EMPIRE
COMPANY LIMITED

Our Heroes

Annual Report 2020

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing and related real estate. With approximately $26.6 billion in annual sales and $14.6 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 127,000 people.

Financial Highlights

SALES
($ in billions)

5.5%
10-year CAGR[3]

3.8%
3-year CAGR

ADJUSTED EBITDA[1]
($ in millions)

8.7%
10-year CAGR

33.4%
3-year CAGR

ADJUSTED NET EARNINGS[1][2]
($ in millions)

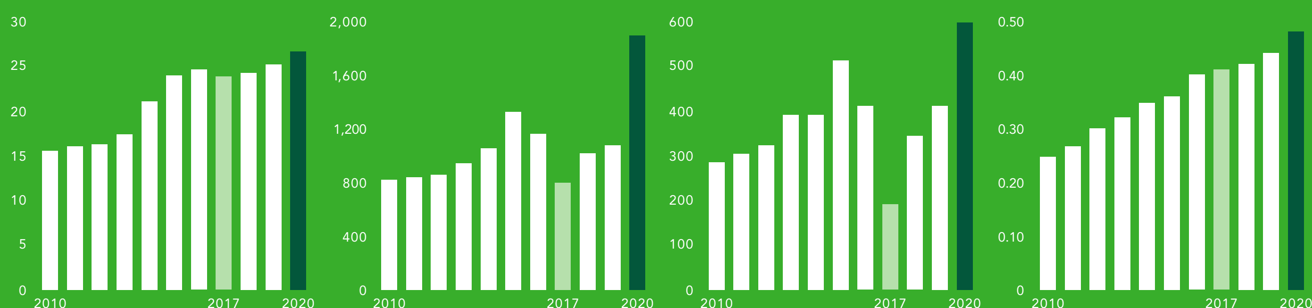
7.7%
10-year CAGR

46.1%
3-year CAGR

DIVIDENDS
($ per share)

6.9%
10-year CAGR

5.4%
3-year CAGR

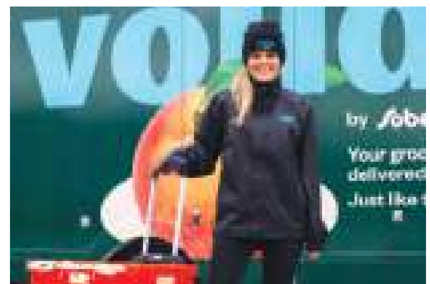


	52 weeks ended			
($ in millions, except per share amounts)	**May 2, 2020**	May 4, 2019	May 5, 2018	May 6, 2017
Sales	**$ 26,588.2**	$ 25,142.0	$ 24,214.6	$ 23,806.2
Operating income	**1,111.8**	652.3	346.5	333.0
Adjusted operating income[1]	**1,130.1**	683.6	601.7	378.5
EBITDA[1]	**1,892.4**	1,069.5	785.7	777.2
Adjusted EBITDA[1]	**1,892.4**	1,076.2	1,014.7	796.9
Net earnings[2]	**583.5**	387.3	159.5	158.5
per share (fully diluted)	**2.15**	1.42	0.59	0.58
Adjusted net earnings[1][2]	**596.8**	410.0	344.3	191.3
per share (fully diluted)	**2.20**	1.50	1.27	0.70
Book value per common share[1]	**14.51**	14.72	13.62	13.40
Dividends per share	**0.48**	0.44	0.42	0.41

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of the Management's Discussion and Analysis.
(2) Attributable to owners of the Company.
(3) Compound annual growth rate.

Our Heroes

In a year of unprecedented challenge, our frontline teammates worked tirelessly as essential service providers to help families across Canada put food on their tables throughout the COVID-19 pandemic. Times of crisis test the limits of a team. As our team worked around the clock to establish a new normal in our stores, we learned that we are stronger and more capable than we ever imagined. We could not be prouder of our teammates' passion, dedication and resilience.



Message from the Chair

2020 presented many challenges for people around the world and for our company. Our thoughts are with all of those affected by COVID-19 and their loved ones. COVID-19, in addition to being the most pressing health threat of our time, had a ripple effect on global trade, tested food supply chains to their utmost limits, and required all sectors to act quickly and creatively in implementing new health, safety and business protocols. Despite these many challenges, Empire and our team of more than 127,000 teammates across Canada had an exceptional year. It's a testament to the strength and agility of our entire workforce that Empire was able to thrive as a business through one of the hardest periods in our history.

Our Performance

Our cornerstone investments, Sobeys Inc. and Crombie REIT, both performed incredibly well this year, resulting in a very successful fiscal 2020 for Empire.

Fiscal 2020 marked the overwhelmingly successful conclusion of our transformative three-year strategic plan, Project Sunrise. At the same time, while management was restoring our business and positioning it for a strong future, we accelerated our key strategic growth initiatives meaningfully. In December 2017, we announced plans to expand our FreshCo discount format into Western Canada through the conversion of up to 25% of our underperforming Safeway and Sobeys full-service stores in the market. To date, we opened 18 FreshCo stores in Western Canada and we are on track to open approximately 65 locations within our projected five-year timeframe. We also partnered with Ocado to bring a game-changing grocery e-commerce solution to Canada and acquired Farm Boy, the fastest-growing grocery retailer in Canada.

I am grateful for the unwavering support of our long-term shareholders throughout, who endorsed our bold and transformative agenda and our innovative growth initiatives. Their unflagging confidence in Empire's leadership positions us for a robust, exciting future. We are so fortunate to have their support as we embark on our next three-year strategic plan, one that promises to surpass its predecessor in scope, ambition and fresh thinking. This year, we felt particularly fortunate to have the benefit of the many years of wisdom and experience of our patriarchs, David and Donald Sobey, as they watched over us from an appropriate social distance!

Our Teammates

The pandemic and its aftershocks will be felt throughout the world for some time to come. I am incredibly proud of the way our teams across the country stepped up for Canadians during this crisis. When put to the test, we excelled amid extreme uncertainty due to the exceptional efforts of our united team and our strong shared values, which helped to guide our actions. In the face of unprecedented challenges in the back half of fiscal 2020, teammates at every level of our business worked diligently and went the extra mile as essential service providers. Our people give this company a solid foundation that is unbeatable in Canada's grocery industry.

In particular, we could not have made it through this difficult year without the tenacity, dedication and resilience of our store and distribution centre teammates. Their response to the global pandemic has been nothing short of heroic. It's because of these store heroes that Empire and its family of banners emerged as a leader during this crisis. Throughout the early days of the pandemic, our teammates marshalled all of their energy and passion – and then some – to keep our stores clean and our shelves stocked. Through some very challenging days, they continued to welcome customers warmly and created an environment that was safe, reassuring and supportive. Their unflagging dedication to helping fellow Canadians get through this crisis is the reason we were able to keep our doors open and provide Canadian families with needed essentials through the pandemic.

Our Community Support

As a retailer, Empire prides itself as one big family that nurtures families across the nation. Our 113-year history with the Sobey family has been especially resonant during the challenging times we've faced this year. It is incredibly powerful to see the Sobey family and the business working together harder than ever, tirelessly showing up to help communities in need across Canada.

As a company with a long history of giving back, we realized quickly that local communities from coast to coast needed us more than ever during the pandemic. Our frontline teammates sprang into action to help local causes in the early days of the crisis, culminating in the Community Action Fund. The Fund, aided by our frontline teams, allows our 1,500 stores to direct millions of dollars towards local community needs, working directly with food banks, community organizations, provincial bodies and municipalities across the country. I want to thank our teammates and volunteers in community food networks across the country whose extraordinary efforts have made food and essentials available to Canadians in need.

The events of recent months have also brought our country's diversity and inclusion challenges to the fore. Canada's challenges with systemic racism are in the spotlight and it's time for change. The Black community, Indigenous community and many others are demanding change. And they deserve to be heard. The change they are demanding is necessary and important.

Companies such as ours not only have the power to create change, we have a duty to pursue it. Diversity and inclusion have been an important priority within our company for many years. However, we recognize that we need to do more. Our goal is to redouble our community support efforts in diversity and inclusion and take action at all levels of our business to ensure that we eliminate systemic racism and bias.

Donald and David Sobey, sitting six feet apart in front of their portraits and their brother Bill Sobey's portrait, at Crombie House, June 2020.

In addition to reaching a high-water mark in our community initiatives, fiscal 2020 also marked our biggest sustainability initiative to date at Empire. Our commitment to this vital effort is stronger than ever. As the first national retailer in Canada to eliminate plastic grocery bags from our stores, we also took a number of key steps to reduce plastic in our supply chain, introducing reusable mesh bags in the produce aisle, piloting tomato bulk bins to reduce plastic packaging and liaising with key suppliers to develop more sustainable packaging solutions for the future.

These initiatives won't slow down. Our legacy demands that we lead the way as a values-based corporate citizen.

