Correction Notice:

On March 14, 2019, Empire Company Limited refiled its unaudited interim condensed consolidated financial statements 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 in Note 3:

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
Interim Condensed Consolidated Financial Statements
February 2, 2019

CONTENTS

Condensed Consolidated Balance Sheets.. 1

Condensed Consolidated Statements of Earnings 2

Condensed Consolidated Statements of Comprehensive Income 3

Condensed Consolidated Statements of Changes in Shareholders’ Equity...................... 4

Condensed Consolidated Statements of Cash Flows.. 5

Notes to the Unaudited Interim Condensed Consolidated Financial Statements....... 6 - 15

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

	February 2 2019	May 5 2018	February 3 2018
ASSETS			
Current			
Cash and cash equivalents	**$ 426.8**	$ 627.9	$ 458.1
Receivables	**459.7**	433.2	386.8
Inventories (Note 4)	**1,359.2**	1,251.6	1,314.5
Prepaid expenses	**126.0**	126.8	126.7
Loans and other receivables	**17.3**	20.9	21.7
Income taxes receivable	**34.4**	15.2	24.7
Assets held for sale	**19.5**	20.4	23.9
	2,442.9	2,496.0	2,356.4
Loans and other receivables	**78.2**	80.6	79.4
Investments, at equity (Note 5)	**573.6**	571.8	601.3
Other assets	**37.6**	34.1	36.4
Property and equipment	**2,814.5**	2,787.3	2,881.4
Investment property	**93.1**	93.9	94.1
Intangibles (Note 13)	**1,069.4**	842.0	855.7
Goodwill (Note 13)	**1,571.0**	1,001.9	1,001.9
Deferred tax assets	**646.0**	754.4	730.5
	$ 9,326.3	$ 8,662.0	$ 8,637.1
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,273.8**	$ 2,253.8	$ 2,146.0
Income taxes payable	**32.3**	53.5	38.3
Provisions (Note 7)	**129.7**	127.6	151.5
Long-term debt due within one year (Note 8)	**27.2**	527.4	627.4
	2,463.0	2,962.3	2,963.2
Provisions (Note 7)	**105.0**	129.3	133.4
Long-term debt (Note 8)	**1,998.4**	1,139.5	1,150.7
Other long-term liabilities	**246.2**	158.6	156.1
Employee future benefits	**341.4**	361.2	349.1
Deferred tax liabilities	**211.6**	141.3	152.3
	5,365.6	4,892.2	4,904.8
SHAREHOLDERS' EQUITY			
Capital stock	**2,042.5**	2,039.5	2,039.5
Contributed surplus	**23.5**	22.9	21.3
Retained earnings	**1,782.1**	1,627.9	1,594.0
Accumulated other comprehensive income	**14.0**	12.5	12.1
	3,862.1	3,702.8	3,666.9
Non-controlling interest	**98.6**	67.0	65.4
	3,960.7	3,769.8	3,732.3
	$ 9,326.3	$ 8,662.0	$ 8,637.1

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

Unaudited (in millions of Canadian dollars, except per share amounts)	13 Weeks Ended		39 Weeks Ended	
	February 2 2019	**February 3 2018**	**February 2 2019**	**February 3 2018**
Sales	**$ 6,247.3**	$ 6,029.2	**$ 18,921.6**	$ 18,328.5
Other income (Note 9)	**18.9**	17.5	**44.1**	38.6
Share of earnings from investments, at equity	**28.6**	31.5	**63.5**	59.9
Operating expenses				
Cost of sales	**4,735.6**	4,584.5	**14,415.5**	13,879.3
Selling and administrative expenses	**1,449.2**	1,385.6	**4,155.6**	4,311.8
Operating income	**110.0**	108.1	**458.1**	235.9
Finance costs, net (Note 10)	**24.6**	26.6	**70.4**	85.1
Earnings before income taxes	**85.4**	81.5	**387.7**	150.8
Income tax expense	**18.9**	22.9	**100.2**	44.5
Net earnings	**$ 66.5**	$ 58.6	**$ 287.5**	$ 106.3
Earnings for the period attributable to:				
Non-controlling interest	**$ 0.7**	$ 0.5	**$ 22.3**	$ 17.8
Owners of the Company	**65.8**	58.1	**265.2**	88.5
	$ 66.5	$ 58.6	**$ 287.5**	$ 106.3
Earnings per share (Note 11)				
Basic	**$ 0.24**	$ 0.21	**$ 0.98**	$ 0.33
Diluted	**$ 0.24**	$ 0.21	**$ 0.97**	$ 0.33
Weighted average number of common shares outstanding, in millions (Note 11)				
Basic	**271.9**	271.7	**271.8**	271.8
Diluted	**272.5**	272.2	**272.3**	272.0

