Reconciliations 23
- Financial Metrics 23

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 and 39 weeks ended February 2, 2019 compared to the 13 and 39 weeks ended February 3, 2018. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the 13 and 39 weeks ended February 2, 2019 compared to the 13 and 39 weeks ended February 3, 2018, 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 March 12, 2019 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 overall and 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 FreshCo expansion in Western Canada, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, and the number, location, feasibility and timing of conversions, all of which may be impacted by construction schedules and permits, the economic environment and labour relations;
- The Company's expectations regarding its operations in Western Canada, including future operating results and profitability, flexibility, growth plans, brand expansions and labour relations, which could be impacted by several factors, including the factors identified under the heading "Risk Management" in the fiscal 2018 annual MD&A;
- The timing and amount of expenses relating to voluntary buyouts, which may be impacted by employee participation and labour relations;

- The Company's expectations regarding the implementation of its online grocery shopping business which may be impacted by 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 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; 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 reportable segments: (i) Food retailing; and (ii) Investments and other operations. With approximately $24.8 billion in annual sales and $9.3 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 125,000 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, Farm Boy 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 develop 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 the end of fiscal 2020. The transformation is on track and benefits are consistent with management's expectations. The Company realized approximately 20% of its target benefits during fiscal 2018, and management is on track to realize up to a further 30% in fiscal 2019.

(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 remain a key area of focus for management. The Company through category resets, a key element of Project Sunrise, has evaluated all product categories to provide customers with the items they want most, at competitive prices. Stores started to reline their aisles in February and will continue tranche by tranche as each category is reset.

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

(iv) Enhance Discount

The discount channel continues to be a relatively higher growth area in food retailing. On January 29, 2019, the Company announced progress implementing a labour decision provided by a Special Officer appointed by the Government in British Columbia. The decision advances the Company's previously announced plans to expand FreshCo into Western Canada through the conversion of approximately 25% of its 255 Safeway and Sobeys full service stores. In addition to the five stores previously closed, the Company will close a further five stores in the first half of fiscal 2020 to begin construction. The Company estimates $10.0 million in conversion costs for these five stores, which equates to $0.03 in earnings per share ("EPS") in the third quarter of fiscal 2019.

The first Western Canada FreshCo stores are expected to open in the spring of 2019 – three in British Columbia and two in Manitoba. An additional seven stores are expected to open in British Columbia in the first half of fiscal 2020.

(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. 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 expects to deploy additional CFCs in Canada's major urban centres. The project is progressing as expected.

Other Significant Items

Business Acquisition

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 million. Following clearance of regulatory conditions, the transaction closed on December 10, 2018. Farm Boy is being managed as a separate company within Empire's structure and Farm Boy's co-CEOs, together with members of their senior management team, have reinvested for a 12.0% interest of the continuing Farm Boy business. Concurrent with the reinvestment, the parties entered into put and call options such that Sobeys may acquire the remaining 12.0% at any time after five years following the acquisition date. As a result, a non-controlling interest liability of $70.0 million was recorded at fair value for these options. The non-controlling interest liability is calculated based on the future earnings of Farm Boy at a predetermined date and is based on management's best estimate of future earnings. The fair value of these options is classified as Level 3 within the three-level hierarchy of IFRS 13 "Fair value measurement". The liability has been determined provisionally and is subject to adjustment pending the finalization of valuations and related forecasts. Subsequent revaluations and any gains or losses from future revaluations will be recorded through retained earnings.

Sobeys financed the transaction through a combination of cash on hand and a new $400.0 million senior, unsecured non-revolving credit facility.

Labour Buyouts

The labour decision previously discussed under Enhance Discount, also set terms that allow the Company to offer voluntary buyouts to British Columbia Safeway employees. Employee buyouts provide flexibility and stability for the Company to better manage labour and operational costs in British Columbia. As a result, the Company has expensed $35.0 million in the third quarter of fiscal 2019 through selling and administrative expenses, which equates to $0.09 in EPS.

SUMMARY RESULTS – THIRD QUARTER

($ in millions, except per share amounts)	13 Weeks Ended				39 Weeks Ended			
	Feb. 2, 2019	Feb. 3, 2018	$ Change	% Change	**Feb. 2, 2019**	Feb. 3, 2018	$ Change	% Change
Sales	**$ 6,247.3**	$ 6,029.2	$ 218.1	3.6%	**$ 18,921.6**	$ 18,328.5	$ 593.1	3.2%
Gross profit[1]	**1,511.7**	1,444.7	67.0	4.6%	**4,506.1**	4,449.2	56.9	1.3%
Operating income	**110.0**	108.1	1.9	1.8%	**458.1**	235.9	222.2	94.2%
Adjusted operating income[1]	**119.8**	152.0	(32.2)	(21.2)%	**483.3**	462.0	21.3	4.6%
EBITDA[1]	**214.6**	216.1	(1.5)	(0.7)%	**769.4**	567.9	201.5	35.5%
Adjusted EBITDA[1]	**218.3**	253.3	(35.0)	(13.8)%	**776.1**	774.3	1.8	0.2%
Finance costs, net	**24.6**	26.6	(2.0)	(7.5)%	**70.4**	85.1	(14.7)	(17.3)%
Income tax expense	**18.9**	22.9	(4.0)	(17.5)%	**100.2**	44.5	55.7	125.2%
Non-controlling interest	**0.7**	0.5	0.2	40.0%	**22.3**	17.8	4.5	25.3%
Net earnings[2]	**65.8**	58.1	7.7	13.3%	**265.2**	88.5	176.7	199.7%
Adjusted net earnings[1][2]	**72.9**	89.9	(17.0)	(18.9)%	**283.5**	251.3	32.2	12.8%
Basic earnings per share								
Net earnings[2]	**$ 0.24**	$ 0.21	$ 0.03		**$ 0.98**	$ 0.33	$ 0.65	
Adjusted net earnings[2]	**$ 0.27**	$ 0.33	$ (0.06)		**$ 1.04**	$ 0.92	$ 0.12	
Basic weighted average number of shares outstanding (in millions)	**271.9**	271.7			**271.8**	271.8		
Diluted earnings per share								
Net earnings[2]	**$ 0.24**	$ 0.21	$ 0.03		**$ 0.97**	$ 0.33	$ 0.64	
Adjusted net earnings[2]	**$ 0.27**	$ 0.33	$ (0.06)		**$ 1.04**	$ 0.92	$ 0.12	
Diluted weighted average number of shares outstanding (in millions)	**272.5**	272.2			**272.3**	272.0		
Dividend per share	**$ 0.1100**	$ 0.1050			**$ 0.3300**	$ 0.3150		