Our Legacy

For 113 years, Sobeys Inc. has been on a journey with Canadian families, helping feed and support our customers and communities from coast to coast. We joined Canadians in mourning the victims of an unimaginable mass tragedy in our home province of Nova Scotia. With a long and storied history in the province, we feel it intensely when tragedy hits close to home. We remain very proud of our heritage and we will always honour our roots. We are incredibly proud of how community members and teammates came together to support each other during these dark days.

The events of this year tested the limits of our country, our communities and our company. These challenges served to unite us and highlighted Empire's greatest strengths in its people, industry innovation and community support. I would like to thank Michael Medline, our President and CEO, for his leadership through this pandemic and every member of Empire's team for their passion, dedication and agile actions throughout. Their incredible efforts have delivered remarkable results. We are very fortunate to have Michael at the helm of our organization and we are grateful to him and the entire team for working so diligently to put us in a position of stability and strength.

Sincerely,

signed "James M. Dickson"

James M. Dickson
Chair, Empire Company Limited
July 24, 2020

Message from the CEO

Michael Medline at the Sobeys Inc. Mississauga office, celebrating the Thunder Bay 2020 Special Olympics Canada Winter Games in February with athletes and parents.

Our people – our heroes – define us. Standing strong on the success of Project Sunrise, Empire has taken the offense. We're ready to win with Project Horizon.

Together, as a team, we will win the next generation of grocery retail in Canada.

Q You were in the home stretch, ready to bring Project Sunrise home when a global pandemic hit. How did Empire deal with this unprecedented challenge?

Fiscal 2020 was an historic year for Empire even before the terrible COVID-19 pandemic arrived. As a company that got its start delivering meat to people's homes, we have survived through the Spanish Flu, two world wars, and multiple recessions, but few events have tested our limits like this. The lessons of this difficult period not only confirmed what a great team we have at Empire, but also proved how exceptional we can be when faced with something truly formidable. Amid this crisis, we brought home the final phase of our three-year Project Sunrise plan, transforming the business into a focused, more productive retailer that moves with velocity and leads with innovation.

Thanks to our strong team, we took on 2020 with determination, agility and a positive spirit. The challenges we have faced coping with this terrible virus remind us of what Empire has done best through our history. It's through our strong teamwork that we truly shine. Our frontline store leaders, franchisee partners and our store and distribution teammates are the true lifeblood of this organization. They are our heroes.

A teammate at our Safeway Bonavista store in Calgary said it best in a poster she created in March for her store's team to help them through this crisis. The poster's central message read: "Tough times don't last. Tough teams do." That became our rallying cry for 2020.

Q Operating as an essential service was uncharted territory for Empire. Canada truly rallied around our teammates and celebrated their bravery and commitment to serve their communities. What did you and the leadership team focus on to navigate the crisis early on?

Safety was – and continues to be – our number one priority. From the start, we moved quickly to keep our stores safe and healthy for our teammates and our customers. As an essential service working ceaselessly to put food on families' tables across Canada, we implemented a number of new measures to keep our teammates and our customers safe. For example, we were the first to erect plexiglass screens in all our grocery, pharmacy, fuel and liquor locations nationally. We introduced Senior Shopping Hour. We implemented industry-leading physical distancing standards. We were also proud to recognize our frontline heroes with a competitive Hero Pay program during the height of the pandemic.

Our second priority was to keep our shelves stocked. We collaborated with our great supplier partners on a range of creative solutions to keep our stores replenished in a time of unprecedented demand. We diverted eggs, flour and meat from the foodservice industry to make those available to our customers quickly and safely. Our distribution centres shifted to 24/7 operations, managing greater than Christmas-like volumes for weeks on end.

Our third priority was to support our local communities. In times like this, it is our responsibility to step up and support the communities we serve. To help Canadians in need, we quickly launched a new Community Action Fund to deliver emergency aid to thousands of local community charities across Canada. We empowered our frontline store teams, who know their communities best, to donate directly to their local communities. This resulted in an immediate infusion of resources at the grassroots level.

Our incredible 127,000 teammates from coast to coast made these extraordinary achievements possible. Those who saw their roles put on hold because of the pandemic quickly volunteered to assist teams working overtime in the crisis, stepping up to keep our shelves stocked. At all levels of the business, our team members worked around the clock at an exhausting pace to serve Canadian families. They never wavered. They showed an exemplary resilience and a willingness to go that extra mile for customers. As we close the chapter on this challenging year, I could not be prouder to be on their team.

We are also deeply grateful for the outpouring of goodwill from our customers across Canada who reached out to our teams through letters, emails and gestures of support this year. We could not have persevered through this without their support.

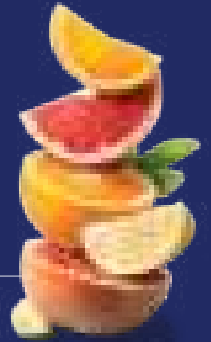
Q Are you pleased with Empire's overall performance through Project Sunrise?

When we launched Project Sunrise three years ago, we committed to refashion this company from the ground up. Not only did we succeed, but we executed beyond even our own expectations. Every initiative was delivered on time. We met or exceeded all of our financial targets.

Project Sunrise has put us in a position to act with agility and to lead industry trends. We reset our foundation, transitioning from a regional to a national structure. We leveraged our purchasing scale, adopted best practices, and standardized our operational processes across the country, boosting our bottom line. We also sharpened our leadership team. We developed a more accountable culture. The final piece of Project Sunrise was a sweeping category reset program – one of the toughest, most successful projects in our company's history that put our underlying cost base on an even playing field with our competitors. Through all of this, we removed over $550 million of costs from our business and when reviewing the improvements of Project Sunrise, our adjusted EBITDA margin grew by 160 basis points and we had a 47% CAGR on our adjusted earnings per share.

We're very pleased with our results but we know we have more to do. We will capitalize on all of this positive momentum with Project Horizon, our new three-year plan.

Year in Review



Fiscal 2020 was an historic year for Empire. The Company's proudest achievements include:

FreshCo Expansion

In fiscal 2018, Sobeys announced plans to convert approximately 25% of the Company's underperforming Safeway and Sobeys locations in Western Canada to its winning discount format, FreshCo, over five years. To date, 28 locations have been confirmed, now covering all four provinces in Western Canada.

Farm Boy Growth

The Company is on track to double the size of the Farm Boy business in Ontario and the Greater Toronto Area. To date, 31 Farm Boy locations are operating across the province, serving customers a mouth-watering lineup of farm-fresh produce, butcher-quality meats, artisanal cheeses, tasty ready-to-go meals and beloved house-branded prepared products.

Sustainability Sets the Bar

Sobeys was the first national grocery retailer to remove plastic bags from its stores, taking 225 million bags per year out of circulation in a drive to remove unnecessary plastic from the supply chain.

The Company also tested innovation by diverting 720,000 plastic bags from landfills to make public waterfront benches and picnic tables along the shores of Atlantic Canada, and paving the parking lot at a new Sobeys store in Halifax, Nova Scotia with plastic bags.

Smart Cart Innovation

Sobeys brought the first intelligent shopping cart to Canada with Sobeys Smart Cart, a tech-enhanced one-stop shopping cart that scans, weighs and allows customers to pay for products. Customers can skip the checkout line with this fun, interactive shopping experience.

Farm Meets Grocery Aisle with Infarm

Infarm's small "vertical farms" produce fresh, nutritious and flavourful herbs all year round and without the use of chemical pesticides – right from the produce aisle. The vertical farms dramatically reduce transportation-related carbon emissions, using less water, transportation and fertilizer than industrial agriculture. Infarm is now available at select Safeway stores.

Q Fiscal 2020 was a major year for Empire on many fronts. Given the multiple factors in play, how did the company fare financially?

This was a rewarding year for Empire. Not only did we successfully complete Project Sunrise – our three-year transformation – but we became an essential service overnight, transforming our business to ensure we could safely put food on the nation's tables. We spared no expense in our bid to keep Canadians safe. We invested millions of dollars to enhance store safety and recognize the extraordinary efforts of our frontline heroes during the early stages of the pandemic.

At the same time, we added over $1 billion to our top line. We strengthened our margin. We successfully completed Project Sunrise, exceeding the target. We grew our EPS by approximately 45% and we continue to close the EBITDA gap to our competitors. These results reflect the success of Project Sunrise, the impact of COVID-19, and the hard work of all 127,000 of our teammates across the country.

Q While you were bringing home Project Sunrise, what other key strategic initiatives were in flight this year?

We pushed many of our strategic initiatives further this year. With *Voilà by Sobeys*, we brought the best online grocery home delivery program in the world to Canadians. Canadians dove right in to online shopping through the pandemic and ultimately, those customers will stay with the online grocers that consistently deliver an exceptional experience. About two-and-a-half years ago, we made a very smart choice to partner with Ocado, the world's leading grocery e-commerce platform. Now, we're in the best possible position to win e-commerce in Canada.