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

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

	13 Weeks Ended		*39 Weeks Ended*	
	February 2 2019	**February 3 2018**	**February 2 2019**	**February 3 2018**
Net earnings	**$ 66.5**	$ 58.6	**$ 287.5**	$ 106.3
Other comprehensive (loss) income				
Items that will be reclassified subsequently to net earnings				
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of taxes of $ nil and $ nil (2018 - $(0.2) and $(0.2)))	**(0.1)**	-	**0.1**	0.9
Unrealized losses on financial assets at fair value through profit or loss (net of taxes of $ nil and $ nil (2018 - $ nil and $0.2))	**-**	-	**-**	(0.8)
Share of other comprehensive (loss) income of investments, at equity (net of taxes of $0.3 and $(0.1) (2018 - $(0.1) and $(0.7)))	**(0.8)**	0.1	**0.2**	1.5
Exchange differences on translation of foreign operations (net of taxes of $(0.2) and $(0.2) (2018 - $0.5 and $0.9))	**1.2**	0.7	**1.2**	(1.2)
	0.3	0.8	**1.5**	0.4
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains on defined benefit plans (net of taxes of $1.7 and $(3.3) (2018 - $1.2 and $(6.8)))	**(4.3)**	(3.6)	**8.8**	18.2
Total comprehensive income	**$ 62.5**	$ 55.8	**$ 297.8**	$ 124.9
Total comprehensive income for the period attributable to:				
Non-controlling interest	**$ 0.7**	$ 0.5	**$ 22.3**	$ 17.8
Owners of the Company	**61.8**	55.3	**275.5**	107.1
	$ 62.5	$ 55.8	**$ 297.8**	$ 124.9

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	-	-	-	(85.5)	(85.5)	-	(85.5)
Equity based compensation, net	0.4	(4.0)	-	-	(3.6)	-	(3.6)
Shares held in trust, net	4.7	-	-	-	4.7	-	4.7
Capital transactions with structured entities	-	-	-	-	-	(10.9)	(10.9)
Transactions with owners	5.1	(4.0)	-	(85.5)	(84.4)	(10.9)	(95.3)
Net earnings	-	-	-	88.5	88.5	17.8	106.3
Other comprehensive income	-	-	0.4	18.2	18.6	-	18.6
Total comprehensive income for the period	-	-	0.4	106.7	107.1	17.8	124.9
Balance at February 3, 2018	$ 2,039.5	$ 21.3	$ 12.1	$ 1,594.0	$ 3,666.9	$ 65.4	$ 3,732.3
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	**-**	**-**	**-**	**(89.5)**	**(89.5)**	**-**	**(89.5)**
Equity based compensation, net	**2.2**	**0.6**	**-**	**-**	**2.8**	**-**	**2.8**
Shares held in trust, net	**0.8**	**-**	**-**	**-**	**0.8**	**-**	**0.8**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(9.1)**	**(9.1)**
Non-controlling interest recognized on business acquisitions	**-**	**-**	**-**	**(30.3)**	**(30.3)**	**18.4**	**(11.9)**
Transactions with owners	**3.0**	**0.6**	**-**	**(119.8)**	**(116.2)**	**9.3**	**(106.9)**
Net earnings	**-**	**-**	**-**	**265.2**	**265.2**	**22.3**	**287.5**
Other comprehensive income	**-**	**-**	**1.5**	**8.8**	**10.3**	**-**	**10.3**
Total comprehensive income for the period	**-**	**-**	**1.5**	**274.0**	**275.5**	**22.3**	**297.8**
Balance at February 2, 2019	**$ 2,042.5**	**$ 23.5**	**$ 14.0**	**$ 1,782.1**	**$ 3,862.1**	**$ 98.6**	**$ 3,960.7**