(Consolidated operating results as a % of sales)	13 Weeks Ended		39 Weeks Ended	
	Feb. 2, 2019	Feb. 3, 2018	**Feb. 2, 2019**	Feb. 3, 2018
Gross margin[1]	**24.2%**	24.0%	**23.8%**	24.3%
Adjusted operating income	**1.9%**	2.5%	**2.6%**	2.5%
EBITDA	**3.4%**	3.6%	**4.1%**	3.1%
Adjusted EBITDA	**3.5%**	4.2%	**4.1%**	4.2%
Adjusted net earnings[2]	**1.2%**	1.5%	**1.5%**	1.4%

	13 Weeks Ended		39 Weeks Ended	
	Feb. 2, 2019[3]	Feb. 3, 2018	**Feb. 2, 2019[3]**	Feb. 3, 2018
Same-store sales[1] growth	**2.5%**	1.3%	**2.6%**	0.9%
Same-store sales growth, excluding fuel	**3.3%**	1.1%	**2.3%**	0.7%
Same-store sales growth, excluding fuel and pharmacy	**3.9%**	1.4%	**2.9%**	0.9%
Effective income tax rate	**22.1%**	28.1%	**25.8%**	29.5%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Net of non-controlling interest.
(3) In the current year, same-store sales growth metrics reflect the Farm Boy acquisition.

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 and 39 weeks ended February 2, 2019 compared to the 13 and 39 weeks ended February 3, 2018.

	13 Weeks Ended		$	%	39 Weeks Ended		$	%
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	Change	Change	**Feb. 2, 2019**	Feb. 3, 2018	Change	Change
Sales	**$ 6,247.3**	$ 6,029.2	$ 218.1	3.6%	**$ 18,921.6**	$ 18,328.5	$ 593.1	3.2%
Gross profit	**1,511.7**	1,444.7	67.0	4.6%	**4,506.1**	4,449.2	56.9	1.3%
Operating income	**83.4**	78.8	4.6	5.8%	**397.8**	178.4	219.4	123.0%
Adjusted operating income	**93.2**	122.7	(29.5)	(24.0)%	**423.0**	404.5	18.5	4.6%
EBITDA	**188.1**	186.7	1.4	0.7%	**708.9**	510.1	198.8	39.0%
Adjusted EBITDA	**191.8**	223.9	(32.1)	(14.3)%	**715.6**	716.5	(0.9)	(0.1)%
Net earnings[1]	**46.8**	38.8	8.0	20.6%	**223.5**	56.6	166.9	294.9%
Adjusted net earnings[1]	**53.9**	70.6	(16.7)	(23.7)%	**241.8**	219.4	22.4	10.2%

(1) Net of non-controlling interest.

Empire Company Limited Consolidated Operating Results

Empire's results for the 13 and 39 weeks ended February 2, 2019 include 8 weeks of Farm Boy operations. All metrics, including same-store sales, include the consolidation of Farm Boy operations.

Sales

Sales for the 13 weeks ended February 2, 2019 increased by 3.6% driven by stronger performance across the business and the incorporation of Farm Boy results. Internal food inflation was positive which contributed to the increase in sales, and tonnage increased for the third consecutive quarter. These increases were partially offset by store closures in Western Canada, lower fuel prices and the deflationary impact of healthcare reform on pharmacy sales.

Sales for the 39 weeks ended February 2, 2019 increased by 3.2% driven by stronger performance across the business, increased fuel sales attributable to higher fuel prices and the incorporation of Farm Boy results. Internal food inflation was positive which contributed to the increase in sales, and tonnage increased for the third consecutive quarter. These increases were partially offset by the effects of store closures in Western Canada and the deflationary impact of healthcare reform.

Gross Profit

Gross profit for the 13 weeks ended February 2, 2019 increased by 4.6% primarily as a result of higher sales, the incorporation of Farm Boy results and early benefits from category reset changes as part of the third phase of Project Sunrise. These increases were partially offset by store closures in Western Canada and lower margins in the Company's pharmacy business. Gross margin for the quarter increased to 24.2% from 24.0% in the prior year.