At the same time, bricks-and-mortar stores will continue to rule grocery retail for a very long time. We're on a mission to make ours even more appealing to customers. In fiscal 2020, we were the first retailer in Canada to pilot a "smart" shopping cart, equipped with technology to speed up shopping trips and excite our customers. And we won't stop testing new, bold ways to bring more loyal customers through our doors in the future.

We also hit significant new milestones through our FreshCo and Farm Boy expansions. We opened ten FreshCo stores in Western Canada in fiscal 2020. Farm Boy continues to be our weapon for winning market share in Ontario. In fiscal 2020, we increased Farm Boy's footprint in key urban regions of Ontario, opening three new locations, and you'll see us open more stores of this great format next year.

Q How do you believe Empire's core values helped it stand above the rest in fiscal 2020?

Our legacy and purpose, as a family-owned business, is that of a family supporting other families across this nation, fulfilling essential needs and giving back to our communities. Our core values are foundational to who we are. We foster a culture of care, trust and respect for each other and for our customers.

We listened to our customers when they said they wanted us to eliminate unnecessary plastics from our food supply chain. In fiscal 2020, we were proud to introduce the first phase of a sustainability program that answers their needs, as the first national grocer to eliminate plastic bags from our Sobeys and IGA stores in January, with others to follow.

We redoubled our efforts to give back to the communities we serve through critical local efforts such as our Community Action Fund. I was so humbled this year when The Sobey Foundation provided a generous donation to our Community Action Fund. The Sobey family founded our company's great spirit of community giving 113 years ago, and today, they continue to be an incredible champion of community philanthropy.

Finally, we took concrete steps to renew our diversity efforts at all levels of the business to address the crucial and important call for action on racial injustice and inequity, focused on anti-Black and anti-Indigenous racism. Working internally with our teammates and with the right experts, we are taking productive steps forward to confront these issues head-on at Empire.

Q Any final comments?

This year will go on record as one of the most difficult years for us as a country. At Empire, what we take from this experience affirms everything we know about Canadians and our country's true commitment to supporting one another. I believe we have the strongest team in Canadian retail. This year clearly reinforced how essential our service is to families across the nation. We continue to adapt to the challenges of this time; we are energized about our strong runway to the future.

Unfortunately, this pandemic won't be over tomorrow. We're committed to continue to be a safe and trustworthy place to shop for our customers. We will be relentless in our focus on Project Horizon. Just like Project Sunrise, Project Horizon is an ambitious plan. I have unending confidence that we have the right team to continue our positive trajectory over the next three years. And along the way, we will continue to take meaningful action as a responsible corporate citizen for all of our teammates, customers, communities and the planet. After this year, I've come to believe there's nothing we can't do together.

The unwavering support and commitment of our terrific Board of Directors and our leadership team continues to push Empire to new heights. Our great chairman, Jim Dickson, believed in our ambitious plan three years ago and he continues to support us as we strive higher for the next three years.

I'll close by thanking our millions of customers for treating our teammates with so much respect and support throughout this challenging year. Canadian families rely on us to feed them. This year, that bond has grown in unimaginable ways. We will continue to provide the families we serve with the most exciting food experiences, while keeping them safe. At Empire, we truly are *a family nurturing families*.

signed "Michael Medline"

Michael Medline
President & Chief Executive Officer, Empire Company Limited
July 24, 2020

COVID-19 Response

At the start of the COVID-19 pandemic, Empire transformed into an essential service overnight, implementing industry-leading safety protocols. Teammates at all levels of the business worked around the clock to serve Canadians and gave back to those in need of help through the local Community Action Fund.

Community ActionFund

Voilà by Sobeys Launch

This summer, the Company brought the best online grocery delivery service in the world to the Greater Toronto Area. *Voilà by Sobeys* fulfils orders from a state-of-the-art customer fulfilment centre that uses robots to pack orders. The vast selection of products have affordable prices, no hidden fees, a freshness guarantee and arrive within a one-hour delivery window.

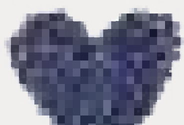
We Are on a Journey to Make a Big Impact

For the families of today and the families of the future

We nourish millions of people across Canada with our quality products, in-store offerings, operations and contributions to our local communities. We take responsibility for the impact we have on our communities and on the planet. We are proud to share fiscal 2020 highlights across the three pillars of our Corporate Responsibility framework.

We are proud to share our stories and our progress on our Corporate Responsibility efforts at www.SobeysCRreport.ca

People



Create a more diverse and inclusive workforce that enables us to help build healthy communities.

Community Investment

47,000+
athletes with an intellectual disability with Special Olympics Canada empowered

1,500
unique acts of support through the Community Action Fund

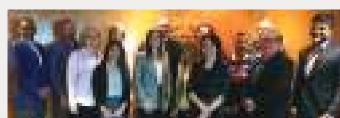
900+ communities supported from coast to coast

Diversity & Inclusion

5
industry leading Inclusion awards

70% of senior leaders have completed the *Strengthening Our Inclusive Leadership* program

10% growth rate year over year in representation of women at Vice President and Senior Vice President levels



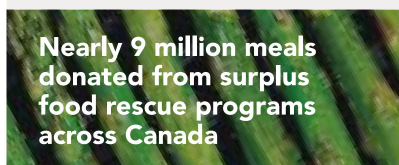
Members of the Sobeys Diversity and Inclusion Council

Planet

Reduce our environmental impact, enhance our resilience to climate change and do OurPart™ to protect our planet for future generations.

Waste Reduction

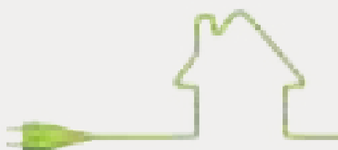
225 million
plastic checkout bags removed from circulation from our Sobeys banner



Nearly 9 million meals donated from surplus food rescue programs across Canada

Climate Action

57 million+ kWh
saved in our stores and warehouses through our Energy Efficiency Initiative. This is equal to powering 5,200 average Canadian homes for one year

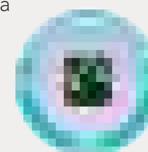


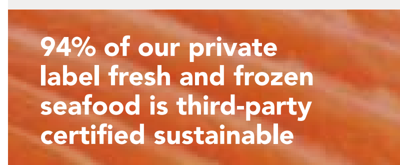
Products

Serve the needs of our customers by doing OurPart™ to provide sustainable and ethical product choices.

Sustainable Sourcing

2020
Business Innovator of the Year as recognized by Fairtrade Canada





94% of our private label fresh and frozen seafood is third-party certified sustainable

Sustainable Sourcing

2,900+
new products from local growers and producers added

Directors of Empire Company Limited

Cynthia Devine[2][5][7]
Toronto, Ontario
Director since 2013
Chief Financial Officer, Maple Leaf Sports & Entertainment

James M. Dickson
Halifax, Nova Scotia
Director since 2015
Chair of Empire Company Limited
Counsel, Stewart McKelvey

Sharon Driscoll[1]
Vancouver, British Columbia
Director since 2018
Chief Financial Officer, Ritchie Bros. Auctioneers Inc.

Gregory Josefowicz[3]
Fennville, Michigan, USA
Director since 2016
Corporate Director

Sue Lee[3]
Vancouver, British Columbia
Director since 2014
Corporate Director

William Linton[4][5][7]
Toronto, Ontario
Director since 2015
Corporate Director

Michael Medline
Toronto, Ontario
Director since 2017
President & Chief Executive Officer, Empire Company Limited and Sobeys Inc.

Martine Reardon[1][5][7]
New York, New York, USA
Director since 2017
Corporate Director

Frank C. Sobey[5]
Pictou County, Nova Scotia
Director since 2007
Corporate Director

John R. Sobey[1]
Pictou County, Nova Scotia
Director since 1979
Corporate Director

Karl R. Sobey[3]
Halifax, Nova Scotia
Director since 2001
Corporate Director

Paul D. Sobey[5]
Pictou County, Nova Scotia
Director since 1993
Corporate Director

Rob G.C. Sobey[3][5]
Stellarton, Nova Scotia
Director since 1998
Corporate Director

Martine Turcotte[1][6][8]
Verdun, Québec
Director since 2012
Corporate Director

(1) Audit Committee member
(2) Audit Committee chair
(3) Human Resources Committee member
(4) Human Resources Committee chair
(5) Corporate Governance Committee member
(6) Corporate Governance Committee chair
(7) Nominating Committee member
(8) Nominating Committee chair

To learn more, please visit
www.empireco.ca/governance

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The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) and its subsidiaries, including wholly-owned Sobeys Inc. ("Sobeys") for the fourth quarter and fiscal year ended May 2, 2020 compared to the fourth quarter and fiscal year ended May 4, 2019. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended May 2, 2020, and the fiscal year ended May 4, 2019. Additional information about the Company, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.empireco.ca.