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 February 2 2019	 February 3 2018	39 Weeks Ended February 2 2019	 February 3 2018
Operations				
Net earnings	**$ 66.5**	$ 58.6	**$ 287.5**	$ 106.3
Adjustments for:				
Depreciation	**84.0**	86.3	**248.3**	266.2
Income tax expense	**18.9**	22.9	**100.2**	44.5
Finance costs, net (Note 10)	**24.6**	26.6	**70.4**	85.1
Amortization of intangibles	**20.6**	21.7	**63.0**	65.8
Net gain on disposal of assets	**(14.2)**	(11.8)	**(29.9)**	(19.8)
Impairment (reversal) expense of non-financial assets, net	**(1.1)**	2.9	**(31.3)**	7.2
Amortization of deferred items	**0.2**	1.2	**1.7**	6.1
Equity in earnings of other entities, net of distributions received	**(4.5)**	15.7	**(0.8)**	47.4
Employee future benefits	**(0.8)**	(0.5)	**(7.6)**	(0.1)
Increase in long-term lease obligation	**3.2**	3.7	**7.6**	10.0
(Decrease) increase in long-term provisions	**(7.1)**	(4.2)	**(29.3)**	22.8
Equity based compensation, net	**1.6**	0.9	**4.6**	5.2
Net change in non-cash working capital	**64.4**	78.5	**(130.1)**	(24.4)
Income taxes paid, net	**(14.6)**	(17.8)	**(42.5)**	(56.1)
Cash flows from operating activities	**241.7**	284.7	**511.8**	566.2
Investment				
Property, equipment and investment property purchases	**(82.1)**	(49.9)	**(191.7)**	(163.7)
Proceeds on disposal of assets	**24.0**	34.6	**60.8**	104.0
Additions to intangibles	**(4.4)**	(21.0)	**(15.8)**	(40.3)
Loans and other receivables	**2.8**	4.0	**6.0**	6.5
Other assets and other long-term liabilities	**1.7**	2.3	**2.3**	(0.8)
Business acquisitions (Note 13)	**(758.0)**	(2.2)	**(777.8)**	(3.2)
Interest received	**1.3**	0.6	**4.4**	0.7
Proceeds on redemption of investment	**-**	-	**-**	24.3
Cash flows used in investing activities	**(814.7)**	(31.6)	**(911.8)**	(72.5)
Financing				
Issue of long-term debt	**13.0**	17.1	**48.2**	55.3
Repayment of long-term debt	**(10.2)**	(20.5)	**(552.9)**	(77.0)
Net advance (repayment) of credit facilities	**384.4**	(23.1)	**862.6**	(72.8)
Interest paid	**(17.8)**	(8.3)	**(60.4)**	(52.0)
Dividends paid, common shares	**(29.8)**	(28.5)	**(89.5)**	(85.5)
Non-controlling interest	**(3.1)**	(0.4)	**(9.1)**	(10.9)
Cash flows from (used in) financing activities	**336.5**	(63.7)	**198.9**	(242.9)
(Decrease) increase in cash and cash equivalents	**(236.5)**	189.4	**(201.1)**	250.8
Cash and cash equivalents, beginning of period	**663.3**	268.7	**627.9**	207.3
Cash and cash equivalents, end of period	**$ 426.8**	$ 458.1	**$ 426.8**	$ 458.1

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 February 2, 2019 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 February 2, 2019, 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 March 12, 2019.

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 February 2, 2019.