Gross profit for the 39 weeks ended February 2, 2019 increased by 1.3% primarily as a result of the increase in sales and the incorporation of Farm Boy results. This was partially offset by store closures in Western Canada, increased transportation and other costs, and lower margins in the Company's pharmacy business. Gross margin decreased to 23.8% compared to 24.3% in the prior year as a result of an increase in lower margin fuel sales and the effect of sales mix between banners.

Operating Income

($ in millions)	13 Weeks Ended Feb. 2, 2019	13 Weeks Ended Feb. 3, 2018	$ Change	39 Weeks Ended Feb. 2, 2019	39 Weeks Ended Feb. 3, 2018	$ Change
Consolidated operating income						
Food retailing	**$ 83.4**	$ 78.8	$ 4.6	**$ 397.8**	$ 178.4	$ 219.4
Investments and other operations						
Crombie REIT	**15.4**	11.4	4.0	**40.7**	28.7	12.0
Real estate partnerships	**12.9**	20.0	(7.1)	**21.9**	30.6	(8.7)
Other operations, net of corporate expenses	**(1.7)**	(2.1)	0.4	**(2.3)**	(1.8)	(0.5)
	26.6	29.3	(2.7)	**60.3**	57.5	2.8
Operating income	**$ 110.0**	$ 108.1	$ 1.9	**$ 458.1**	$ 235.9	$ 222.2
Adjustments:						
Intangible amortization associated with the Canada Safeway acquisition	**$ 6.1**	$ 6.7		**$ 18.5**	$ 19.7	
Business acquisition costs	**3.7**	-		**6.7**	-	
West business unit store closures	**-**	20.9		**-**	20.9	
Costs related to Project Sunrise	**-**	16.3		**-**	185.5	
	9.8	43.9	(34.1)	**25.2**	226.1	(200.9)
Adjusted operating income	**$ 119.8**	$ 152.0	$ (32.2)	**$ 483.3**	$ 462.0	$ 21.3

Operating income increased for the 13 weeks ended February 2, 2019 primarily due to an increase in the food retailing segment as a result of higher sales and margin partially offset by higher selling and administrative expenses in the quarter. These higher expenses were primarily attributable to voluntary buyouts of British Columbia Safeway employees, the inclusion of Farm Boy results, costs associated with the closure and conversion of stores as part of the ongoing expansion of the FreshCo discount format into Western Canada and increased operational labour costs due to increases in minimum wage rates. The increase in operating income from the food retailing segment is offset by a net decrease in investment and other operations, as subsequently discussed in the Investment and Other Operations section.

Operating income increased for the 39 weeks ended February 2, 2019 primarily due to lower selling and administrative expenses. The lower expenses were primarily attributable to costs incurred related to Project Sunrise in the prior year, the reversal of previously impaired assets in Western Canada, lower incentive compensation accruals, a decrease in depreciation expense and Project Sunrise benefits achieved. The decreased selling and administrative expenses were partially offset by increased operational labour costs due to increases in minimum wage rates, expenses attributable to voluntary buyouts of eligible British Columbia Safeway employees, the incorporation of the expenses related to the acquisition of Farm Boy and FreshCo conversion costs.

For the 13 weeks ended February 2, 2019, adjusted operating income decreased to $119.8 million from $152.0 million in the prior year. For the 39 weeks ended February 2, 2019, adjusted operating income increased to $483.3 million from $462.0 million in the same period last year. In the prior year, the Company adjusted its earnings for closure costs of stores in Western Canada. The Company has not adjusted earnings for costs associated with stores that will be closed and converted to the FreshCo store format in fiscal 2019 as these costs will reoccur over the next several years as the FreshCo conversions are completed.

EBITDA

($ in millions)	13 Weeks Ended Feb. 2, 2019	Feb. 3, 2018	$ Change	39 Weeks Ended Feb. 2, 2019	Feb. 3, 2018	$ Change
EBITDA	**$ 214.6**	$ 216.1	$ (1.5)	**$ 769.4**	$ 567.9	$ 201.5
Adjustments:						
Business acquisition costs	**3.7**	-		**6.7**	-	
West business unit store closures	**-**	20.9		**-**	20.9	
Costs related to Project Sunrise	**-**	16.3		**-**	185.5	
	3.7	37.2	(33.5)	**6.7**	206.4	(199.7)
Adjusted EBITDA	**$ 218.3**	$ 253.3	$ (35.0)	**$ 776.1**	$ 774.3	$ 1.8

For the 13 weeks ended February 2, 2019, adjusted EBITDA was $218.3 million and adjusted EBITDA margin was 3.5%. Included in EBITDA for the quarter is $35.0 million related to British Columbia labour buyouts and $10.0 million related to FreshCo conversion costs. Excluding these costs, adjusted EBITDA margin would have been 4.2%. Factors affecting EBITDA are consistent with those outlined previously in Operating Income.

Finance Costs

For the 13 and 39 weeks ended February 2, 2019, net finance costs decreased primarily due to i) the repayment of $500.0 million Series 2013-1 Notes utilizing Sobeys' credit facility that carries a lower interest rate, and ii) the repayment of $100.0 million Series C Medium term notes during the fourth quarter of fiscal 2018. This decrease was partially offset by a new $400.0 million senior, unsecured non-revolving credit facility.

Income Taxes

The effective income tax rate for the 13 weeks ended February 2, 2019 was 22.1% compared to 28.1% last year. The decrease in the effective rate is primarily due to higher capital gains on property dispositions during the quarter and a decrease in tax liabilities related to unrecognized tax benefits.