The audited consolidated financial statements and the accompanying notes are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars ("CAD"). These consolidated financial statements include the accounts of Empire and its subsidiaries and structured entities which the Company is required to consolidate. The information contained in this MD&A is current to June 17, 2020, unless otherwise noted.

Forward-Looking Information

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, and the number, location, feasibility and timing of construction and conversions, all of which may be impacted by the novel coronavirus ("COVID-19" or "pandemic"), construction schedules and permits, the economic environment and labour relations;
- The Company's expectations regarding the implementation and customer launch of its online grocery home delivery service and that it will have a dilutive impact of $0.05 on adjusted earnings per share in the first quarter of fiscal 2021, which may be impacted by COVID-19, the customer response to the service and the performance of its business partner, Ocado Group plc ("Ocado");
- The Company's anticipation that a percentage of food consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores, which may be impacted by the duration of the shutdown due to COVID-19, the severity of the pandemic on people's health across Canada, the ability for restaurants and hospitality businesses to re-open and resume operations, and the demand for restaurants and hospitality services when they resume;
- The Company's expectation that selling and administrative expenses could increase approximately $60 million in the first quarter of fiscal 2021 due to additional investments and expenses required to respond to COVID-19, which may be impacted by the duration of the shutdown due to COVID-19, the severity of the pandemic on people's health across Canada, and safety precautions required;
- The Company's expected contributions to its registered defined benefit plans, which could be impacted by fluctuations in capital markets;
- The Company's expectation that it will renew its credit facilities before their expiry which may be impacted by availability of debt in the market;
- The Company's plans to purchase for cancellation Non-Voting Class A shares under the normal course issuer bid which may be impacted by market and economic conditions, availability of sellers, changes in laws and regulations, and the results of operations; and
- The Company's expectation that its cash and cash equivalents on hand, unutilized credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the economic environment.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company's current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.

Overview of the Business

Empire's key businesses and financial results are segmented into two reportable segments: (i) Food retailing; and (ii) Investments and other operations. With approximately $26.6 billion in annual sales and $14.6 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 127,000 people.

FOOD RETAILING

Empire's Food retailing segment is carried out through Sobeys, a wholly-owned subsidiary. Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. Sobeys owns, affiliates or franchises more than 1,500 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, Farm Boy and Lawtons Drugs as well as more than 350 retail fuel locations.

Strategic Focus[1]

The Company is preparing to announce its strategy for the next three years in July 2020. The Company's current strategy includes the following elements:

(i) Reset Our Foundation
The Company successfully completed its three-year transformation, named Project Sunrise, exceeding management's initial expectations of $500 million in net benefits.

In the fourth quarter of fiscal 2017, the Company launched Project Sunrise, a three-year transformation intended to simplify organizational structures and reduce costs. The Company realized approximately $100 million of these benefits during fiscal 2018 through organizational design, strategic sourcing cost reductions and improvements in store operations. In fiscal 2019, the Company realized a further approximate $200 million of benefits, driven by initial rollouts of category resets and cost reductions in other areas. In fiscal 2020, the Company achieved over $250 million of in-year benefits, excluding the impact of COVID-19, for a cumulative benefit of over $550 million, an increase of over $50 million compared to original projections for the three-year program. These in-year benefits for fiscal 2020 were driven by the completion of the category reset program, continued cost reductions and operational improvements.

(ii) Bolster Our Brand
The Company is focused on improving customer connection with its banner brands and differentiating these brands in a highly competitive marketplace. New brand strategies have been developed and launched in-market for Sobeys and Safeway during fiscal 2020. The new FreshCo 2.0 brand has been launched across Ontario and is continuing to be rolled out with each new location opened in Western Canada.

(iii) Win in Our Stores
The Company's full-service format stores are a key area of focus. Through category resets, a key element of Project Sunrise, the Company has assessed all product categories nationally to ensure stores have the items customers want most. Category resets were completed in the second quarter and savings continued to appear in results throughout fiscal 2020. Management has completed many operational improvements in stores and within the supply chain and expects to continue implementing operational improvements into fiscal 2021. These operational improvements are expected to enhance customer experience through improved execution and better in-stock, spoilage and shrinkage levels, merchandising and marketing.

(iv) Enhance Discount
In December 2017, Sobeys announced plans to expand its discount format to Western Canada and expects to convert up to 25% of its 255 Safeway and Sobeys full-service format stores in Western Canada to its FreshCo discount format. The Company continues to be on track to open approximately 65 locations within the initial five-year time frame.

28 FreshCo locations have been confirmed:

- 17 stores are open and operating as at June 17, 2020:
  - 15 in British Columbia ("B.C.")
  - 2 in Manitoba
- 11 stores are expected to open in fiscal 2021:
  - 4 in Saskatchewan
  - 4 in Manitoba
  - 2 in Alberta
  - 1 in B.C.

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

Of the 17 stores operating as at June 17, 2020, four were opened subsequent to the end of the quarter.

As at June 17, 2020, five full-service format stores in Western Canada remain closed pending conversion to the FreshCo discount banner, four of which were closed in the fourth quarter of fiscal 2020.

All FreshCo stores in Western Canada and Ontario are branded with the new, evolved FreshCo 2.0 look which offers customers a strong discount and value experience

(v) Fill the Urban Gap

The Company is focused on increasing its market share in urban markets through a two-pronged approach of introducing an industry leading grocery e-commerce platform to Canadians and rapidly growing the number of Farm Boy locations in Ontario.

On April 27, 2020, the Company began testing *Voilà by Sobeys*, its new online grocery home delivery service for the Greater Toronto Area ("GTA"). The customer launch of *Voilà* was accelerated to meet the rapidly increasing online grocery demand from customers for home delivery. The Company will begin delivering to customers in the month of June in several areas of the GTA and will continue its phased rollout to customers across the GTA over the next several months.

Construction of *Voilà's* second Customer Fulfilment Centre ("CFC") in Montreal was delayed due to the temporary shutdown of non-essential construction in Quebec due to COVID-19. Construction has resumed and the Company is working to make up for these delays and analyzing the impact on its previously disclosed launch date of 2021. This second CFC will support the launch of *Voilà par IGA* which will serve Ottawa and cities in the province of Quebec.

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the store network throughout Ontario with the Company planning to double the store count in five years, mostly in the GTA. Since the date of the acquisition, the Company has opened five additional stores. Of the five stores operating as at June 17, 2020, four were newly constructed and one was converted from an existing Company-owned store. During the third quarter, Farm Boy announced seven additional locations. Farm Boy's private label is a part of *Voilà's* offering, introducing more Canadians to this growing brand.

(vi) Invest in Innovation

The Company is investing in innovation – continuing to put resources in place needed to drive innovation in the business. In line with this commitment to innovation, the Company has developed a roadmap and launched targeted initiatives to leverage advanced analytics and artificial intelligence to drive smarter merchandising decisions, improve store efficiency and deliver more relevant customer communication to accelerate its growth.

Other Significant Items

COVID-19

The recent COVID-19 outbreak has resulted in restrictions by government authorities and the encouragement for Canadians to stay at home, leading to increased safety protocols in stores and distribution centres, shifts in consumer demand and consumption, and volatile financial markets. The Company has taken a proactive approach, mobilizing a cross-functional pandemic planning task force with a mandate to monitor, and effectively mitigate, risks posed to employees, customers and the business. Management's top priorities remain the health and safety of employees, customers and communities while maintaining a resilient supply chain to meet the needs of Canadians and supporting charitable organizations. Throughout this period, Empire has moved with urgency to invest in increased safety and sanitization products and procedures to ensure customers and employees are protected while shopping and working in stores. Management is closely monitoring the impact of the pandemic on food retail around the world and continues to learn from best practices.

COVID-19 and related restrictions materially impacted the Company's operating results and financial performance in the fourth quarter of fiscal 2020. Same-store sales growth excluding fuel in the fourth quarter was 18.0%, substantially driven by changing customer shopping patterns throughout the pandemic including a shift in consumption from restaurants and hospitality businesses to grocery stores. Sales were significantly higher in all formats except fuel. Fuel sales for the quarter decreased by approximately 40% due to a combination of lower demand and a sharp decrease in fuel prices. The Company introduced its "Hero Pay" program for frontline employees in stores and distribution centres, increasing employee compensation to reflect the work of employees serving customers. The temporary Hero Pay program was completed on June 13, 2020. The Company also provided frontline and distribution centre employees with a one-time bonus, equal to two weeks of Hero Pay. Gross margin increased in line with the increase in sales volume. Investments in employees and communities, primarily Hero Pay, combined with additional safety and sanitization expenses, increased selling and administrative expenses by approximately $80 million in the fourth quarter of fiscal 2020, partially offsetting the positive effect of increased sales.

