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**Empire Company Limited**  
**Interim Condensed Consolidated Financial Statements**  
**November 2, 2019**

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

	November 2 2019	May 4 2019	November 3 2018
<b>ASSETS</b>			
Current			
Cash and cash equivalents	\$ 404.3	\$ 553.3	\$ 663.3
Receivables	479.6	444.2	456.3
Inventories (Note 4)	1,496.1	1,441.8	1,383.1
Prepaid expenses	112.0	134.1	141.9
Loans and other receivables (Note 16)	68.0	18.7	26.6
Income taxes receivable	29.8	27.9	23.0
Assets held for sale	19.5	19.5	22.3
	<u>2,609.3</u>	<u>2,639.5</u>	<u>2,716.5</u>
Loans and other receivables (Note 16)	575.0	70.8	71.7
Investments, at equity (Note 5)	602.5	589.4	568.8
Other assets	25.8	43.4	32.8
Property and equipment	2,849.6	2,911.5	2,745.4
Right-of-use assets (Note 16)	3,799.5	-	-
Investment property	109.6	100.0	93.4
Intangibles	937.7	1,062.0	820.6
Goodwill	1,571.3	1,571.5	1,028.6
Deferred tax assets	697.4	614.3	656.1
	<u>\$ 13,777.7</u>	<u>\$ 9,602.4</u>	<u>\$ 8,733.9</u>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	\$ 2,440.6	\$ 2,496.4	\$ 2,259.5
Income taxes payable	19.9	29.0	37.3
Provisions (Note 6)	74.1	119.4	99.1
Long-term debt due within one year (Note 7)	27.1	36.5	27.4
Lease liabilities due within one year (Note 16)	421.6	-	-
	<u>2,983.3</u>	<u>2,681.3</u>	<u>2,423.3</u>
Provisions (Note 6)	57.6	93.1	110.7
Long-term debt (Note 7)	1,725.0	1,984.4	1,611.2
Long-term lease liabilities (Note 16)	4,571.8	-	-
Other long-term liabilities (Note 16)	108.8	269.0	174.0
Employee future benefits	296.8	286.1	336.3
Deferred tax liabilities	221.9	205.5	127.8
	<u>9,965.2</u>	<u>5,519.4</u>	<u>4,783.3</u>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (Note 8)	2,030.5	2,042.6	2,042.2
Contributed surplus	20.2	25.2	22.1
Retained earnings (Note 16)	1,662.0	1,920.8	1,771.6
Accumulated other comprehensive income	13.5	14.7	13.7
	<u>3,726.2</u>	<u>4,003.3</u>	<u>3,849.6</u>
Non-controlling interest	86.3	79.7	101.0
	<u>3,812.5</u>	<u>4,083.0</u>	<u>3,950.6</u>
	<u>\$ 13,777.7</u>	<u>\$ 9,602.4</u>	<u>\$ 8,733.9</u>

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		26 Weeks Ended	
	November 2	November 3	November 2	November 3
	2019	2018	2019	2018
Sales	\$ 6,436.5	\$ 6,214.0	\$ 13,180.6	\$ 12,674.3
Other income (Note 9)	11.4	9.9	26.0	25.2
Share of earnings from investments, at equity	30.8	11.8	45.6	34.9
Operating expenses				
Cost of sales	4,840.8	4,731.9	9,924.5	9,679.9
Selling and administrative expenses	1,351.5	1,330.4	2,775.2	2,706.4
Operating income	286.4	173.4	552.5	348.1
Finance costs, net (Notes 10 and 16)	69.9	22.7	141.6	45.8
Earnings before income taxes	216.5	150.7	410.9	302.3
Income tax expense	56.2	39.8	107.8	81.3
Net earnings	\$ 160.3	\$ 110.9	\$ 303.1	\$ 221.0
Earnings for the period attributable to:				
Non-controlling interest	\$ 5.7	\$ 7.1	\$ 17.9	\$ 21.6
Owners of the Company	154.6	103.8	285.2	199.4
	\$ 160.3	\$ 110.9	\$ 303.1	\$ 221.0
Earnings per share (Note 11)				
Basic	\$ 0.57	\$ 0.38	\$ 1.05	\$ 0.73
Diluted	\$ 0.57	\$ 0.38	\$ 1.05	\$ 0.73
Weighted average number of common shares outstanding, in millions (Note 11)				
Basic	271.3	271.8	271.5	271.8
Diluted	272.4	272.2	272.6	272.3