The effective income tax rate for the 39 weeks ended February 2, 2019 decreased to 25.8% compared to 29.5% last year which is a result of the items impacting the current quarter. The prior period's effective rate was higher as a result of an adjustment to deferred taxes related to the flow-through effects of the completion of a tax reorganization by Crombie Real Estate Investment Trust ("Crombie REIT").

Net Earnings

The following is a reconciliation of adjusted net earnings:

($ in millions, except per share amounts)	13 Weeks Ended Feb. 2, 2019	Feb. 3, 2018	$ Change	39 Weeks Ended Feb. 2, 2019	Feb. 3, 2018	$ Change
Net earnings[(1)]	**$ 65.8**	$ 58.1	$ 7.7	**$ 265.2**	$ 88.5	$ 176.7
EPS (fully diluted)	**$ 0.24**	$ 0.21	$ 0.03	**$ 0.97**	$ 0.33	$ 0.64
Adjustments (net of income taxes):						
Intangible amortization associated with the Canada Safeway acquisition	**4.4**	4.9		**13.4**	14.4	
Business acquisition costs	**2.7**	-		**4.9**	-	
West business unit store closures	**-**	15.3		**-**	15.3	
Costs related to Project Sunrise	**-**	11.6		**-**	133.1	
	7.1	31.8	(24.7)	**18.3**	162.8	(144.5)
Adjusted net earnings[(1)]	**$ 72.9**	$ 89.9	$ (17.0)	**$ 283.5**	$ 251.3	$ 32.2
Adjusted EPS[(2)] (fully diluted)	**$ 0.27**	$ 0.33	$ (0.06)	**$ 1.04**	$ 0.92	$ 0.12
Diluted weighted average number of shares outstanding (in millions)	**272.5**	272.2		**272.3**	272.0	

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

For the 13 weeks ended February 2, 2019, adjusted net earnings was $72.9 million and adjusted EPS (fully diluted) was $0.27. Adjusted EPS included $0.12 of charges related to the British Columbia labour buyouts and FreshCo conversion costs.

Investments and Other Operations

($ in millions)	13 Weeks Ended Feb. 2, 2019	Feb. 3, 2018	$ Change	39 Weeks Ended Feb. 2, 2019	Feb. 3, 2018	$ Change
Crombie REIT	**$ 15.4**	$ 11.4	$ 4.0	**$ 40.7**	$ 28.7	$ 12.0
Real estate partnerships	**12.9**	20.0	(7.1)	**21.9**	30.6	(8.7)
Other operations, net of corporate expenses	**(1.7)**	(2.1)	0.4	**(2.3)**	(1.8)	(0.5)
	$ 26.6	$ 29.3	$ (2.7)	**$ 60.3**	$ 57.5	$ 2.8

For the 13 weeks ended February 2, 2019, income from investments and other operations decreased $2.7 million. Earnings from the Company's Genstar investments were affected by lower residential lot sales in Western Canada and a prior year bulk sale of development property in the U.S. that did not reoccur. This was partially offset by increased earnings from Crombie REIT in the current year primarily due to a gain on disposal of a retail property.

For the 39 weeks ended February 2, 2019, income from investments and other operations increased as a result of increased equity earnings from Crombie REIT due to higher gains on disposal of investment properties as compared to the prior year. This was offset by stronger performance by the Canadian and U.S. real estate partnerships in the third quarter of the prior year as discussed above.

Investment Portfolio

At February 2, 2019 Empire's investment portfolio, including equity accounted investments in Crombie REIT and Genstar, consisted of:

	February 2, 2019			May 5, 2018			February 3, 2018		
($ in millions)	**Fair Value**	**Carrying Value**	**Unrealized Gain**	Fair Value	Carrying Value	Unrealized Gain	Fair Value	Carrying Value	Unrealized Gain
Investment in associates									
Crombie REIT[(1)]	**$ 858.5**	**$ 449.0**	**$ 409.5**	$ 777.1	$ 448.5	$ 328.6	$ 820.9	$ 458.3	$ 362.6
Canadian real estate partnerships[(2)]	**93.5**	**93.5**	**-**	90.7	90.7	-	98.6	98.6	-
U.S. real estate partnerships[(2)]	**21.8**	**21.8**	**-**	23.2	23.2	-	34.8	34.8	-
Investment in joint ventures									
Canadian Digital Cinema Partnership[(2)]	**9.3**	**9.3**	**-**	9.4	9.4	-	9.6	9.6	-
	$ 983.1	**$ 573.6**	**$ 409.5**	$ 900.4	$ 571.8	$ 328.6	$ 963.9	$ 601.3	$ 362.6

(1) Fair value is calculated based on the closing price of Crombie REIT units traded on the Toronto Stock Exchange as of February 1, 2019.

(2) Assumes fair value equals carrying value.