Management had previously expected that capital expenditures in fiscal 2020 would be approximately $600 million. However, due to the shutdown of non-essential construction in select provinces, several projects were put on hold and as a result, the Company invested $574.8 million in capital expenditure in fiscal 2020.

The future impact of COVID-19 is uncertain and dependent on the duration, the spread and intensity of the virus, and ultimately, when a vaccine is widely accessible. The Company's balance sheet continues to remain strong with significant free cash flow available. As of May 2, 2020, Empire had $1,008 million in cash and cash equivalents, and had access to approximately $761 million in unutilized, aggregate credit facilities that do not expire until fiscal 2023. In addition, non-revolving credit facilities of approximately $525 million expire at the end of calendar 2020, and the Company anticipates renewing these facilities before their expiry.

Business Acquisition

On September 24, 2018, the Company, through a subsidiary, signed an agreement to acquire the business of Farm Boy, a food retailer with a network of 26 stores in Ontario, for a total purchase price of $800 million. Following clearance of regulatory conditions, the transaction closed on December 10, 2018.

Farm Boy is managed as a separate company within Empire and Farm Boy's co-CEOs, together with members of the Farm Boy 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 including options for Sobeys to acquire the remaining 12% at any time after five years following the acquisition date. As a result, a non-controlling interest has been recognized at the date of acquisition, as well as a financial liability of $70 million, based on the present value of the amount payable on exercise of the non-controlling interest put liability in accordance with IFRS 9 "Financial instruments". The non-controlling interest put liability is calculated based on the amount payable upon exercise based on management's best estimate of future earnings of Farm Boy 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.

The Company financed the transaction through a combination of cash on hand and a new $400 million senior, unsecured non-revolving credit facility.

Store Closure, Conversion and Labour Buyout Costs

In the first quarter of fiscal 2020, the Company expensed $21.0 million (2019 – $ nil) in closure and conversion costs. These costs relate to the conversion of ten Safeway locations to FreshCo stores and the conversion of two Company locations to Farm Boy stores. Of the $21.0 million, $3.7 million was reversed in the second quarter.

In the prior fiscal year, provisions totalling $45.0 million were recognized related to store conversions and labour buyouts. Of the $45.0 million, $6.1 million was reversed in the second quarter of the current year and an additional $4.2 million was reversed in the fourth quarter.

The reversals in fiscal 2020 were attributable to revised estimates relating to store conversions and labour buyouts. As a result, the net fiscal 2020 expense was $7.0 million (2019 – $45.0 million).

INVESTMENTS AND OTHER OPERATIONS

Empire's Investments and other operations segment, as of May 2, 2020, included:

1. A 41.5% (41.5% fully diluted) equity accounted interest in Crombie Real Estate Investment Trust ("Crombie REIT") (TSX: CRR.UN), an Ontario registered, unincorporated, open-ended real estate investment trust. Crombie REIT is one of the country's leading national retail property landlords with a strategy to own, operate and develop a portfolio of high-quality grocery and pharmacy-anchored shopping centres, freestanding stores and mixed-use developments primarily in Canada's top urban and suburban markets; and
2. A 40.7% equity accounted interest in Genstar Development Partnership, a 48.6% equity accounted interest in Genstar Development Partnership II, a 39.0% equity accounted interest in GDC Investments 4, L.P., a 39.0% equity accounted interest in GDC Investments 6, L.P., a 39.0% equity accounted interest in GDC Investments 7, L.P., a 37.1% equity accounted interest in GDC Investments 8, L.P., and a 49.0% equity accounted interest in The Fraipont Partnership (collectively referred to as "Genstar"). Genstar is a residential property developer with operations in select markets in Ontario, Western Canada and the United States.

Outlook

The pandemic has fundamentally impacted how Canadians shop for food. Canadians are shopping less frequently and with larger basket sizes to reduce exposure to COVID-19. With this shift in shopping behaviour, many are gravitating to one-stop-shop grocery stores that meet all their household needs and online grocery.

In Canada, online grocery sales have more than tripled since before COVID-19. Empire's e-commerce businesses in Quebec and B.C. have experienced exponential growth and have septupled sales since the crisis began. Empire's automated centrally picked grocery e-commerce solution is expected to be favourably impacted by the material increase in online grocery penetration. *Voilà*, powered by Ocado's technology, will have its customer launch in the month of June. It is expected that *Voilà* will have a dilutive impact of $0.05 on adjusted earnings per share on the first quarter of fiscal 2021 as it ramps up its operations.

As Canada and the world adapt and progress in these unprecedented times, it is too early to forecast sales in the medium term. Management continues to anticipate a percentage of the consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores.

During the first six weeks of the first quarter of fiscal 2021, Empire's same-store sales growth, excluding fuel, ranged from 9% to 17%, averaging approximately 13%. Growth was slower towards the end of the six-week period. The temporary Hero Pay program was completed on June 13, 2020. The Company also provided frontline and distribution centre employees with a one-time bonus, equal to two weeks of Hero Pay. Empire estimates the investment in Hero Pay for the first part of the quarter combined with the cost of maintaining sanitization and safety measures will increase selling and administrative expenses approximately $60 million in the first quarter of fiscal 2021.

Summary Results – Fourth Quarter

($ in millions, except per share amounts)	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019	$ Change	% Change
Sales	$ 7,012.4	$ 6,220.4	$ 792.0	12.7%
Gross profit[1]	1,819.5	1,577.5	242.0	15.3%
Operating income	324.3	194.2	130.1	67.0%
Adjusted operating income[1]	328.9	200.3	128.6	64.2%
EBITDA[1]	527.8	300.1	227.7	75.9%
Adjusted EBITDA[1]	527.8	300.1	227.7	75.9%
Finance costs, net	69.0	21.2	47.8	225.5%
Income tax expense	66.5	44.1	22.4	50.8%
Non-controlling interest	11.0	6.8	4.2	61.8%
Net earnings[2]	177.8	122.1	55.7	45.6%
Adjusted net earnings[1][2]	181.2	126.5	54.7	43.2%
Basic earnings per share				
Net earnings[2]	$ 0.66	$ 0.45		
Adjusted net earnings[2]	$ 0.67	$ 0.47		
Basic weighted average number of shares outstanding (in millions)	269.0	271.9		
Diluted earnings per share				
Net earnings[2]	$ 0.66	$ 0.45		
Adjusted net earnings[2]	$ 0.67	$ 0.46		
Diluted weighted average number of shares outstanding (in millions)	269.7	272.8		
Dividend per share	$ 0.12	$ 0.11		

Consolidated operating results as a % of sales	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019
Gross margin[1]	25.9%	25.4%
Adjusted operating income	4.7%	3.2%
EBITDA	7.5%	4.8%
Adjusted EBITDA	7.5%	4.8%
Adjusted net earnings[2]	2.6%	2.0%

	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019
Same-store sales[1] growth	15.0%	3.2%
Same-store sales growth, excluding fuel	18.0%	3.8%
Effective income tax rate	26.0%	25.5%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Attributable to owners of the Company.

IFRS 16 IMPACT

The table below outlines the impact of the adoption of IFRS 16 "Leases" ("IFRS 16") on certain financial metrics for the quarter ended May 2, 2020. For additional detail on how IFRS 16 impacts the Company, please refer to the "Accounting Standards and Policies" section of this MD&A.

	13 Weeks Ended				
($ in millions, except per share amounts)	**May 2, 2020**	May 4, 2019	Change	Impact of IFRS 16[1]	Change (excl. IFRS 16)
Operating income	$ **324.3**	$ 194.2	$ 130.1	$ 47.9	$ 82.2
Adjusted operating income	**328.9**	200.3	128.6	47.9	80.7
EBITDA	**527.8**	300.1	227.7	141.2	86.5
Adjusted EBITDA	**527.8**	300.1	227.7	141.2	86.5
EBITDA margin[2]	**7.5%**	4.8%	2.7%	2.0%	0.7%
Adjusted EBITDA margin[2]	**7.5%**	4.8%	2.7%	2.0%	0.7%
Finance costs, net	**69.0**	21.2	47.8	50.2	(2.4)
Net earnings[3]	**177.8**	122.1	55.7	(1.6)	57.3
Adjusted net earnings[3]	**181.2**	126.5	54.7	(3.2)	57.9
Adjusted EPS[2][4] (fully diluted)	**0.67**	0.46	0.21	(0.01)	0.22

(1) Reflects the impact of changing accounting standards from IAS 17 "Leases" to IFRS 16 in the first quarter of fiscal 2020, including the fourth quarter add back of $3.5 million ($2.6 million after tax) in historical straight-line expense under IAS 17.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(3) Attributable to owners of the Company.
(4) Earnings per share ("EPS").

