
Empire Company Limited
Interim Condensed Consolidated Financial Statements
January 30, 2021

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

	January 30 2021	May 2 2020	February 1 2020
ASSETS			
Current			
Cash and cash equivalents	\$ 784.3	\$ 1,008.4	\$ 537.2
Receivables	521.0	535.3	532.2
Inventories (Note 4)	1,525.1	1,489.4	1,459.7
Prepaid expenses	87.5	113.1	95.6
Leases and other receivables	84.1	68.4	75.3
Income taxes receivable	39.3	34.8	37.1
Assets held for sale	-	6.1	19.5
	<u>3,041.3</u>	<u>3,255.5</u>	<u>2,756.6</u>
Leases and other receivables	547.2	580.8	585.8
Investments, at equity (Note 5)	568.8	607.5	577.5
Other assets	23.6	28.7	28.5
Property and equipment	2,935.3	2,883.4	2,780.8
Right-of-use assets	4,610.5	4,033.5	3,961.0
Investment property	170.5	114.0	107.9
Intangibles	942.5	968.8	948.2
Goodwill	1,576.5	1,573.7	1,571.6
Deferred tax assets	546.2	587.0	655.0
	<u>\$ 14,962.4</u>	<u>\$ 14,632.9</u>	<u>\$ 13,972.9</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 2,741.2	\$ 2,951.9	\$ 2,471.6
Income taxes payable	63.6	23.2	18.5
Provisions	59.6	48.7	63.1
Long-term debt due within one year (Note 6)	47.2	570.0	590.8
Lease liabilities due within one year	484.3	466.2	422.4
	<u>3,395.9</u>	<u>4,060.0</u>	<u>3,566.4</u>
Provisions	51.2	54.7	54.7
Long-term debt (Note 6)	1,124.1	1,105.2	1,094.7
Long-term lease liabilities	5,404.7	4,800.0	4,761.6
Other long-term liabilities	87.9	97.5	121.0
Employee future benefits	306.2	304.1	300.7
Deferred tax liabilities	195.8	197.5	222.0
	<u>10,565.8</u>	<u>10,619.0</u>	<u>10,121.1</u>
SHAREHOLDERS' EQUITY			
Capital stock (Note 7)	1,992.6	2,013.2	2,013.0
Contributed surplus	22.6	23.2	21.5
Retained earnings	2,250.4	1,872.1	1,722.7
Accumulated other comprehensive income	15.1	16.1	13.9
	<u>4,280.7</u>	<u>3,924.6</u>	<u>3,771.1</u>
Non-controlling interest	115.9	89.3	80.7
	<u>4,396.6</u>	<u>4,013.9</u>	<u>3,851.8</u>
	<u>\$ 14,962.4</u>	<u>\$ 14,632.9</u>	<u>\$ 13,972.9</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		39 Weeks Ended	
	January 30	February 1	January 30	February 1
	2021	2020	2021	2020
Sales	\$ 7,018.7	\$ 6,395.2	\$ 21,348.3	\$ 19,575.8
Other income (Note 8)	4.5	16.5	47.9	42.5
Share of earnings from investments, at equity	20.2	17.9	35.9	63.5
Operating expenses				
Cost of sales	5,214.8	4,837.5	15,944.7	14,762.0
Selling and administrative expenses	1,508.2	1,357.1	4,482.9	4,132.3
Operating income	320.4	235.0	1,004.5	787.5
Finance costs, net (Note 9)	65.9	68.5	202.7	210.1
Earnings before income taxes	254.5	166.5	801.8	577.4
Income tax expense	67.2	45.6	220.9	153.4
Net earnings	\$ 187.3	\$ 120.9	\$ 580.9	\$ 424.0
Earnings for the period attributable to:				
Non-controlling interest	\$ 11.0	\$ 0.4	\$ 51.3	\$ 18.3
Owners of the Company	176.3	120.5	529.6	405.7
	\$ 187.3	\$ 120.9	\$ 580.9	\$ 424.0
Earnings per share (Note 10)				
Basic	\$ 0.66	\$ 0.45	\$ 1.97	\$ 1.50
Diluted	\$ 0.66	\$ 0.45	\$ 1.96	\$ 1.49
Weighted average number of common shares outstanding, in millions (Note 10)				
Basic	268.1	269.7	268.7	270.9
Diluted	269.1	270.6	269.7	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	
	January 30	February 1	January 30	February 1
	2021	2020	2021	2020
Net earnings	\$ 187.3	\$ 120.9	\$ 580.9	\$ 424.0
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net earnings				
Unrealized gains (losses) on derivatives designated as cash flow hedges (Note 11)	0.3	-	1.0	(0.7)
Reclassification of gains on derivatives designated as cash flow hedges to earnings	-	(0.2)	-	(0.2)
Share of other comprehensive income (loss) of investments, at equity (Note 11)	-	0.1	(0.1)	0.5
Exchange differences on translation of foreign operations (Note 11)	(0.7)	0.5	(1.9)	(0.4)
	(0.4)	0.4	(1.0)	(0.8)
Items that will not be reclassified subsequently to net earnings				
Actuarial gains (losses) on defined benefit plans (Note 11)	4.3	(5.4)	(5.2)	(15.7)
Total comprehensive income	\$ 191.2	\$ 115.9	\$ 574.7	\$ 407.5
Total comprehensive income for the period attributable to:				
Non-controlling interest	\$ 11.0	\$ 0.4	\$ 51.3	\$ 18.3
Owners of the Company	180.2	115.5	523.4	389.2
	\$ 191.2	\$ 115.9	\$ 574.7	\$ 407.5