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		26 Weeks Ended	
	November 2	November 3	November 2	November 3
	2019	2018	2019	2018
Net earnings	\$ 160.3	\$ 110.9	\$ 303.1	\$ 221.0
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net earnings				
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of taxes of \$(0.3) and \$0.3 (2018 - \$ nil and \$ nil))	1.0	0.2	(0.7)	0.2
Share of other comprehensive income of investments, at equity (net of taxes of \$ nil and \$(0.2) (2018 - \$(0.3) and \$(0.4)))	0.5	0.7	0.4	1.0
Exchange differences on translation of foreign operations (net of taxes of \$(0.5) and \$(0.7) (2018 - \$ nil and \$ nil))	(0.3)	(0.4)	(0.9)	-
	<u>1.2</u>	<u>0.5</u>	<u>(1.2)</u>	<u>1.2</u>
Items that will not be reclassified subsequently to net earnings				
Actuarial gains (losses) on defined benefit plans (net of taxes of \$(4.4) and \$3.7 (2018 - \$0.9 and \$(5.0)))	11.6	(2.6)	(10.3)	13.1
Total comprehensive income	<u>\$ 173.1</u>	<u>\$ 108.8</u>	<u>\$ 291.6</u>	<u>\$ 235.3</u>
Total comprehensive income for the period attributable to:				
Non-controlling interest	\$ 5.7	\$ 7.1	\$ 17.9	\$ 21.6
Owners of the Company	<u>167.4</u>	<u>101.7</u>	<u>273.7</u>	<u>213.7</u>
	<u>\$ 173.1</u>	<u>\$ 108.8</u>	<u>\$ 291.6</u>	<u>\$ 235.3</u>

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

<b>Empire Company Limited</b>							
<b>Condensed Consolidated Statements of Changes</b>							
<b>in Shareholders' Equity</b>							
<b>Unaudited (in millions of Canadian dollars)</b>	<b>Capital</b>	<b>Contributed</b>	<b>Accumulated</b>	<b>Retained</b>	<b>Total</b>	<b>Non-</b>	<b>Total</b>
	<b>Stock</b>	<b>Surplus</b>	<b>Other</b>	<b>Earnings</b>	<b>Attributable</b>	<b>controlling</b>	<b>Equity</b>
			<b>Comprehensive</b>		<b>to Owners of</b>	<b>Interest</b>	
			<b>Income</b>		<b>the Company</b>		
<b>Balance at May 5, 2018</b>	\$ 2,039.5	\$ 22.9	\$ 12.5	\$ 1,627.9	\$ 3,702.8	\$ 67.0	\$ 3,769.8
Dividends declared on common shares	-	-	-	(59.7)	(59.7)	-	(59.7)
Equity based compensation, net	1.9	(0.8)	-	-	1.1	-	1.1
Shares held in trust, net	0.8	-	-	-	0.8	-	0.8
Capital transactions with structured entities	-	-	-	-	-	(6.0)	(6.0)
Non-controlling interest recognized on business acquisitions	-	-	-	(9.1)	(9.1)	18.4	9.3
Transactions with owners	2.7	(0.8)	-	(68.8)	(66.9)	12.4	(54.5)
Net earnings	-	-	-	199.4	199.4	21.6	221.0
Other comprehensive income	-	-	1.2	13.1	14.3	-	14.3
Total comprehensive income for the period	-	-	1.2	212.5	213.7	21.6	235.3
<b>Balance at November 3, 2018</b>	<b>\$ 2,042.2</b>	<b>\$ 22.1</b>	<b>\$ 13.7</b>	<b>\$ 1,771.6</b>	<b>\$ 3,849.6</b>	<b>\$ 101.0</b>	<b>\$ 3,950.6</b>
<b>Balance at May 4, 2019</b>	<b>\$ 2,042.6</b>	<b>\$ 25.2</b>	<b>\$ 14.7</b>	<b>\$ 1,920.8</b>	<b>\$ 4,003.3</b>	<b>\$ 79.7</b>	<b>\$ 4,083.0</b>
IFRS 16 transition adjustment (Note 16)	-	-	-	(432.0)	(432.0)	-	(432.0)
<b>Restated balance as at May 5, 2019</b>	<b>2,042.6</b>	<b>25.2</b>	<b>14.7</b>	<b>1,488.8</b>	<b>3,571.3</b>	<b>79.7</b>	<b>3,651.0</b>
Dividends declared on common shares	-	-	-	(65.1)	(65.1)	-	(65.1)
Equity based compensation, net	3.4	(5.0)	-	-	(1.6)	-	(1.6)
Repurchase of capital stock (Note 8)	(17.6)	-	-	(34.4)	(52.0)	-	(52.0)
Shares held in trust, net	2.1	-	-	-	2.1	-	2.1
Capital transactions with structured entities	-	-	-	-	-	(9.7)	(9.7)
Transactions with owners	(12.1)	(5.0)	-	(99.5)	(116.6)	(9.7)	(126.3)
Net earnings	-	-	-	285.2	285.2	17.9	303.1
Revaluation of put options	-	-	-	(2.2)	(2.2)	(1.6)	(3.8)
Other comprehensive loss	-	-	(1.2)	(10.3)	(11.5)	-	(11.5)
Total comprehensive income for the period	-	-	(1.2)	272.7	271.5	16.3	287.8
<b>Balance at November 2, 2019</b>	<b>\$ 2,030.5</b>	<b>\$ 20.2</b>	<b>\$ 13.5</b>	<b>\$ 1,662.0</b>	<b>\$ 3,726.2</b>	<b>\$ 86.3</b>	<b>\$ 3,812.5</b>