EMPIRE COMPANY LIMITED CONSOLIDATED OPERATING RESULTS

Empire's results for the fourth quarter ended May 2, 2020 and the fourth quarter ended May 4, 2019 include Farm Boy operations. All metrics, including same-store sales, include the consolidation of Farm Boy operations.

Sales

Same-store sales for the first weeks of the fourth quarter were strong, reflecting an improving trend that began in the latter half of the third quarter. Starting on February 28, 2020, the Company experienced significantly higher sales in all formats except fuel. Sales further accelerated from March 8, 2020 onward as customers began to stock up in preparation for possible stay-at-home requirements. By March 22, 2020, the sales intensity began to subside, although still significantly above prior year levels. For the two-week period beginning March 8, 2020, same-store sales growth excluding fuel peaked at approximately 50%. Same-store sales growth, excluding fuel and the impact of the Easter period, stabilized at a lower level of approximately 23% for the quarter.

Overall, sales for the quarter ended May 2, 2020 increased by 12.7% driven by the impact of COVID-19 on the food retailing segment, the expansion of FreshCo in Western Canada and inflation. These increases were partially offset by lower fuel sales as a result of COVID-19 and temporary store closures in Western Canada pending their conversion to FreshCo.

Gross Profit

Gross profit for the fourth quarter increased by 15.3% primarily as a result of the impact of COVID-19 on sales and category reset benefits. These increases were partially offset by temporary store closures in Western Canada pending their conversion to FreshCo. Gross margin for the quarter increased to 25.9% from 25.4% last year. The increase was primarily a result of category reset benefits, the effect of COVID-19 sales mix changes between banners, a less promotional environment and higher private label penetration. These positive effects were partially offset by service department closures and regulatory changes impacting the pharmacy business.

Operating Income

	13 Weeks Ended		$
($ in millions)	**May 2, 2020**	May 4, 2019	Change
Consolidated operating income:			
Food retailing	$ **316.7**	$ 164.0	$ 152.7
Investments and other operations:			
Crombie REIT	**6.3**	22.9	(16.6)
Genstar	**2.3**	1.5	0.8
Other operations, net of corporate expenses	**(1.0)**	5.8	(6.8)
	7.6	30.2	(22.6)
Operating income	$ **324.3**	$ 194.2	$ 130.1
Adjustments:			
Intangible amortization associated with the Canada Safeway acquisition	$ **4.6**	$ 6.1	
	4.6	6.1	(1.5)
Adjusted operating income	$ **328.9**	$ 200.3	$ 128.6

For the quarter ended May 2, 2020, operating income increased mainly due to improved earnings from the Food retailing segment as a result of higher sales and margins driven by the impact of COVID-19, category reset benefits and a gain on the surrender of a lease, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of increased retail labour costs to support the higher level of sales volume. The increased retail labour costs are largely due to the Company's Hero Pay program for frontline employees in stores and distribution centres which increased employee compensation to reflect the heroic work of the Company's employees serving customers and related retail incentive costs. The increases in selling and administrative expenses were partially offset by the implementation of IFRS 16 and cost savings achieved from Project Sunrise.

Operating income from the Investments and other operations segment decreased as a result of reduced equity earnings from Crombie REIT driven by lower gains on disposal of investment properties compared to the prior year. In the fourth quarter of the prior year, Crombie REIT sold a 26 property portfolio that contributed an additional $8.4 million to the Company's equity earnings from Crombie REIT and $6.4 million in Other operations, reflecting the reversal of previously deferred gains on disposal on properties previously sold to Crombie REIT.

EBITDA

For the quarter ended May 2, 2020, EBITDA increased to $527.8 million from $300.1 million in the prior year mainly as a result of the same factors affecting operating income. Excluding the impact of IFRS 16, EBITDA would have been $386.6 million, an increase of $86.5 million. Adjusted EBITDA margin was 7.5%. Excluding the impact of the implementation of IFRS 16, adjusted EBITDA margin increased by 70 basis points over the prior year.

Finance Costs

For the quarter ended May 2, 2020, net finance costs increased primarily due to the impact of lease finance expenses as a result of the implementation of IFRS 16. Excluding the impact of IFRS 16, net finance costs for the quarter would have been $18.8 million, a decrease of $2.4 million compared to the prior year.

Income Taxes

The effective income tax rate for the fourth quarter ended May 2, 2020 was 26.0% compared to 25.5% last year. The current quarter effective tax rate was lower than the statutory rate primarily due to favourable tax treatment of capital gains and differing tax rates of various entities. The effective rate in the prior year was lower than the statutory rate due to capital gains on property dispositions and differing tax rates of various entities.

Net Earnings

The following is a reconciliation of net earnings to adjusted net earnings:

	13 Weeks Ended		$
($ in millions, except per share amounts)	May 2, 2020	May 4, 2019	Change
Net earnings[1]	$ 177.8	$ 122.1	$ 55.7
EPS (fully diluted)	$ 0.66	$ 0.45	
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	3.4	4.4	
	3.4	4.4	(1.0)
Adjusted net earnings[1]	$ 181.2	$ 126.5	$ 54.7
Adjusted EPS (fully diluted)	$ 0.67	$ 0.46	
Diluted weighted average number of shares outstanding (in millions)	269.7	272.8	

(1) Attributable to owners of the Company.

Operating Results – Full Year

($ in millions, except per share amounts)	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	2020 Compared to 2019 $ Change	2020 Compared to 2019 % Change
Sales	$ 26,588.2	$ 25,142.0	$ 24,214.6	$ 1,446.2	5.8%
Gross profit	6,633.3	6,083.6	5,900.5	549.7	9.0%
Operating income	1,111.8	652.3	346.5	459.5	70.4%
Adjusted operating income	1,130.1	683.6	601.7	446.5	65.3%
EBITDA	1,892.4	1,069.5	785.7	822.9	76.9%
Adjusted EBITDA	1,892.4	1,076.2	1,014.7	816.2	75.8%
Finance costs, net	279.1	91.6	110.5	187.5	204.7%
Income tax expense	219.9	144.3	56.2	75.6	52.4%
Non-controlling interest	29.3	29.1	20.3	0.2	0.7%
Net earnings[(1)]	583.5	387.3	159.5	196.2	50.7%
Adjusted net earnings[(1)]	596.8	410.0	344.3	186.8	45.6%
Basic earnings per share					
Net earnings[(1)]	$ 2.16	$ 1.42	$ 0.59		
Adjusted net earnings[(1)]	$ 2.21	$ 1.51	$ 1.27		
Basic weighted average number of shares outstanding (in millions)	270.4	271.9	271.8		
Diluted earnings per share					
Net earnings[(1)]	$ 2.15	$ 1.42	$ 0.59		
Adjusted net earnings[(1)]	$ 2.20	$ 1.50	$ 1.27		
Diluted weighted average number of shares outstanding (in millions)	271.4	272.6	272.1		
Dividend per share	$ 0.48	$ 0.44	$ 0.42		

Consolidated operating results as a % of sales	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018
Gross margin	24.9%	24.2%	24.4%
Adjusted operating income	4.3%	2.7%	2.5%
EBITDA	7.1%	4.3%	3.2%
Adjusted EBITDA	7.1%	4.3%	4.2%
Adjusted net earnings[(1)]	2.2%	1.6%	1.4%

	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018
Same-store sales growth	4.6%	2.8%	0.8%
Same-store sales growth excluding fuel	5.7%	2.7%	0.5%
Effective income tax rate	26.4%	25.7%	23.8%

(1) Attributable to owners of the Company.

IFRS 16 IMPACT

The table below outlines the impact of the adoption of IFRS 16 on certain financial metrics for the fiscal year ended May 2, 2020. For additional detail on how IFRS 16 impacts the Company, please refer to the "Accounting Standards and Policies" section of this MD&A.

($ in millions, except per share amounts)	52 Weeks Ended May 2, 2020	May 4, 2019	Change	Impact of IFRS 16[1]	Change (excl. IFRS 16)
Operating income	$ 1,111.8	$ 652.3	$ 459.5	$ 181.2	$ 278.3
Adjusted operating income	1,130.1	683.6	446.5	181.2	265.3
EBITDA	1,892.4	1,069.5	822.9	531.0	291.9
Adjusted EBITDA	1,892.4	1,076.2	816.2	531.0	285.2
EBITDA margin	7.1%	4.3%	2.8%	2.0%	0.8%
Adjusted EBITDA margin	7.1%	4.3%	2.8%	2.0%	0.8%
Finance costs, net	279.1	91.6	187.5	189.9	(2.4)
Net earnings[2]	583.5	387.3	196.2	(6.2)	202.4
Adjusted net earnings[2]	596.8	410.0	186.8	(11.1)	197.9
Adjusted EPS (fully diluted)	2.20	1.50	0.70	(0.04)	0.74

(1) Reflects the impact of changing accounting standards from IAS 17 to IFRS 16 in the first quarter of fiscal 2020, including the fiscal year add back of $14.0 million ($10.2 million after tax) in historical straight-line expense under IAS 17.
(2) Attributable to owners of the Company.