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	Contributed	Accumulated	Retained	Total	Non-	Total
	Stock	Surplus	Other	Earnings	Attributable	controlling	Equity
			Comprehensive		to Owners of	Interest	
			Income		the Company		
Balance as at May 5, 2019	\$ 2,042.6	\$ 25.2	\$ 14.7	\$ 1,488.8	\$ 3,571.3	\$ 79.7	\$ 3,651.0
Dividends declared on common shares	-	-	-	(97.4)	(97.4)	-	(97.4)
Equity based compensation, net	3.7	(3.7)	-	-	-	-	-
Repurchase of capital stock (Note 7)	(35.4)	-	-	(64.6)	(100.0)	-	(100.0)
Shares held in trust, net	2.1	-	-	-	2.1	-	2.1
Capital transactions with structured entities	-	-	-	-	-	(15.4)	(15.4)
Transactions with owners	(29.6)	(3.7)	-	(162.0)	(195.3)	(15.4)	(210.7)
Net earnings	-	-	-	405.7	405.7	18.3	424.0
Revaluation of put options	-	-	-	5.9	5.9	(1.9)	4.0
Other comprehensive loss	-	-	(0.8)	(15.7)	(16.5)	-	(16.5)
Total comprehensive (loss) income for the period	-	-	(0.8)	395.9	395.1	16.4	411.5
Balance at February 1, 2020	\$ 2,013.0	\$ 21.5	\$ 13.9	\$ 1,722.7	\$ 3,771.1	\$ 80.7	\$ 3,851.8
Balance at May 3, 2020	\$ 2,013.2	\$ 23.2	\$ 16.1	\$ 1,872.1	\$ 3,924.6	\$ 89.3	\$ 4,013.9
Dividends declared on common shares	-	-	-	(104.8)	(104.8)	-	(104.8)
Equity based compensation, net	1.8	(0.6)	-	-	1.2	-	1.2
Repurchase of capital stock (Note 7)	(24.7)	-	-	(48.3)	(73.0)	-	(73.0)
Shares held in trust, net	2.3	-	-	-	2.3	-	2.3
Capital transactions with structured entities	-	-	-	-	-	(21.4)	(21.4)
Transactions with owners	(20.6)	(0.6)	-	(153.1)	(174.3)	(21.4)	(195.7)
Net earnings	-	-	-	529.6	529.6	51.3	580.9
Revaluation of put options	-	-	-	7.0	7.0	(3.3)	3.7
Other comprehensive loss	-	-	(1.0)	(5.2)	(6.2)	-	(6.2)
Total comprehensive (loss) income for the period	-	-	(1.0)	531.4	530.4	48.0	578.4
Balance at January 30, 2021	\$ 1,992.6	\$ 22.6	\$ 15.1	\$ 2,250.4	\$ 4,280.7	\$ 115.9	\$ 4,396.6