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		26 Weeks Ended	
	November 2 2019	November 3 2018	November 2 2019	November 3 2018
<b>Operations</b>				
Net earnings	\$ 160.3	\$ 110.9	\$ 303.1	\$ 221.0
Adjustments for:				
Depreciation	173.1	81.6	347.8	164.3
Income tax expense	56.2	39.8	107.8	81.3
Finance costs, net (Note 10)	69.9	22.7	141.6	45.8
Amortization of intangibles	18.2	21.1	37.4	42.4
Net gain on disposal of assets	(7.3)	(4.7)	(17.7)	(15.7)
Impairment reversals of non-financial assets, net	(3.4)	(12.7)	(1.7)	(30.2)
Amortization of deferred items	0.3	0.6	1.4	1.5
Equity in earnings of other entities, net of distributions received	(15.7)	2.5	(4.2)	3.7
Employee future benefits	(0.9)	(7.5)	(3.4)	(6.8)
Increase in long-term lease obligation	-	2.5	-	4.4
Decrease in long-term provisions	(6.6)	(11.5)	(14.2)	(22.2)
Equity based compensation, net	1.1	1.5	2.6	3.0
Net change in non-cash working capital	(118.1)	(128.2)	(160.6)	(194.5)
Income taxes paid, net	(11.1)	(5.2)	(18.6)	(27.9)
Cash flows from operating activities	<u>316.0</u>	<u>113.4</u>	<u>721.3</u>	<u>270.1</u>
<b>Investment</b>				
Property, equipment and investment property purchases	(173.9)	(66.8)	(260.5)	(109.6)
Additions to intangibles	(22.1)	(6.6)	(26.9)	(11.4)
Proceeds on disposal of assets	40.6	18.4	80.8	36.8
Loans and other receivables	2.3	3.5	5.2	3.2
Other assets and other long-term liabilities	(2.3)	(3.6)	3.6	0.6
Business acquisitions	(1.2)	-	(4.2)	(19.8)
Payments received for finance subleases	18.7	-	37.3	-
Interest received	1.9	1.4	3.9	3.1
Cash flows used in investing activities	<u>(136.0)</u>	<u>(53.7)</u>	<u>(160.8)</u>	<u>(97.1)</u>
<b>Financing</b>				
Issue of long-term debt	19.0	12.7	45.0	35.2
Repayment of long-term debt	(12.9)	(511.4)	(54.0)	(542.7)
(Repayment) advances on credit facilities	(231.2)	491.5	(231.2)	478.2
Interest paid	(28.5)	(34.8)	(43.4)	(42.6)
Payments of lease liabilities (principal portion)	(96.7)	-	(192.0)	-
Payments of lease liabilities (interest portion)	(53.9)	-	(107.1)	-
Repurchase of Non-Voting Class A shares (Note 8)	(33.1)	-	(52.0)	-
Dividends paid, common shares	(32.5)	(29.8)	(65.1)	(59.7)
Non-controlling interest	(0.6)	(3.0)	(9.7)	(6.0)
Cash flows used in financing activities	<u>(470.4)</u>	<u>(74.8)</u>	<u>(709.5)</u>	<u>(137.6)</u>
(Decrease) increase in cash and cash equivalents	(290.4)	(15.1)	(149.0)	35.4
Cash and cash equivalents, beginning of period	<u>694.7</u>	<u>678.4</u>	<u>553.3</u>	<u>627.9</u>
Cash and cash equivalents, end of period	<u>\$ 404.3</u>	<u>\$ 663.3</u>	<u>\$ 404.3</u>	<u>\$ 663.3</u>