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	**Fiscal 2019**			Fiscal 2018				Fiscal 2017
	Q3 (13 Weeks) Feb. 2, 2019	Q2 (13 Weeks) Nov. 3, 2018	Q1 (13 Weeks) Aug. 4, 2018	Q4 (13 Weeks) May 5, 2018	Q3 (13 Weeks) Feb. 3, 2018	Q2 (13 Weeks) Nov. 4, 2017	Q1 (13 Weeks) Aug. 5, 2017	Q4 (13 Weeks) May 6, 2017
Sales	**$ 6,247.3**	$ 6,214.0	$ 6,460.3	$ 5,886.1	$ 6,029.2	$ 6,026.1	$ 6,273.2	$ 5,798.9
Operating income	**110.0**	173.4	174.7	110.6	108.1	2.6	125.2	61.4
EBITDA[(1)]	**214.6**	276.1	278.7	217.8	216.1	113.0	238.8	171.7
Net earnings (loss)[(2)]	**65.8**	103.8	95.6	71.0	58.1	(23.6)	54.0	29.5
Per share information, basic								
Net earnings (loss)[(2)(3)]	**$ 0.24**	$ 0.38	$ 0.35	$ 0.26	$ 0.21	$ (0.09)	$ 0.20	$ 0.11
Basic weighted average number of shares outstanding (in millions)	**271.9**	271.8	271.8	271.8	271.7	271.8	271.5	271.7
Per share information, diluted								
Net earnings (loss)[(2)(3)]	**$ 0.24**	$ 0.38	$ 0.35	$ 0.26	$ 0.21	$ (0.09)	$ 0.20	$ 0.11
Diluted weighted average number of shares outstanding (in millions)	**272.5**	272.2	272.3	272.2	272.2	271.8	271.6	271.7

(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.

(3) For the 13 weeks ended November 4, 2017, the weighted average number of shares used for the purpose of basic and diluted loss per share is equal, as the impact of all potential common shares would be anti-dilutive.

For the most recent eight quarters, results have fluctuated overall with sales consistently improving compared to the same period in the prior year. Beginning on December 10, 2018, the results for the 13 weeks ended February 2, 2019 incorporate the results of Farm Boy.

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:

	13 Weeks Ended		$	39 Weeks Ended		$
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	Change	**Feb. 2, 2019**	Feb. 3, 2018	Change
Cash flows from operating activities	**$ 241.7**	$ 284.7	$ (43.0)	**$ 511.8**	$ 566.2	$ (54.4)
Cash flows used in investing activities	**(814.7)**	(31.6)	(783.1)	**(911.8)**	(72.5)	(839.3)
Cash flows from (used in) financing activities	**336.5**	(63.7)	400.2	**198.9**	(242.9)	441.8
(Decrease) increase in cash and cash equivalents	**$ (236.5)**	$ 189.4	$ (425.9)	**$ (201.1)**	$ 250.8	$ (451.9)

Operating Activities

Cash flows from operating activities for the 13 weeks ended February 2, 2019 decreased as a result of a decrease in cash flows from earnings (net earnings adjusted for non-cash items), higher prior year distributions from Genstar Canadian real estate partnerships and a decrease in non-cash working capital.

Cash flows from operating activities for the 39 weeks ended February 2, 2019 decreased as a result of a net change in non-cash working capital, the drawdown of restructuring provisions due to Project Sunrise and store closures in Western Canada. This decrease was partially offset by an increase in cash flows from earnings.

Investing Activities

The table below outlines details of investing activities of the Company for the 13 and 39 weeks ended February 2, 2019 compared to the 13 and 39 weeks ended February 3, 2018:

	13 Weeks Ended		$	39 Weeks Ended		$
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	Change	**Feb. 2, 2019**	Feb. 3, 2018	Change
Acquisitions of property, equipment, investment property and intangibles	**$ (86.5)**	$ (70.9)	$ (15.6)	**$ (207.5)**	$ (204.0)	$ (3.5)
Proceeds on disposal of assets	**24.0**	34.6	(10.6)	**60.8**	104.0	(43.2)
Loans and other receivables	**2.8**	4.0	(1.2)	**6.0**	6.5	(0.5)
Other assets and other long-term liabilities	**1.7**	2.3	(0.6)	**2.3**	(0.8)	3.1
Business acquisitions	**(758.0)**	(2.2)	(755.8)	**(777.8)**	(3.2)	(774.6)
Interest received	**1.3**	0.6	0.7	**4.4**	0.7	3.7
Proceeds on redemption of investment	**-**	-	-	**-**	24.3	(24.3)
Cash flows used in investing activities	**$ (814.7)**	$ (31.6)	$ (783.1)	**$ (911.8)**	$ (72.5)	$ (839.3)

For the 13 weeks ended February 2, 2019, cash used in investing activities increased primarily due to the acquisition of Farm Boy.

For the 39 weeks ended February 2, 2019, cash used in investing activities increased primarily due to an increase in cash used in business acquisitions, including the acquisitions of Farm Boy and Kim Phat, an Asian food retailer located in Quebec. The increase in cash used in investing activities was further impacted by a decline in proceeds on disposal of real estate assets from the prior year, primarily driven by the sale of a warehouse in Calgary subsequent to the opening of a new facility in Rocky View, Alberta. Proceeds from the redemption of debentures by Crombie REIT in the prior year in the amount of $24.3 million in principal and interest payments also contributed to the negative cash flow trend year-over-year.

The Company invested $207.5 million in acquisitions of property, equipment, investment properties and intangibles in the first three quarters of fiscal 2019. The Company expects to invest $425.0 million in its operations during fiscal 2019.

The table below summarizes store activity for the 13 and 39 weeks ended February 2, 2019 compared to the prior year.