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

Empire Company Limited Condensed Consolidated Statements of Cash Flows Unaudited (in millions of Canadian dollars)	13 Weeks Ended		39 Weeks Ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Operations				
Net earnings	\$ 187.3	\$ 120.9	\$ 580.9	\$ 424.0
Adjustments for:				
Depreciation	195.0	174.6	568.5	522.4
Income tax expense	67.2	45.6	220.9	153.4
Finance costs, net (Note 9)	65.9	68.5	202.7	210.1
Amortization of intangibles	18.1	17.3	56.4	54.7
Net gain on disposal of assets and lease terminations	(1.0)	(12.1)	(35.4)	(29.8)
Impairment reversal of non-financial assets, net	(2.5)	(1.8)	(0.9)	(3.5)
Amortization of deferred items	(0.1)	(0.6)	1.4	0.8
Equity in earnings of other entities, net of distributions received	13.0	18.5	36.4	14.3
Employee future benefits	(2.7)	(3.5)	(5.0)	(6.9)
Increase (decrease) in long-term provisions	5.0	(3.2)	(5.3)	(17.4)
Equity based compensation	2.5	1.6	7.4	4.2
Net change in non-cash working capital	77.2	63.8	(185.9)	(96.8)
Income taxes paid, net	(45.8)	(9.1)	(144.8)	(27.7)
Cash flows from operating activities	<u>579.1</u>	<u>480.5</u>	<u>1,297.3</u>	<u>1,201.8</u>
Investment				
Property, equipment and investment property purchases	(143.7)	(133.2)	(448.5)	(393.7)
Additions to intangibles	-	(15.9)	-	(42.8)
Proceeds on disposal of assets and lease terminations	24.0	85.5	64.0	166.3
Leases and other receivables, net	1.3	(2.7)	(11.4)	2.5
Other assets and other long-term liabilities	(2.2)	18.1	(0.4)	21.7
Business acquisitions	(2.2)	(1.6)	(10.4)	(5.8)
Payments received for finance subleases	19.7	19.2	52.7	56.5
Interest received	0.7	1.5	4.5	5.4
Cash flows used in investing activities	<u>(102.4)</u>	<u>(29.1)</u>	<u>(349.5)</u>	<u>(189.9)</u>
Financing				
Issuance of long-term debt	17.3	19.1	66.9	64.1
Repayments of long-term debt	(5.6)	(23.6)	(57.1)	(77.6)
Repayments of credit facilities, net	(181.8)	(61.9)	(514.3)	(293.1)
Interest paid	(6.0)	(13.1)	(38.7)	(56.5)
Payments of lease liabilities (principal portion)	(107.1)	(99.4)	(258.3)	(291.4)
Payments of lease liabilities (interest portion)	(56.3)	(53.6)	(171.2)	(160.7)
Repurchase of Non-Voting Class A shares (Note 7)	(70.9)	(48.0)	(73.0)	(100.0)
Dividends paid, common shares	(34.8)	(32.3)	(104.8)	(97.4)
Non-controlling interest	(2.8)	(5.7)	(21.4)	(15.4)
Cash flows used in financing activities	<u>(448.0)</u>	<u>(318.5)</u>	<u>(1,171.9)</u>	<u>(1,028.0)</u>
Increase (decrease) in cash and cash equivalents	28.7	132.9	(224.1)	(16.1)
Cash and cash equivalents, beginning of period	<u>755.6</u>	<u>404.3</u>	<u>1,008.4</u>	<u>553.3</u>
Cash and cash equivalents, end of period	<u>\$ 784.3</u>	<u>\$ 537.2</u>	<u>\$ 784.3</u>	<u>\$ 537.2</u>

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

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
January 30, 2021
(in millions of Canadian dollars, except share and per share amounts)

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 January 30, 2021 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 January 30, 2021, 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 2, 2020, 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 9, 2021.