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 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.

On 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. 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.

4. Inventories

The cost of inventories recognized as an expense during the 13 and 39 weeks ended February 2, 2019 was $4,735.6 and $14,415.5 respectively (February 3, 2018 - $4,584.5 and $13,879.3). The Company recorded an expense of $1.4 (February 3, 2018 - $1.6) for write-down of inventories below cost to net realizable value for inventories on hand. There were no reversals of inventories written down previously (February 3, 2018 - $ nil).

5. Investments, at equity

	February 2 2019	February 3 2018
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 449.0**	$ 458.3
Canadian real estate partnerships	**93.5**	98.6
U.S. real estate partnerships	**21.8**	34.8
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	**9.3**	9.6
Total	**$ 573.6**	$ 601.3

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:

	February 2 2019	**February 3 2018**
Crombie REIT	**$ 858.5**	$ 820.9

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 $2.2 and $34.8 and losses of $1.1 and $3.5 were recorded in selling and administrative expenses during the 13 and 39 weeks ended February 2, 2019 respectively. The impairment reversals were a result of improved operating performance at previously impaired stores in Western Canada.

7. Provisions

February 2, 2019	**Lease Contracts**	**Legal**	**Environmental**	**Restructuring[1]**	**Onerous Contracts**	**Total**
Opening balance	$ 27.8	$ 8.0	$ 49.4	$ 163.2	$ 8.5	$ 256.9
Provisions made	3.8	5.8	0.5	68.2	-	78.3
Provisions used	(10.9)	(4.8)	(1.3)	(73.1)	(2.3)	(92.4)
Provisions reversed	(1.0)	(1.9)	(1.7)	(8.5)	-	(13.1)
Change due to discounting	0.8	-	0.9	3.3	-	5.0
Closing balance	$ 20.5	$ 7.1	$ 47.8	$ 153.1	$ 6.2	$ 234.7
Current	$ 9.4	$ 7.1	$ 1.9	$ 108.2	$ 3.1	$ 129.7
Non-current	11.1	-	45.9	44.9	3.1	105.0
Total	$ 20.5	$ 7.1	$ 47.8	$ 153.1	$ 6.2	$ 234.7

[1] Restructuring provisions made include $35.0 related to voluntary buyouts of union employees in British Columbia and $10.0 related to store closures. These costs have been recorded in selling and administrative expenses on the condensed consolidated statements of earnings.

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.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0. 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 following table reconciles the changes in cash flows from financing activities for long-term debt:

	13 Weeks Ended		39 Weeks Ended	
	February 2 2019	**February 3 2018**	**February 2 2019**	**February 3 2018**
Opening balance	**$ 1,638.6**	$ 1,804.1	**$ 1,666.9**	$ 1,870.8
Issuance of debt	**13.0**	17.1	**48.2**	55.3
Acquired through business acquisitions	**-**	-	**0.1**	-
Repayments	**(10.2)**	(20.5)	**(552.9)**	(77.0)
Net advance (repayment) of credit facilities	**384.4**	(23.1)	**862.6**	(72.8)
Total cash flow from (used in) long-term debt financing	**387.2**	(26.5)	**358.0**	(94.5)
Deferred financing costs	**(0.2)**	0.5	**0.7**	1.8
Closing balance	**$ 2,025.6**	$ 1,778.1	**$ 2,025.6**	$ 1,778.1

9. Other income

	13 Weeks Ended		39 Weeks Ended	
	February 2 2019	**February 3 2018**	**February 2 2019**	**February 3 2018**
Net gain on disposal of assets	**$ 14.2**	$ 11.8	**$ 29.9**	$ 19.8
Lease revenue from owned property	**4.7**	5.7	**14.2**	18.8
Total	**$ 18.9**	$ 17.5	**$ 44.1**	$ 38.6