EMPIRE COMPANY LIMITED CONSOLIDATED OPERATING RESULTS

Empire's results for the fiscal year ended May 2, 2020 fully include Farm Boy operations whereas prior year comparatives include 21 weeks of Farm Boy operations. All metrics, including same-store sales, include the consolidation of Farm Boy operations.

Sales

Sales for the fiscal year ended May 2, 2020 increased by 5.8% driven by the impact of COVID-19, improved performance across the business, the consolidation of a full year of Farm Boy results, the expansion of FreshCo in Western Canada and inflation. These increases were partially offset by temporary store closures in Western Canada pending their conversion to FreshCo, reduced fuel litres sold due to COVID-19 travel restrictions and lower fuel prices.

Gross Profit

Gross profit for the fiscal year ended May 2, 2020 increased by 9.0% primarily as a result of the impact of COVID-19, category reset benefits, the inclusion of a full year of Farm Boy results and increases in sales. These increases were partially offset by temporary store closures in Western Canada pending their conversion to FreshCo. Gross margin for the fiscal year increased to 24.9% from 24.2% last year. The increase was primarily a result of category reset benefits and positive margin rate contributions from the inclusion of Farm Boy results, partially offset by the effect of sales mix between banners.

Operating Income

($ in millions)	52 Weeks Ended May 2, 2020	May 4, 2019	$ Change
Consolidated operating income:			
Food retailing	$ 1,040.2	$ 561.8	$ 478.4
Investments and other operations:			
Crombie REIT	50.7	63.6	(12.9)
Genstar	20.1	23.4	(3.3)
Other operations, net of corporate expenses	0.8	3.5	(2.7)
	71.6	90.5	(18.9)
Operating income	$ 1,111.8	$ 652.3	$ 459.5
Adjustments:			
Intangible amortization associated with the Canada Safeway acquisition	$ 18.3	$ 24.6	
Business acquisition costs	–	6.7	
	18.3	31.3	(13.0)
Adjusted operating income	$ 1,130.1	$ 683.6	$ 446.5

Operating income increased for the fiscal year ended May 2, 2020 mainly due to cost savings achieved from Project Sunrise, improved earnings from the Food retailing segment as a result of higher sales and margins driven by COVID-19 and a gain on the surrender of a lease, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of the inclusion of a full year of Farm Boy results, increased retail labour costs to support the higher levels of sales volume and Hero Pay, retail incentive costs and lower impairment reversals than the prior year. The increases in selling and administrative expenses were partially offset by the implementation of IFRS 16, cost savings achieved from Project Sunrise and the cost of voluntary buyouts of B.C. Safeway employees in the prior year.

Operating income from the Investments and other operations segment decreased for the fiscal year ended May 2, 2020 principally due to a prior year gain on disposal of a 26 property portfolio by Crombie REIT, partially offset by the sale of a 15 property portfolio by Crombie REIT, as subsequently discussed in the "Investment and Other Operations" section.

EBITDA

($ in millions)	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	$ Change
EBITDA	$ **1,892.4**	$ 1,069.5	$ 822.9
Adjustments:			
Business acquisition costs	–	6.7	
	–	6.7	(6.7)
Adjusted EBITDA	$ **1,892.4**	$ 1,076.2	$ 816.2

For the fiscal year ended May 2, 2020, EBITDA increased to $1,892.4 million from $1,069.5 million in the prior year mainly as a result of the same factors affecting operating income. Excluding the impact of IFRS 16, EBITDA would have been $1,361.4 million, an increase of $291.9 million. Excluding the impact of the implementation of IFRS 16, adjusted EBITDA margin increased by 80 basis points over the prior year.

Finance Costs

For the fiscal year ended May 2, 2020, net finance costs increased primarily due to the impact of lease finance expenses as a result of the implementation of IFRS 16. Excluding the impact of IFRS 16, net finance costs would have been $89.2 million, a decrease of $2.4 million compared to the prior year.

Income Taxes

The effective income tax rate for the fiscal year ended May 2, 2020 was 26.4% compared to 25.7% last year. The current year effective rate was lower than the statutory rate primarily due to capital gains on property dispositions and differing tax rates of various entities. The prior year's effective rate was lower than the statutory rate primarily due to capital gains on property dispositions and a decrease in tax liabilities related to unrecognized tax benefits.

Net Earnings

The following is a reconciliation of net earnings to adjusted net earnings:

($ in millions, except per share amounts)	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	$ Change
Net earnings[(1)]	$ **583.5**	$ 387.3	$ 196.2
EPS (fully diluted)	$ **2.15**	$ 1.42	
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	**13.3**	17.8	
Business acquisition costs	–	4.9	
	13.3	22.7	(9.4)
Adjusted net earnings[(1)]	$ **596.8**	$ 410.0	$ 186.8
Adjusted EPS (fully diluted)	$ **2.20**	$ 1.50	
Diluted weighted average number of shares outstanding (in millions)	**271.4**	272.6	

(1) Attributable to owners of the Company.

Financial Performance by Segment

FOOD RETAILING

The following is a review of Empire's Food retailing segment's financial performance, comprising the consolidated results of Sobeys Inc. for the fiscal years ended May 2, 2020, May 4, 2019 and May 5, 2018.

The following financial information is Sobeys' contribution to Empire as the amounts are net of consolidation adjustments. For further analysis of these adjustments, see the "Operating Results – Full Year" section.

($ in millions)	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	2020 Compared to 2019 $ Change	2020 Compared to 2019 % Change
Sales	$ **26,588.2**	$ 25,142.0	$ 24,214.6	$ 1,446.2	5.8%
Gross profit	**6,633.3**	6,083.6	5,900.5	549.7	9.0%
Operating income	**1,040.2**	561.8	273.6	478.4	85.2%
Adjusted operating income	**1,058.5**	593.1	528.8	465.4	78.5%
EBITDA	**1,820.7**	978.7	712.5	842.0	86.0%
Adjusted EBITDA	**1,820.7**	985.4	941.5	835.3	84.8%
Net earnings[1]	**528.1**	316.5	116.5	211.6	66.9%
Adjusted net earnings[1]	**541.4**	339.2	301.3	202.2	59.6%

(1) Attributable to owners of the Company.

To assess its financial performance and condition, Sobeys' management monitors a set of financial measures which evaluate sales growth, profitability and financial condition, and are set out below.

($ in millions)	52 Weeks Ended May 2, 2020[1]	52 Weeks Ended May 4, 2019[1]	52 Weeks Ended May 5, 2018
Sales growth	**5.8%**	3.8%	1.7%
Same-store sales growth	**4.6%**	2.8%	0.8%
Same-store sales growth, excluding fuel	**5.7%**	2.7%	0.5%
Return on equity[2]	**18.3%**	11.6%	5.4%
Net funded debt to net total capital[2]	**66.3%**	32.8%	26.5%
Funded debt to adjusted EBITDA[2]	**3.8x**	2.1x	1.7x
Acquisitions of property, equipment, investment property and intangibles	$ **574.8**	$ 434.6	$ 287.8

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

INVESTMENTS AND OTHER OPERATIONS

($ in millions)	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	$ Change
Crombie REIT	$ **50.7**	$ 63.6	$ (12.9)
Genstar	**20.1**	23.4	(3.3)
Other operations, net of corporate expenses	**0.8**	3.5	(2.7)
	$ **71.6**	$ 90.5	$ (18.9)

For the fiscal year ended May 2, 2020, income from Investments and other operations decreased as a result of reduced equity earnings from Crombie REIT due to lower gains on disposal of investment properties compared to the prior year. Included in the prior year was a disposal of a 26 property portfolio that contributed an additional $8.4 million to the Company's equity earnings from Crombie REIT and $6.4 million in Other operations, reflecting reversal of previously deferred gains on disposal on properties previously sold to Crombie REIT. This decrease was partially offset by the sale of a 15 property portfolio by Crombie REIT in the current fiscal year that contributed an additional $15.1 million to the Company's equity earnings and a $6.9 million deferred gain recognition. Of the $6.9 million deferred gain recognition, $4.6 million was included in Other operations, net of corporate expenses, with the remaining $2.3 million recognized in Food retailing. Deferred gain recognition relates to the realization of previously deferred gains on properties sold by the Company to Crombie REIT.