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

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**November 2, 2019**  
**(in millions of Canadian dollars, except share and per share amounts)**

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**1. Reporting entity**

Empire Company Limited (“Empire” or the “Company”) is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited interim condensed consolidated financial statements for the period ended November 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 November 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. 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 4, 2019, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 11, 2019.

**Basis of measurement**

The unaudited interim condensed consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: certain financial instruments (including derivatives) at fair value through profit and loss (“FVTPL”) and cash settled stock-based compensation plans. 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 4, 2019 and remain unchanged for the period ended November 2, 2019, with the exception of estimates and judgements relating to the adoption of IFRS 16 including the measurement of lease liabilities, right-of-use assets, discount rates and lease terms used. See Note 3(a) for additional details.

**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 4, 2019, with the exception of the following:

**Changes to accounting standards adopted during fiscal 2020**

**(a) Leases**

Effective May 5, 2019, the Company adopted IFRS 16, “Leases” (“IFRS 16”), which replaces IAS 17, “Leases” (“IAS 17”) and related interpretations.



**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**November 2, 2019**  
**(in millions of Canadian dollars, except share and per share amounts)**

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IFRS 16 introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases except for short-term and low-value asset leases. Lessors continue to classify leases as operating or finance leases. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all leases where the Company is a lessee. The vast majority of right-of-use assets are property related, pertaining to the use of land and buildings. Other leased assets include passenger vehicles, trucks, trailers and IT equipment. The Company transitioned to IFRS 16 using the modified retrospective approach with the cumulative impact of initially applying the new standard recognized in retained earnings on May 5, 2019. Prior period comparatives have not been restated. The implementation of IFRS 16 had no impact on earnings per share in the quarter. The Company has recognized taxable and deductible temporary differences arising on the transition to IFRS 16. This has resulted in the recognition of a net deferred tax asset as a result of the balances recognized on transition as at May 5, 2019 included in the transition impacts disclosed in Note 16.

The Company has applied the following practical expedients, as permitted by IFRS 16:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- relying on previous assessment of whether a lease is onerous;
- accounting for leases which end within 12 months of the date of initial application as short-term leases;
- excluding initial direct costs from the measurement of the right-of-use asset; and
- using hindsight, (for example, in determining the lease term where the contract includes extension or termination options)

Transition impacts related to IFRS 16 adoption are outlined in Note 16.

As a result of adoption of IFRS 16 the Company has amended its accounting policies related to leases as follows:

**The Company as a lessee**

The Company recognizes a right-of-use asset and corresponding lease liability at the commencement date. The commencement date is the date in which the lessor makes the asset available for use by the Company. Lease payments for short-term leases or variable payments that do not depend on an index or a rate are recognized in selling, general and administrative expenses.

Lease liabilities reflect the present value of fixed lease payments and variable lease payments that are based on an index or a rate or subject to fair market renewal amounts expected to be payable by the lessee over the lease term. Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. Where applicable, lease liabilities will include the purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement the Company measures lease liabilities on an amortized cost basis. Lease liabilities are remeasured when there is a modification to the lease. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be determined, the lessee's incremental borrowing rate at the lease inception date. Interest expense is recognized in net finance expense.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date less lease incentives received and restoration costs. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets. Right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the shorter of the asset useful life and lease term. Depreciation begins at the commencement date of the lease.