	13 Weeks Ended		39 Weeks Ended	
# of stores	**February 2, 2019**	February 3, 2018	**February 2, 2019**	February 3, 2018
Opened/relocated/acquired	**14**	13	**26**	32
Expanded	**-**	1	**1**	8
Rebannered/redeveloped	**-**	4	**4**	22
Closed	**7**	2	**22**	32
Opened - Farm Boy	**2**	-	**2**	-
Acquired - Farm Boy	**26**	-	**26**	-

The following table shows Sobeys' square footage changes for the 13 and 52 weeks ended February 2, 2019 by type:

Square feet (in thousands)	**13 Weeks Ended February 2, 2019**	**52 Weeks Ended February 2, 2019**
Opened	**150**	**314**
Relocated	**56**	**98**
Acquired	**-**	**77**
Expanded	**-**	**33**
Closed	**(69)**	**(460)**
Net change before the impact of the Farm Boy acquisition	**137**	**62**
Opened - Farm Boy	**43**	**43**
Acquired - Farm Boy	**413**	**413**
Net change with the impact of the Farm Boy acqusition	**593**	**518**

At February 2, 2019 Sobeys' square footage totaled 39.8 million, a 1.5% increase over 39.2 million square feet operated at February 3, 2018.

Financing Activities

For the 13 and 39 weeks ended February 2, 2019, cash from financing activities increased as a result of cash inflows from a new $400.0 million senior, unsecured non-revolving credit facility to finance the acquisition of Farm Boy.

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		$	39 Weeks Ended		$
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	Change	**Feb. 2, 2019**	Feb. 3, 2018	Change
Cash flows from operating activities	**$ 241.7**	$ 284.7	$ (43.0)	**$ 511.8**	$ 566.2	$ (54.4)
Add: proceeds on disposal of property, equipment and investment property	**24.0**	34.6	(10.6)	**60.8**	104.0	(43.2)
Less: property, equipment and investment property purchases	**(82.1)**	(49.9)	(32.2)	**(191.7)**	(163.7)	(28.0)
Free cash flow	**$ 183.6**	$ 269.4	$ (85.8)	**$ 380.9**	$ 506.5	$ (125.6)

Free cash flow decreased for the 13 and 39 weeks ended February 2, 2019 compared to the 13 and 39 weeks ended February 3, 2018 primarily due to a decrease in cash flows from operating activities. A decrease in proceeds on the sale of property and an increase in capital spending compared to the prior year also contributed to the decrease in free cash flow.

Employee Future Benefit Obligations

For the 13 and 39 weeks ended February 2, 2019, the Company contributed $4.1 million and $18.1 million respectively (2018 – $2.3 million and $6.4 million) to its registered defined benefit plans. The increase is a result of an actuarial valuation filed in the second quarter of fiscal 2019. The Company expects to contribute approximately $26.7 million to these plans in fiscal 2019.

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

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		**February 2, 2019**		May 5, 2018		February 3, 2018
Shareholders' equity, net of non-controlling interest	**$**	**3,862.1**	$	3,702.8	$	3,666.9
Book value per common share[1]	**$**	**14.20**	$	13.62	$	13.50
Long-term debt, including current portion	**$**	**2,025.6**	$	1,666.9	$	1,778.1
Funded debt to total capital[1]		**34.4%**		31.0%		32.7%
Net funded debt to net total capital[1]		**29.3%**		21.9%		26.5%
Funded debt to adjusted EBITDA[1][2]		**2.0x**		1.6x		1.8x
Adjusted EBITDA to interest expense[1][3]		**11.9x**		10.5x		9.6x
Trailing four-quarter adjusted EBITDA	**$**	**1,016.5**	$	1,014.7	$	968.2
Trailing four-quarter interest expense	**$**	**85.4**	$	96.9	$	100.8
Current assets to current liabilities		**1.0x**		0.8x		0.8x
Total assets	**$**	**9,326.3**	$	8,662.0	$	8,637.1
Total non-current financial liabilities	**$**	**2,902.6**	$	1,929.9	$	1,941.6

(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 and 39 weeks ended February 2, 2019, 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 senior, unsecured non-revolving credit facility for $500.0 million. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. As at August 8, 2018, Sobeys fully utilized the credit facility to repay long-term debt.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0 million. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. The facility was fully utilized on December 10, 2018, with the proceeds used to fund part of the Farm Boy acquisition.

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.

Shareholders' Equity

The Company's share capital was comprised of the following on February 2, 2019:

	Number of Shares	
Authorized	**February 2, 2019**	February 3, 2018
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**	**February 2, 2019**	February 3, 2018
Non-Voting Class A shares	**173,653,801**	**$ 2,040.4**	$ 2,038.0
Class B common shares	**98,138,079**	**7.3**	7.3
Shares held in trust	**(271,242)**	**(5.2)**	(6.0)
Total		**$ 2,042.5**	$ 2,039.3

The Company's share capital on February 2, 2019 compared to the same period in the last fiscal year is shown in the table below:

	13 Weeks Ended	
(Number of Shares)	**February 2, 2019**	February 3, 2018
Non-Voting Class A shares		
Issued and outstanding, beginning of period	**173,639,064**	173,540,993
Issued during period	**14,737**	6,096
Issued and outstanding, end of period	**173,653,801**	173,547,089
Shares held in trust, beginning of period	**(271,242)**	(361,333)
Issued for future settlement of equity settled plans	**-**	53,224
Purchased for future settlement of equity settled plans	**-**	(1,576)
Shares held in trust, end of period	**(271,242)**	(309,685)
Issued and outstanding, net of shares held in trust, end of period	**173,382,559**	173,237,404
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

For the 13 and 39 weeks ended February 2, 2019, the Company paid common dividends of $29.8 million and $89.5 million (February 3, 2018 – $28.5 million and $85.5 million) to its equity holders. This represents a payment of $0.1100 and $0.3300 per share (February 3, 2018 – $0.1050 and $0.3150 per share) for common shareholders.