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 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, judgments and assumptions

The preparation of the unaudited interim condensed consolidated financial statements requires management to make estimates, judgments 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 2, 2020 and remain unchanged for the period ended January 30, 2021.

The novel coronavirus pandemic continues to have a significant impact on the Company. The Company’s financial results show increased sales, driven by increased demand for food retailing product. Additional costs were incurred during the period, and continue to be incurred, for safety and sanitization measures. The full economic impact that the pandemic is having and will continue to have on the Company remains uncertain and is dependent on the duration of the virus.

Empire Company Limited
Notes to the Unaudited Interim Condensed Consolidated Financial Statements
January 30, 2021
(in millions of Canadian dollars, except share and per share amounts)

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 2, 2020.

Standards, amendments and interpretations issued but not yet adopted

In May 2020, the IASB issued a package of narrow-scope amendments to three standards (IFRS 3, "Business Combinations"; IAS 16, "Property, Plant and Equipment"; and IAS 37, "Provisions, Contingent Liabilities and Contingent Assets") as well as the IASB's Annual Improvements to IFRS Standards 2018 - 2020. These amendments to existing IFRS standards are to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. These amendments are effective for annual periods beginning on or after January 1, 2022. The Company is assessing the potential impact of these narrow-scope amendments.

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, "Presentation of Financial Statements"). The narrow-scope amendment affects only the presentation of liabilities in the statement of financial position and not the amount or timing of recognition. Specifically, it clarifies:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least 12 months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- that "settlement" refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

These amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted. The Company is assessing the potential impact of this narrow-scope amendment.

4. Inventories

The cost of inventories recognized as an expense for the period and year-to-date ended January 30, 2021 was \$5,214.8 and \$15,944.7 respectively (February 1, 2020 - \$4,837.5 and \$14,762.0). The Company recorded an expense for the year-to-date ended January 30, 2021 of \$2.1 (February 1, 2020 - \$2.1) for write-down of inventories below cost to net realizable value for inventories on hand.

5. Investments, at equity

	January 30 2021	February 1 2020
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	\$ 473.2	\$ 472.3
Canadian real estate partnerships	81.4	85.5
U.S. real estate partnerships	11.0	13.3
Joint ventures	3.2	6.4
Total	\$ 568.8	\$ 577.5

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

	January 30 2021	February 1 2020
Crombie REIT	\$ 934.7	\$ 1,007.4

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

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

6. Long-term debt

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

	13 Weeks Ended		39 Weeks Ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Opening balance	\$ 1,341.3	\$ 1,752.1	\$ 1,675.2	\$ 1,991.8
Issuance of debt	17.3	19.1	66.9	64.1
Repayments of long-term debt	(5.6)	(23.6)	(57.1)	(77.6)
Repayments of credit facilities, net	(181.8)	(61.9)	(514.3)	(293.1)
Total cash flow used in long-term debt financing	(170.1)	(66.4)	(504.5)	(306.6)
Deferred financing costs	0.1	(0.2)	0.6	0.3
Closing balance	\$ 1,171.3	\$ 1,685.5	\$ 1,171.3	\$ 1,685.5
Current			\$ 47.2	\$ 590.8
Non-current			1,124.1	1,094.7
Total			\$ 1,171.3	\$ 1,685.5

7. Capital stock

On June 18, 2020, the Company renewed its normal course issuer bid ("NCIB") by filing a notice of intention with the TSX to purchase for cancellation up to 5.0 million Non-Voting Class A shares representing approximately 3.0% of the Non-Voting Class A shares outstanding. The purchase will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. Purchases could commence on July 2, 2020 and shall terminate not later than July 1, 2021.

On June 27, 2019, the Company filed a notice of intent with the TSX to purchase for cancellation up to 3.5 million Non-Voting Class A shares representing approximately 2.0% of shares outstanding.

The following table recognizes activities under the NCIB:

	13 weeks ended		39 weeks ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Number of shares	1,989,317	1,519,829	2,044,817	2,997,583
Weighted average price	\$ 35.64	\$ 31.60	\$ 35.69	\$ 33.36
Reduction of share capital	\$ 24.0	\$ 17.8	\$ 24.7	\$ 35.4
Premium charged to retained earnings	46.9	30.2	48.3	64.6
Cash consideration paid	\$ 70.9	\$ 48.0	\$ 73.0	\$ 100.0

In fiscal 2020, the Company entered into an automatic share purchase plan with its designated broker allowing the purchases of Non-Voting Class A shares for cancellation under its normal course issuer bid program during trading black-out periods.