**The Company as a lessor**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. For subleases, where the Company acts as an intermediate lessor, the Company assesses classification with reference to the right-of-use asset arising from the head lease.

For finance subleases the Company derecognizes the corresponding right-of-use asset and records a net investment in the finance sublease and related interest income is recognized in net finance costs.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**November 2, 2019**  
(in millions of Canadian dollars, except share and per share amounts)

**Sale and leaseback transactions**

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. A sale and leaseback is recognized as a sale when the control of the asset has been transferred to the purchaser. The Company will measure the right-of-use asset arising from the leaseback and the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Company. Any profit or loss in a sale and leaseback transaction related to the transfer of rights of the asset to the buyer-lessor is recognized immediately.

**(b) Uncertainty over income tax treatments**

Effective during the quarter ended August 3, 2019, the Company adopted IFRIC 23 "Uncertainty over income tax treatments" which clarifies how to apply the recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty related to tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. This adoption did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

**4. Inventories**

The cost of inventories recognized as an expense for the quarter and year-to-date ended November 2, 2019 was \$4,840.8 and \$9,924.5 respectively (November 3, 2018 - \$4,731.9 and \$9,679.9). The Company recorded an expense of \$2.7 (November 3, 2018 - \$1.4) for write-down of inventories below cost to net realizable value for inventories on hand. There were no reversals of inventories written down previously (November 3, 2018 - \$ nil).

**5. Investments, at equity**

	<b>November 2 2019</b>	<b>November 3 2018</b>
<b>Investment in associates</b>		
Crombie Real Estate Investment Trust ("Crombie REIT")	\$ 485.5	\$ 448.3
Canadian real estate partnerships	92.6	88.8
U.S. real estate partnerships	17.7	22.5
Joint ventures	6.7	9.2
<b>Total</b>	<b>\$ 602.5</b>	<b>\$ 568.8</b>

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:

	<b>November 2 2019</b>	<b>November 3 2018</b>
Crombie REIT	\$ 1,003.3	\$ 806.0

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

**Empire Company Limited**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements**  
**November 2, 2019**  
(in millions of Canadian dollars, except share and per share amounts)

**6. Provisions**

<b>November 2, 2019</b>	<b>Lease</b>		<b>Legal</b>		<b>Environmental</b>		<b>Restructuring</b>		<b>Total</b>	
	<b>Contracts</b>									
Opening balance	\$ 19.2	\$	7.1	\$	42.4	\$	143.8	\$	212.5	
Reclassification due to IFRS 16 (Note 16)	(7.1)		-		-		(24.0)		(31.1)	
Opening balance after reclassification	\$ 12.1	\$	7.1	\$	42.4	\$	119.8	\$	181.4	
Provisions made	4.4		3.9		0.4		31.1		39.8	
Provisions used	(4.9)		(2.3)		(0.7)		(68.0)		(75.9)	
Provisions reversed	(0.7)		(1.6)		(0.9)		(12.8)		(16.0)	
Change due to discounting	0.1		-		0.7		1.6		2.4	
Closing balance	\$ 11.0	\$	7.1	\$	41.9	\$	71.7	\$	131.7	
Current	\$ 7.5	\$	7.1	\$	1.3	\$	58.2	\$	74.1	
Non-current	3.5		-		40.6		13.5		57.6	
Total	\$ 11.0	\$	7.1	\$	41.9	\$	71.7	\$	131.7	

**7. Long-term debt**

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

	<b>13 Weeks Ended</b>		<b>26 Weeks Ended</b>	
	<b>November 2</b>	<b>November 3</b>	<b>November 2</b>	<b>November 3</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Opening balance	\$ 1,976.9	\$ 1,645.4	\$ 2,020.9	\$ 1,666.9
Reclassification due to IFRS 16 (Note 16)	-	-	(29.1)	-
Opening balance after reclassification	\$ 1,976.9	\$ 1,645.4	\$ 1,991.8	\$ 1,666.9
Issuance of debt	19.0	12.7	45.0	35.2
Acquired through business acquisitions	-	-	-	0.1
Repayment of long-term debt	(12.9)	(511.4)	(54.0)	(542.7)
(Repayments) advances on credit facilities	(231.2)	491.5	(231.2)	478.2
Total cash flow used in long-term debt financing	(225.1)	(7.2)	(240.2)	(29.2)
Deferred financing costs	0.3	0.4	0.5	0.9
Closing balance	\$ 1,752.1	\$ 1,638.6	\$ 1,752.1	\$ 1,638.6