As at March 11, 2019, the Company had Non-Voting Class A and Class B common shares outstanding of 173,653,801 and 98,138,079, respectively. Options to acquire 4,290,682 Non-Voting Class A shares were outstanding as of February 2, 2019 (February 3, 2018 – 4,746,433). As at March 11, 2019, options to acquire 4,277,327 Non-Voting Class A shares were outstanding (March 11, 2018 – 4,723,185).

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 11 "Construction contracts", 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" ("IFRS 7") 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. 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.

Future Standards

Leases

In January 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), which replaces IAS 17, "Leases" ("IAS 17") and related interpretations.

IFRS 16 introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors will continue to classify leases as operating and finance leases, however there are some changes in guidance related to the assessment of subleases. The standard is effective for annual periods beginning on or after January 1, 2019.

For historical operating leases where the Company is the lessee, the IFRS 16 transition requirements provide the option of adopting a full retrospective approach or a modified retrospective approach with optional practical expedients available. The Company intends to adopt the standard on a modified retrospective basis. The cumulative effects of initial application will be reflected in opening retained earnings as at May 5, 2019 with no restatement of prior period comparatives. The Company continues to finalize its approach on the use of the optional practical expedients.

The Company has implemented a lease management system and continues to update processes and internal controls to enable the implementation of IFRS 16 in fiscal 2020. The Company expects that the adoption of IFRS 16 will have a material impact on its consolidated financial statements, given the current operating lease commitments held under IAS 17 as a lessee.

The Company's financial statement presentation on the balance sheets will change with new long-term assets recognized related to right-of use assets as well as current and long-term lease liabilities for property and equipment operating leases where the Company is the lessee. Current and long-term lease receivables will be recognized related to finance subleases. Off market lease intangibles will be included in right-of-use values and historical straight-line lease liabilities will be derecognized on transition. The expected impact on the balance sheets is an inclusion of $4.2 billion to $4.5 billion of new lease liabilities and increases of $3.6 billion to $3.9 billion in assets mainly long-term. The Company continues to finalize and validate the key estimates and inputs into the calculations. The actual discount rate applied will be based on the transition date of May 5, 2019, and changes in the discount rate may have a significant effect on estimates.

In the statements of earnings, the Company will replace the current straight-line lease expense recognized in operating expenses with depreciation for right-of-use assets and finance expense on lease liabilities. For finance subleases finance income related to income earned on lease receivables will be recognized and replace the historical sublease income for these leases. Amortization related to off-market lease intangibles will be replaced by depreciation expense over the term of the lease. Based on current estimates and information available the Company does not expect a material impact on EPS in fiscal 2020. There will be no change to the amount of cash exchanged related to lease transactions. Total expense recognized over the lease term is equal to total cash paid over the lease term. Expenses under IFRS 16 are higher when leases are early in the term as finance expense is recognized on an amortized cost basis and depreciation expense is recognized straight-line over the lease term. There will be a change in presentation on the statements of cash flows as lease related expenses will be presented in financing cash flows instead of operating cash flows.

As a result of the changes, the new standard will affect many commonly used financial ratios and performance metrics. The following table presents a high level summary of IFRS 16 impacts on various Key Performance Indicators and financial ratios that are discussed as non-GAAP measures:

Non-GAAP Measure	Expected IFRS 16 Impact	Explanation
Gross profit	No impact	No IFRS 16 impact to sales or cost of sales
Adjusted operating income	Increase	Rental expense removed from operating income
EBITDA	Increase	Lease expenses will be excluded
Finance expense	Increase	Interest expense on lease liability
Adjusted net earnings	Increase/Decrease	Dependent on time left on leases in portfolio and tax rate
Adjusted EPS	Increase/Decrease	Dependent on net earnings impact
Free cash flow	No impact	The Company expects the definition will be updated to include cash rental payments
Funded debt; Net funded debt	Increase	Increases due to lease liability
Total capital; Net total capital	Increase/Decrease	Dependent on debt increases due to lease liability in comparison to equity decreases on transition
Same-store sales	No impact	No IFRS 16 impact to sales
Gross margin	No impact	No IFRS 16 impact to sales or cost of sales
Funded debt to total capital ratio	Increase/Decrease	Dependent on debt increases due to lease liability and equity decreases on transition
Net funded debt to net total capital ratio	Increase/Decrease	Dependent on debt increases due to lease liability and equity decreases
Funded debt to adjusted EBITDA	Increase/Decrease	Dependent on how both debt and EBITDA increase
Adjusted EBITDA to interest expense	Increase	EBITDA increases by more than the increase in interest
Book value per common share	Decrease	Equity decreases on transition

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 November 4, 2018 and ended February 2, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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 million. This resulted in a pre-tax gain of $5.6 million.