10. Finance costs, net

	13 Weeks Ended		39 Weeks Ended	
	February 2 2019	**February 3 2018**	**February 2 2019**	**February 3 2018**
Finance income				
Interest income from cash and cash equivalents	**$ 1.3**	$ 0.6	**$ 4.4**	$ 0.7
Fair value gains on forward contracts	**0.7**	0.8	**2.4**	2.5
Accretion income on loans and receivables	**0.2**	0.1	**0.5**	0.5
Total finance income	**2.2**	1.5	**7.3**	3.7
Finance costs				
Interest expense on financial liabilities measured at amortized cost	**22.4**	23.5	**63.8**	75.3
Net pension finance costs	**3.0**	2.9	**8.9**	8.7
Accretion expense on provisions	**1.4**	1.7	**5.0**	4.8
Total finance costs	**26.8**	28.1	**77.7**	88.8
Finance costs, net	**$ 24.6**	$ 26.6	**$ 70.4**	$ 85.1

11. Earnings per share

	13 Weeks Ended		39 Weeks Ended	
	February 2 2019	**February 3 2018**	**February 2 2019**	**February 3 2018**
Weighted average number of shares - basic	**271,865,548**	271,697,569	**271,832,393**	271,804,244
Shares deemed to be issued for no consideration in respect of stock-based payments	**627,426**	492,624	**512,702**	183,002
Weighted average number of shares - diluted	**272,492,974**	272,190,193	**272,345,095**	271,987,246

12. Segmented information

The Company's reportable segments are Food retailing and Investments and other operations. The Food retailing segment is comprised of six operating segments: Sobeys West, Sobeys Ontario, Sobeys Quebec, Sobeys Atlantic, Sobeys Pharmacy Group, and Farm Boy. 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		39 Weeks Ended	
	February 2 2019	February 3 2018	February 2 2019	February 3 2018
Segmented operating income				
Food retailing	**$ 83.4**	$ 78.8	**$ 397.8**	$ 178.4
Investments and other operations				
Crombie REIT	**15.4**	11.4	**40.7**	28.7
Real estate partnerships	**12.9**	20.0	**21.9**	30.6
Other operations, net of corporate expenses	**(1.7)**	(2.1)	**(2.3)**	(1.8)
	26.6	29.3	**60.3**	57.5
Total	**$ 110.0**	$ 108.1	**$ 458.1**	$ 235.9

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

	13 Weeks Ended		39 Weeks Ended	
	February 2 2019	February 3 2018	February 2 2019	February 3 2018
Total operating income	**$ 110.0**	$ 108.1	**$ 458.1**	$ 235.9
Finance costs, net	**24.6**	26.6	**70.4**	85.1
Total	**$ 85.4**	$ 81.5	**$ 387.7**	$ 150.8

	February 2 2019	February 3 2018
Total assets by segment		
Food retailing	**$ 8,663.1**	$ 7,966.8
Investments and other operations	**663.2**	670.3
Total	**$ 9,326.3**	$ 8,637.1

13. Business acquisitions

During fiscal 2019, the Company completed the acquisition of Farm Boy, an Ontario-based grocery chain and acquired franchise and non-franchise stores, including Kim Phat, an Asian food retailer. 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 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, excluding Farm Boy, for the 39 weeks ended February 2, 2019:

Receivables	$	1.0
Inventories		7.9
Prepaid expenses		0.1
Property and equipment		5.3
Intangibles		8.8
Goodwill		26.7
Accounts payable and accrued liabilities		(5.7)
Other assets and liabilities		(1.1)
Deferred tax liability		(2.5)
Non-controlling interest		(18.4)
Total consideration	$	22.1

From the date of acquisition, the businesses acquired contributed sales of $23.9 and $52.6 and net losses of $(1.4) and $(1.5) for the 13 and 39 weeks ended February 2, 2019 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.

Farm Boy Acquisition

On September 24, 2018, Sobeys, 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, subject to customary closing adjustments. The Company financed the transaction through a combination of cash on hand and a new $400.0 senior, unsecured non-revolving credit facility. The acquisition closed effective December 10, 2018.