**8. Capital stock**

On June 27, 2019, the Company filed a notice of intent with the Toronto Stock Exchange to purchase for cancellation up to 3.5 million Non-Voting Class A shares representing approximately 2% of shares outstanding. Purchases commenced on July 2, 2019 and shall terminate not later than July 1, 2020.

During the second quarter of fiscal 2020, the Company purchased for cancellation 930,454 Non-Voting Class A shares at an average price of \$35.49. The purchase price was \$33.1 of which \$11.0 of the purchase price was accounted for as a reduction to share capital and the remainder as a reduction to retained earnings. For the year-to-date, the Company has repurchased for cancellation 1,477,754 Non-Voting Class A shares at an average price of \$35.17. The purchase price was \$52.0 of which \$17.6 of the purchase price was accounted for as a reduction to share capital and the remainder as a reduction to retained earnings.

The Company also entered into an automatic share purchase plan ("ASPP") with its designated broker allowing the purchase of Non-Voting Class A shares for cancellation under its normal course issuer bid program during trading black-out periods.

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**9. Other income**

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	November 3 2018	November 2 2019	November 3 2018
Net gain on disposal of assets	\$ 7.3	\$ 4.7	\$ 17.7	\$ 15.7
Lease income from owned property	4.1	5.2	8.3	9.5
<b>Total</b>	<b>\$ 11.4</b>	<b>\$ 9.9</b>	<b>\$ 26.0</b>	<b>\$ 25.2</b>

**10. Finance costs, net**

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	November 3 2018	November 2 2019	November 3 2018
<b>Finance income</b>				
Interest income from cash and cash equivalents	\$ 1.9	\$ 1.4	\$ 3.9	\$ 3.1
Fair value gains on forward contracts	0.7	0.7	1.7	1.7
Interest income on lease receivables	5.8	-	11.9	-
Accretion income on loans and other receivables	0.1	0.1	0.2	0.3
<b>Total finance income</b>	<b>8.5</b>	<b>2.2</b>	<b>17.7</b>	<b>5.1</b>
<b>Finance costs</b>				
Interest expense on financial liabilities measured at amortized cost	20.9	20.3	45.4	41.4
Interest expense on lease liabilities	53.9	-	107.1	-
Net pension finance costs	2.2	2.9	4.4	5.9
Accretion expense on provisions	1.4	1.7	2.4	3.6
<b>Total finance costs</b>	<b>78.4</b>	<b>24.9</b>	<b>159.3</b>	<b>50.9</b>
<b>Finance costs, net</b>	<b>\$ 69.9</b>	<b>\$ 22.7</b>	<b>\$ 141.6</b>	<b>\$ 45.8</b>

**11. Earnings per share**

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	November 3 2018	November 2 2019	November 3 2018
Weighted average number of shares - basic	271,304,760	271,842,997	271,508,967	271,815,816
Shares deemed to be issued for no consideration in respect of stock-based payments	1,142,908	360,883	1,135,632	443,742
<b>Weighted average number of shares - diluted</b>	<b>272,447,668</b>	<b>272,203,880</b>	<b>272,644,599</b>	<b>272,259,558</b>

**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, Lawtons 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.

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

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	November 3 2018	November 2 2019	November 3 2018
<b>Segmented operating income</b>				
Food retailing	\$ 251.8	\$ 162.0	\$ 506.2	\$ 314.4
Investments and other operations				
Crombie REIT	24.3	5.0	37.5	25.3
Real estate partnerships	6.1	6.4	7.3	9.0
Other operations, net of corporate expenses	4.2	-	1.5	(0.6)
	34.6	11.4	46.3	33.7
<b>Total</b>	<b>\$ 286.4</b>	<b>\$ 173.4</b>	<b>\$ 552.5</b>	<b>\$ 348.1</b>