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 million. This resulted in a pre-tax gain of $1.5 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 – Third Quarter" 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		39 Weeks Ended	
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	**Feb. 2, 2019**	Feb. 3, 2018
Net earnings	**$ 66.5**	$ 58.6	**$ 287.5**	$ 106.3
Income tax expense	**18.9**	22.9	**100.2**	44.5
Finance costs, net	**24.6**	26.6	**70.4**	85.1
Operating income	**110.0**	108.1	**458.1**	235.9
Depreciation	**84.0**	86.3	**248.3**	266.2
Amortization of intangibles	**20.6**	21.7	**63.0**	65.8
EBITDA	**$ 214.6**	$ 216.1	**$ 769.4**	$ 567.9

- 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 – Third 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		39 Weeks Ended	
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	**Feb. 2, 2019**	Feb. 3, 2018
Finance costs, net	**$ 24.6**	$ 26.6	**$ 70.4**	$ 85.1
Plus: finance income	**2.2**	1.5	**7.3**	3.7
Less: net pension finance costs	**(3.0)**	(2.9)	**(8.9)**	(8.7)
Less: accretion expense on provisions	**(1.4)**	(1.7)	**(5.0)**	(4.8)
Interest expense	**$ 22.4**	$ 23.5	**$ 63.8**	$ 75.3

- 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 is reconciled in its respective subsection of the "Summary Results – Third 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 February 2, 2019, May 5, 2018 and February 3, 2018, respectively:

($ in millions)	**February 2, 2019**	May 5, 2018	February 3, 2018
Long-term debt due within one year	**$ 27.2**	$ 527.4	$ 627.4
Long-term debt	**1,998.4**	1,139.5	1,150.7
Funded debt	**2,025.6**	1,666.9	1,778.1
Less: cash and cash equivalents	**(426.8)**	(627.9)	(458.1)
Net funded debt	**1,598.8**	1,039.0	1,320.0
Total shareholders' equity, net of non-controlling interest	**3,862.1**	3,702.8	3,666.9
Net total capital	**$ 5,460.9**	$ 4,741.8	$ 4,986.9

($ in millions)	**February 2, 2019**	May 5, 2018	February 3, 2018
Funded debt	**$ 2,025.6**	$ 1,666.9	$ 1,778.1
Total shareholders' equity, net of non-controlling interest	**3,862.1**	3,702.8	3,666.9
Total capital	**$ 5,887.7**	$ 5,369.7	$ 5,445.0

Food Segment Reconciliations

The following tables adjust Sobeys' contributed operating income, EBITDA, and net earnings, net of non-controlling interest, for certain items to better analyze trends in performance. These adjustments result in a truer economic representation on a comparative basis.

	13 Weeks Ended		$	39 Weeks Ended		$
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	Change	**Feb. 2, 2019**	Feb. 3, 2018	Change
Operating income	**$ 83.4**	$ 78.8	$ 4.6	**$ 397.8**	$ 178.4	$ 219.4
Adjustments:						
Intangible amortization associated with the Canada Safeway acquisition	**6.1**	6.7		**18.5**	19.7	
Business acquisition costs	**3.7**	-		**6.7**	-	
West business unit store closures	**-**	20.9		**-**	20.9	
Costs related to Project Sunrise	**-**	16.3		**-**	185.5	
	9.8	43.9	(34.1)	**25.2**	226.1	(200.9)
Adjusted operating income	**$ 93.2**	$ 122.7	$ (29.5)	**$ 423.0**	$ 404.5	$ 18.5

	13 Weeks Ended		$	39 Weeks Ended		$
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	Change	**Feb. 2, 2019**	Feb. 3, 2018	Change
EBITDA	**$ 188.1**	$ 186.7	$ 1.4	**$ 708.9**	$ 510.1	$ 198.8
Adjustments:						
Business acquisition costs	**3.7**	-		**6.7**	-	
West business unit store closures	**-**	20.9		**-**	20.9	
Costs related to Project Sunrise	**-**	16.3		**-**	185.5	
	3.7	37.2	(33.5)	**6.7**	206.4	(199.7)
Adjusted EBITDA	**$ 191.8**	$ 223.9	$ (32.1)	**$ 715.6**	$ 716.5	$ (0.9)

	13 Weeks Ended		$	39 Weeks Ended		$
($ in millions)	**Feb. 2, 2019**	Feb. 3, 2018	Change	**Feb. 2, 2019**	Feb. 3, 2018	Change
Net earnings	**$ 46.8**	$ 38.8	$ 8.0	**$ 223.5**	$ 56.6	$ 166.9
Adjustments (net of income taxes):						
Intangible amortization associated with the Canada Safeway acquisition	**4.4**	4.9		**13.4**	14.4	
Business acquisition costs	**2.7**	-		**4.9**	-	
West business unit store closures	**-**	15.3		**-**	15.3	
Costs related to Project Sunrise	**-**	11.6		**-**	133.1	
	7.1	31.8	(24.7)	**18.3**	162.8	(144.5)
Adjusted net earnings	**$ 53.9**	$ 70.6	$ (16.7)	**$ 241.8**	$ 219.4	$ 22.4

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. The current year same-store sales growth metrics reflect the acquisition of Farm Boy.
- 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.
- 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 February 2, 2019, May 5, 2018 and February 3, 2018:

($ in millions, except per share information)	**February 2, 2019**	May 5, 2018	February 3, 2018
Shareholders' equity, net of non-controlling interest	**$ 3,862.1**	$ 3,702.8	$ 3,666.9
Shares outstanding (basic)	**271.9**	271.8	271.7
Book value per common share	**$ 14.20**	$ 13.62	$ 13.50

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: March 12, 2019
Stellarton, Nova Scotia, Canada