Subsequent to the period ended January 30, 2021, the Company purchased for cancellation 732,943 Non-Voting Class A shares at a weighted average price of \$36.88.

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

8. Other income

	13 Weeks Ended		39 Weeks Ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Net gain on disposal of assets and lease terminations	\$ 1.0	\$ 12.1	\$ 35.4	\$ 29.8
Lease income from owned property	3.5	4.4	12.5	12.7
Total	\$ 4.5	\$ 16.5	\$ 47.9	\$ 42.5

9. Finance costs, net

	13 Weeks Ended		39 Weeks Ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Finance income				
Interest income on lease receivables	\$ 5.8	\$ 6.1	\$ 18.2	\$ 18.0
Interest income from cash and cash equivalents	0.7	1.5	4.5	5.4
Fair value gains on forward contracts	1.1	0.9	3.3	2.6
Accretion income on leases and other receivables	0.1	0.2	0.3	0.4
Total finance income	7.7	8.7	26.3	26.4
Finance costs				
Interest expense on lease liabilities	56.3	53.6	171.2	160.7
Interest expense on other financial liabilities at amortized cost	14.8	21.0	50.0	66.4
Pension finance costs, net	1.9	2.3	6.0	6.7
Accretion expense on provisions	0.6	0.3	1.8	2.7
Total finance costs	73.6	77.2	229.0	236.5
Finance costs, net	\$ 65.9	\$ 68.5	\$ 202.7	\$ 210.1

10. Earnings per share

	13 Weeks Ended		39 Weeks Ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Weighted average number of shares - basic	268,123,182	269,723,690	268,730,672	270,915,257
Shares deemed to be issued for no consideration in respect of stock-based payments	927,040	879,010	925,673	1,056,423
Weighted average number of shares used in diluted earnings per share	269,050,222	270,602,700	269,656,345	271,971,680

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

11. Income taxes recognized in other comprehensive income

Income tax (benefit) expense recognized in other comprehensive income is as follows:

	13 Weeks Ended		39 Weeks Ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Unrealized (losses) gain on derivatives designated as cash flow hedges	\$ (0.2)	\$ -	\$ (0.4)	\$ 0.3
Share of other comprehensive income (loss) of investments, at equity	-	-	0.1	(0.2)
Exchange differences on translation of foreign operations	(0.2)	0.7	(0.5)	-
Actuarial (losses) gains on defined benefit plans	(1.6)	2.0	1.9	5.7
Total	\$ (2.0)	\$ 2.7	\$ 1.1	\$ 5.8

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: Atlantic, Farm Boy, Lawtons, Ontario, Quebec, and West. 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	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Segmented operating income				
Food retailing	\$ 300.4	\$ 217.3	\$ 971.5	\$ 723.5
Investments and other operations				
Crombie REIT	9.1	6.9	20.9	44.4
Real estate partnerships	11.7	10.5	16.9	17.8
Other operations, net of corporate expenses	(0.8)	0.3	(4.8)	1.8
	20.0	17.7	33.0	64.0
Total	\$ 320.4	\$ 235.0	\$ 1,004.5	\$ 787.5

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

	13 Weeks Ended		39 Weeks Ended	
	January 30 2021	February 1 2020	January 30 2021	February 1 2020
Total operating income	\$ 320.4	\$ 235.0	\$ 1,004.5	\$ 787.5
Finance costs, net	65.9	68.5	202.7	210.1
Total	\$ 254.5	\$ 166.5	\$ 801.8	\$ 577.4

	January 30 2021	February 1 2020
Total assets by segment		
Food retailing	\$ 14,312.7	\$ 13,301.6
Investments and other operations	649.7	671.3
Total	\$ 14,962.4	\$ 13,972.9

13. Financial instruments

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

Long-term debt	January 30 2021	May 2 2020	February 1 2020
Total carrying amount	\$ 1,171.3	\$ 1,675.2	\$ 1,685.5
Total fair value	\$ 1,404.4	\$ 1,832.2	\$ 1,855.0

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 fair value of these options is classified as Level 3 within the three-level hierarchy of IFRS 13, "Fair value measurement".