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

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	November 3 2018	November 2 2019	November 3 2018
Total operating income	\$ 286.4	\$ 173.4	\$ 552.5	\$ 348.1
Finance costs, net	69.9	22.7	141.6	45.8
<b>Total</b>	<b>\$ 216.5</b>	<b>\$ 150.7</b>	<b>\$ 410.9</b>	<b>\$ 302.3</b>

	November 2 2019	November 3 2018
<b>Total assets by segment</b>		
Food retailing	\$ 13,091.9	\$ 8,079.0
Investments and other operations	685.8	654.9
<b>Total</b>	<b>\$ 13,777.7</b>	<b>\$ 8,733.9</b>

### 13. Business acquisitions

During the quarter ended August 3, 2019, the Company finalized the purchase price allocation for Kim Phat, a Quebec based ethnic retailer acquired on July 19, 2018. No adjustments were made to the amounts disclosed in the audited consolidated financial statements for the fiscal year ended May 4, 2019. The Company has also made no further adjustments to the Farm Boy purchase price allocation disclosed in the audited consolidated financial statements for the fiscal year ended May 4, 2019. The Farm Boy purchase price allocation has been determined provisionally and is subject to change pending the finalization of the valuations and related accounting. The Farm Boy purchase price allocation is expected to be finalized by the end of the third quarter of fiscal 2020.

### 14. Financial instruments

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

Long-term debt	November 2, 2019	May 4, 2019	November 3, 2018
Total carrying amount	\$ 1,752.1	\$ 2,020.9	\$ 1,638.6
Total fair value	\$ 1,868.7	\$ 2,086.8	\$ 1,682.3

The fair value of the non-controlling interest put liabilities associated with the acquisitions of Farm Boy and Kim Phat is equivalent to the present value of the non-controlling interest buyout price which is based on the future earnings of these entities at a predetermined date. The initial and subsequent fair value measurement of the put liability is classified as Level 3 within the three-level hierarchy of IFRS 13 "Fair value measurement". Subsequent remeasurement is recorded through retained earnings.

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**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 certain 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 \$28.91 per PSU issued during the quarter and year-to-date ended November 2, 2019 was determined using the Black Scholes model with the following weighted average assumptions:

Share price	\$30.04
Expected life	2.86 years
Risk-free interest rate	1.40%
Expected volatility	27.64%
Dividend yield	1.34%

At November 2, 2019, there were 202,088 (November 3, 2018 - 328,975) PSUs outstanding. The compensation expense for the quarter and year-to-date ended November 2, 2019 related to PSUs was \$0.3 and \$0.8 respectively (November 3, 2018 - \$0.7 and \$1.4).

**Stock option plan**

During the period ended November 2, 2019, the Company granted 1,712,468 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 \$6.80 per option issued during the period was determined using the Black Scholes model with the following weighted average assumptions:

Share price	\$31.37
Expected life	6.78 years
Risk-free interest rate	1.39%
Expected volatility	23.97%
Dividend yield	1.45%

The compensation expense for the quarter and year-to-date ended November 2, 2019 related to the issuance of options was \$0.8 and \$1.8 respectively (November 3, 2018 - \$0.8 and \$1.6).

**Deferred stock unit plans**

Deferred stock units (“DSUs”) issued to employees under the Executive DSU Plan vest dependent on time and the achievement of certain performance measures. At November 2, 2019, there were 1,254,628 (November 3, 2018 - 1,084,368) DSUs outstanding related to this plan and the total carrying amount of the liability was \$25.5 (November 3, 2018 - \$10.8). The compensation expense recorded for the quarter and year-to-date ended November 2, 2019 related to DSUs was \$2.1 and \$9.1 respectively (November 3, 2018 - \$0.6 and \$3.5).

Members of the Board of Directors may elect to receive all or any portion of their fees in DSUs in lieu of cash. The number of DSUs received is determined by the market value of the Company’s Non-Voting Class A shares on each directors’ or employees’ fee payment date. At November 2, 2019, there were 269,049 (November 3, 2018 - 222,851) DSUs outstanding and the total carrying amount of the liability was \$9.3 (November 3, 2018 - \$5.2). The compensation (reversal) expense recorded for the quarter and year-to-date ended November 2, 2019 was \$ nil and \$1.7, respectively (November 3, 2018 - \$(0.1) and \$0.5).