The preliminary estimated fair value of identifiable assets acquired, liabilities assumed, and non-controlling interest as at December 10, 2018 are as follows:

Receivables	$	3.1
Inventories		16.1
Prepaid expenses		2.0
Property and equipment		79.6
Intangibles		265.0
Goodwill		542.4
Accounts payable and accrued liabilities		(32.4)
Other assets and liabilities		6.0
Deferred tax liability		(75.0)
Non-controlling interest		(48.8)
Total consideration	$	758.0

These amounts have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

From the date of acquisition, the business acquired contributed sales of $76.9 and net losses of $(0.2) for the 13 and 39 weeks ended February 2, 2019 respectively.

Goodwill of $542.4 was recognized as the excess of the acquisition cost over the fair value of net identifiable assets at the date of acquisition. The goodwill recognized is attributable mainly to the expected future growth potential of the business and the customer base of the acquired retail store locations. The goodwill recognized is not expected to be deductible for tax purposes. Intangibles of $265.0 relate to the fair value of Farm Boy's banner and private label brand.

Acquisition costs of $3.5 and $6.5 were incurred during the 13 and 39 weeks ended February 2, 2019 respectively. These costs related to external legal, consulting, due diligence, financial advisory and other closing costs have been included in selling and administrative expenses in the condensed consolidated statements of earnings.

As part of the Farm Boy acquisition, Farm Boy's co-CEOs, together with members of their senior management team, have reinvested for a 12% 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% at any time after five years following the acquisition date. As a result, a non-controlling interest liability of $70.0 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.

14. Financial instruments

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

Long-term debt	February 2, 2019	May 5, 2018	February 3, 2018
Total carrying amount	**$ 2,025.6**	$ 1,666.9	$ 1,778.1
Total fair value	**$ 2,044.0**	$ 1,707.6	$ 1,800.9

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. The weighted average fair value of $24.48 per PSU issued during the 39 weeks ended February 2, 2019 was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$25.16
Expected life	1.58 years
Risk-free interest rate	1.93%
Expected volatility	18.45%
Dividend yield	1.75%

At February 2, 2019, there were 338,275 (February 3, 2018 - 443,156) PSUs outstanding. The compensation expense for the 13 and 39 weeks ended February 2, 2019 related to PSUs was $0.6 and $2.0 respectively (February 3, 2018 - $1.1 and $3.5).

Stock option plan
During the 39 weeks ended February 2, 2019, the Company granted 742,556 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 $5.70 per option issued during the period was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$25.67
Expected life	8.02 years
Risk-free interest rate	1.97%
Expected volatility	22.06%
Dividend yield	1.71%

The compensation expense (reversal) for the 13 and 39 weeks ended February 2, 2019 related to the issuance of options was $1.0 and $2.6 respectively (February 3, 2018 - $(0.2) and $1.7).

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 February 2, 2019, there were 1,041,691 (February 3, 2018 - 818,590) DSUs outstanding related to this plan and the total carrying amount of the liability was $15.7 (February 3, 2018 - $4.7). The compensation expense for the 13 and 39 weeks ended February 2, 2019 related to DSUs was $5.4 and $8.9 respectively (February 3, 2018 - $0.5 and $3.8).

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 February 2, 2019, there were 234,694 (February 3, 2018 - 185,028) DSUs outstanding and the total carrying amount of the liability was $7.0 (February 3, 2018 - $5.4). The compensation expense recorded for the 13 and 39 weeks ended February 2, 2019 was $1.7 and $2.2, respectively (February 3, 2018 - $1.4 and $2.5).

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.

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.

17. Employee future benefits

During the 13 and 39 weeks ended February 2, 2019, the net employee future benefits expense reported in net earnings was $13.8 and $40.4, respectively (February 3, 2018 - $12.8 and $38.7). Actuarial (losses) gains before taxes on defined benefit pension plans for the 13 and 39 weeks ended February 2, 2019 were $(6.0) and $12.1 respectively (February 3, 2018 - $(4.8) and $25.0). These (losses) gains have been recognized in other comprehensive income.