14. 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 service over 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 \$30.64 per PSU issued during the year-to-date ended January 30, 2021 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$31.91
Expected life	2.80 years
Risk-free interest rate	0.31%
Expected volatility	32.16%
Dividend yield	1.46%

At January 30, 2021, there were 297,058 (February 1, 2020 - 233,765) PSUs outstanding. The compensation expense for the period and year-to-date ended January 30, 2021 related to PSUs was \$1.0 and \$2.9 respectively (February 1, 2020 - \$0.3 and \$1.1).

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Stock option plan

During the year-to-date ended January 30, 2021, the Company granted 925,509 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 \$7.19 per option issued during the year-to-date ended January 30, 2021 was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	\$30.90
Expected life	4.74 years
Risk-free interest rate	0.36%
Expected volatility	31.49%
Dividend yield	1.46%

The compensation expense for the period and year-to-date ended January 30, 2021 related to the issuance of options was \$1.5 and \$4.5 respectively (February 1, 2020 - \$1.3 and \$3.1).

Deferred stock unit plans

Deferred stock units ("DSU") issued to employees under the Executive DSU Plan vest dependent on service over time and the achievement of certain performance measures. At January 30, 2021, there were 1,466,349 (February 1, 2020 - 1,254,092) DSUs outstanding related to this plan and the total carrying amount of the liability was \$40.3 (February 1, 2020 - \$25.0). The compensation expense for the period and year-to-date ended January 30, 2021 related to DSUs was \$0.7 and \$14.5 respectively (February 1, 2020 - \$(0.5) and \$8.6).

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 January 30, 2021, there were 350,819 (February 1, 2020 - 287,662) DSUs outstanding and the total carrying amount of the liability was \$12.4 (February 1, 2020 - \$8.8). The compensation expense (reversal) recorded for the period and year-to-date ended January 30, 2021 was \$0.2 and \$3.0 respectively (February 1, 2020 - \$(0.3) and \$1.4).

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.

15. Related party transactions

The Company enters into related party transactions with Crombie REIT including ongoing leases and property management agreements. The Company holds a 41.5% (2020 - 41.5%) ownership interest in Crombie REIT and accounts for its investment using the equity method.

Crombie REIT has instituted a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. The Company has enrolled in the DRIP to maintain its economic and voting interest in Crombie REIT.

During the period ended January 30, 2021, Sobeys, through a wholly-owned subsidiary, sold and leased back one property to Crombie REIT for cash consideration of \$17.1 resulting in a pre-tax gain of \$0.9.

During the period ended August 1, 2020, Sobeys, through a wholly-owned subsidiary, sold and leased back one property to Crombie REIT for cash consideration of \$2.9 resulting in a pre-tax gain of \$ nil.

During the period ended February 1, 2020, Sobeys, through a wholly-owned subsidiary, sold and leased back 50% of a distribution centre to Crombie REIT for cash consideration of \$95.7. This resulted in a pre-tax gain of \$9.0. Subsequent to this transaction Crombie REIT owns 100% of the property.

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 January 30, 2021, Sobeys has accrued a total of \$2.2 in current receivables related to these amounts.

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During the period ended August 3, 2019, Sobeys, through a wholly-owned subsidiary, sold 50% of a property to Crombie REIT for cash consideration of \$9.5 resulting in a pre-tax gain of \$1.5.

16. Employee future benefits

During the period and year-to-date ended January 30, 2021, the net employee future benefits expense reported in net earnings was \$12.0 and \$37.3 respectively (February 1, 2020 - \$12.4 and \$37.5). Actuarial gains (losses) before taxes on defined benefit pension plans for the period and year-to-date ended January 30, 2021 were \$5.9 and \$(7.1) respectively (February 1, 2020 - \$(7.4) and \$(21.4)). These gains (losses) have been recognized in other comprehensive income.