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.

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**16. Transition to IFRS 16**

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

	<b>May 5, 2019</b>
<b>Assets - increase (decrease)</b>	
Current	
Prepaid expenses	\$ (43.4)
Loans and other receivables	53.6
Current assets	10.2
Loans and other receivables	519.0
Other assets	(7.3)
Property and equipment	(22.3)
Right-of-use assets	3,800.7
Intangibles	(126.7)
Deferred tax assets	127.3
Non-current assets	4,290.7
	<b>\$ 4,300.9</b>
<b>Liabilities - (increase) decrease</b>	
Current	
Provisions	\$ 7.4
Long-term debt due within one year	6.5
Lease liabilities due within one year	(424.4)
Current liabilities	(410.5)
Provisions	23.7
Long-term debt	22.6
Long-term lease liabilities	(4,569.6)
Other long-term liabilities	164.4
Deferred tax liabilities	36.5
Non-current liabilities	(4,322.4)
<b>Shareholders' equity - decrease</b>	
Retained earnings	432.0
	<b>\$ (4,300.9)</b>

The Company used its incremental borrowing rate as at May 5, 2019, to measure lease liabilities. The weighted average incremental borrowing rate is 4.3%. The weighted average lease term remaining as at May 5, 2019 is 13 years.

The following reconciliation is between lease liabilities recognized on May 5, 2019, and operating lease commitments disclosed under IAS 17 as at May 4, 2019, discounted using the weighted average incremental borrowing rate as at the date of initial application:

Operating lease commitments as at May 4, 2019	\$ 5,837.8
Historical lease payment net of onerous contract provisions recognized	31.1
Historical finance lease liabilities recognized	29.1
Adjustments as a result of change in lease term assumptions for sites with historical off market leases (net)	237.2
Adjustments as a result of change in lease term assumptions	253.4
Effect of discounting using the lessee's incremental borrowing rate	(1,394.6)
<b>Lease liabilities recognized as at May 5, 2019</b>	<b>\$ 4,994.0</b>

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As of November 2, 2019, changes in right-of-use assets are as follows:

	<b>Property</b>	<b>Other</b>	<b>Total</b>
Opening value as at May 5, 2019	\$ 3,784.7	\$ 16.0	\$ 3,800.7
Additions	140.9	32.3	173.2
Depreciation	(171.8)	(2.6)	(174.4)
<b>Closing balance as at November 2, 2019</b>	<b>\$ 3,753.8</b>	<b>\$ 45.7</b>	<b>\$ 3,799.5</b>

As of November 2, 2019, net finance costs includes \$107.1 of finance expense related to lease liabilities and \$11.9 of finance income related to finance subleases.

As of November 2, 2019, the Company completed four sale and leaseback transactions to third parties which resulted in a right-of-use adjustment of \$4.5.

### **17. Related party transactions**

The Company enters into related party transactions with Crombie REIT 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 3, 2019, Sobeys, through a wholly-owned subsidiary, sold 50% of a property to Crombie REIT for cash consideration of \$9.5. This resulted in a pre-tax gain of \$1.5, which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

On May 28, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 15 property portfolio to a third party purchaser which closed on October 7, 2019. Sobeys and Crombie REIT entered into lease amending agreements on properties disposed where Sobeys was a lessee to secure longer contractual terms, as well as additional option terms on the sites. As consideration for these amendments, Crombie REIT agreed to pay an aggregate amount to Sobeys over a period of three years. As of November 2, 2019, Sobeys has accrued \$6.5 in current and long-term receivables related to these amounts.

### **18. Employee future benefits**

During the quarter and year-to-date ended November 2, 2019, the net employee future benefits expense reported in net earnings was \$12.5 and \$25.1 respectively (November 3, 2018 - \$13.3 and \$27.1). Actuarial gains (losses) before taxes on defined benefit pension plans for the quarter and year-to-date ended November 2, 2019 were \$16.0 and \$(14.0) respectively (November 3, 2018 - \$(3.5) and \$18.1). These gains (losses) have been recognized in other comprehensive income.