Quarterly Results of Operations

($ in millions, except per share amounts)	Fiscal 2020 Q4 (13 Weeks) May 2, 2020	Q3 (13 Weeks) Feb. 1, 2020	Q2 (13 Weeks) Nov. 2, 2019	Q1 (13 Weeks) Aug. 3, 2019	Fiscal 2019 Q4 (13 Weeks) May 4, 2019	Q3 (13 Weeks) Feb. 2, 2019	Q2 (13 Weeks) Nov. 3, 2018	Q1 (13 Weeks) Aug. 4, 2018
Sales	**$ 7,012.4**	$ 6,395.2	$ 6,436.5	$ 6,744.1	$ 6,220.4	$ 6,247.3	$ 6,214.0	$ 6,460.3
Operating income	**324.3**	235.0	286.4	266.1	194.2	110.0	173.4	174.7
EBITDA[(1)]	**527.8**	426.9	477.7	460.0	300.1	214.6	276.1	278.7
Net earnings[(2)]	**177.8**	120.5	154.6	130.6	122.1	65.8	103.8	95.6
Adjusted net earnings[(2)]	**181.2**	123.7	158.0	133.9	126.5	72.9	110.4	100.2
Per share information, basic								
Net earnings[(2)]	**$ 0.66**	$ 0.45	$ 0.57	$ 0.48	$ 0.45	$ 0.24	$ 0.38	$ 0.35
Adjusted net earnings[(2)]	**$ 0.67**	$ 0.46	$ 0.58	$ 0.49	$ 0.47	$ 0.27	$ 0.40	$ 0.37
Basic weighted average number of shares outstanding (in millions)	**269.0**	269.7	271.3	271.8	271.9	271.9	271.8	271.8
Per share information, diluted								
Net earnings[(2)]	**$ 0.66**	$ 0.45	$ 0.57	$ 0.48	$ 0.45	$ 0.24	$ 0.38	$ 0.35
Adjusted net earnings[(2)]	**$ 0.67**	$ 0.46	$ 0.58	$ 0.49	$ 0.46	$ 0.27	$ 0.40	$ 0.37
Diluted weighted average number of shares outstanding (in millions)	**269.7**	270.6	272.4	272.9	272.8	272.5	272.2	272.3

(1) EBITDA is reconciled to net earnings for the current and comparable period in the "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Attributable to owners of the Company.

For the last eight quarters, results have consistently improved compared to the same period in the prior year, with the exception of the third quarter of fiscal 2019 due to the expense associated with the voluntary buyouts of B.C. Safeway employees. Beginning on December 10, 2018, the Company's results incorporate the results of Farm Boy. Additionally, the Company experienced a significant increase in sales, gross margin, and selling and administrative expenses due to impacts from COVID-19 in the fourth quarter of fiscal 2020.

Sales are affected by fluctuations in inflation. Results are affected by seasonality, in particular during the summer months and over the holidays when retail sales trend higher and can result in stronger operating results. Sales, operating income, EBITDA, net earnings and adjusted net earnings have been influenced by one-time adjustments, other investing activities, the competitive environment, cost management initiatives, food price and general industry trends, and by other risk factors as outlined in the "Risk Management" section.

Liquidity and Capital Resources

The table below highlights significant cash flow components for the relevant periods. For additional detail, please refer to the consolidated statements of cash flows in the Company's consolidated financial statements for the fiscal year ended May 2, 2020.

($ in millions)	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019	$ Change	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	$ Change
Cash flows from operating activities	**$ 887.6**	$ 373.8	$ 513.8	**$ 2,089.4**	$ 885.6	$ 1,203.8
Cash flows used in investing activities	**(186.4)**	(182.2)	(4.2)	**(376.3)**	(1,094.0)	717.7
Cash flows (used in) from financing activities	**(230.0)**	(65.1)	(164.9)	**(1,258.0)**	133.8	(1,391.8)
Increase (decrease) in cash and cash equivalents	**$ 471.2**	$ 126.5	$ 344.7	**$ 455.1**	$ (74.6)	$ 529.7

As a result of the adoption of IFRS 16 in the first quarter of fiscal 2020, lease payments of $158.2 million and lease payments received for finance subleases of $19.9 million that were previously classified as cash flows from operating activities have been classified as cash flows used in financing activities and investing activities in the fourth quarter, respectively. For the fiscal year ended May 2, 2020, lease payments of $610.3 million and lease payments received for finance subleases of $76.4 million have been classified as cash flows used in financing activities and investing activities, respectively. Prior period comparatives have not been restated.

Operating Activities

Cash flows from operating activities for the fourth quarter and fiscal year ended May 2, 2020 increased as a result of the impact of IFRS 16 as described above. Normalized for the impact of IFRS 16, cash flows from operating activities increased as a result of higher earnings and an increase in non-cash working capital.

Investing Activities

The table below outlines details of investing activities of the Company for the quarter and fiscal year ended May 2, 2020 compared to the quarter and fiscal year ended May 4, 2019:

	13 Weeks Ended		$	52 Weeks Ended		$
($ in millions)	**May 2, 2020**	May 4, 2019	Change	**May 2, 2020**	May 4, 2019	Change
Acquisitions of property, equipment, investment property and intangibles	**$ (181.3)**	$ (227.1)	$ 45.8	**$ (617.8)**	$ (434.6)	$ (183.2)
Proceeds on disposal of assets[1] and lease terminations	**26.8**	28.9	(2.1)	**193.1**	89.7	103.4
Loans and other receivables	**18.1**	6.0	12.1	**20.6**	12.0	8.6
Other assets and other long-term liabilities	**(17.6)**	6.9	(24.5)	**4.1**	9.2	(5.1)
Business acquisitions	**(13.4)**	(0.8)	(12.6)	**(19.2)**	(778.6)	759.4
Payments received for finance subleases	**19.9**	–	19.9	**76.4**	–	76.4
Interest received	**2.6**	3.9	(1.3)	**8.0**	8.3	(0.3)
Increase in equity investments	**(41.5)**	–	(41.5)	**(41.5)**	–	(41.5)
Cash flows used in investing activities	**$ (186.4)**	$ (182.2)	$ (4.2)	**$ (376.3)**	$ (1,094.0)	$ 717.7

(1) Proceeds on disposal of assets include property, equipment and investment property.

Cash used in investing activities for the fourth quarter increased as a result of the purchase of $41.5 million of Crombie REIT Class B limited partnership units. This impact was partially offset by lower capital investments partly as a result of COVID-19 and restrictions put in place for non-essential construction in select provinces, and the reclassification of lease payments received for finance subleases under IFRS 16 as described above.

For the fiscal year ended May 2, 2020, cash used in investing activities decreased as a result of the business acquisition of Farm Boy in the prior year, an increase in proceeds on disposal of assets, the reclassification of lease payments received for finance subleases under IFRS 16 as described above and a gain on the surrender of a lease, partially offset by an increase in capital investments and the purchase of Crombie REIT Class B limited partnership units.

Capital Expenditures

The Company invested $226.6 million and $574.8 million for the quarter and fiscal year ended May 2, 2020, respectively (2019 – $227.1 million and $434.6 million) including renovations, construction of new stores, construction of an e-commerce fulfilment centre and construction of FreshCo locations in Western Canada. The Company had previously expected that capital expenditures[1] in fiscal 2020 would be approximately $600 million. However, due to the shutdown of non-essential construction in some provinces, several real estate projects were put on hold and as a result, Empire's capital spending for fiscal 2020 reduced to $575 million, in line with management's revised estimates released in its COVID-19 crisis update dated April 15, 2020. Cash used in acquisitions of property, equipment, investment property and intangibles reflected in the consolidated statements of cash flows is higher than capital expenditures discussed in this section due to the timing of cash payments.

(1) Capital expenditure is calculated on an accrual basis and includes acquisitions of property, equipment and investment properties, and additions to intangibles.

Store Network Activity and Square Footage

The table below outlines details of investments by Sobeys in its store network during the fourth quarter and fiscal year ended May 2, 2020 compared to the prior year.

	13 Weeks Ended		52 Weeks Ended	
# of stores	**May 2, 2020**	May 4, 2019	**May 2, 2020**	May 4, 2019
Opened/relocated/acquired[1]	**11**	11	**28**	37
Expanded	**–**	–	**3**	1
Rebannered/redeveloped	**–**	1	**1**	5
Closed[1]	**5**	6	**25**	28
Opened – FreshCo[2]	**2**	3	**10**	3
Closed – pending conversion to FreshCo[2]	**4**	–	**9**	7
Opened – Farm Boy	**1**	–	**3**	2
Acquired – Farm Boy	**–**	–	**–**	26
Closed – pending conversion to Farm Boy	**–**	–	**2**	–

(1) Total impact excluding the acquisition of Farm Boy and expansion of FreshCo.
(2) Specific to converted Western Canada FreshCo stores.

The following table shows Sobeys' square footage changes for the quarter and fiscal year ended May 2, 2020:

Square feet (in thousands)	**13 Weeks Ended May 2, 2020**	52 Weeks Ended May 2, 2020
Opened	**94**	321
Expanded	**–**	17
Closed	**(27)**	(294)
Net change before the impact of the acquisition of Farm Boy & expansion of FreshCo	**67**	44
Opened – FreshCo[1]	**15**	19
Closed – pending conversion to FreshCo[1]	**(135)**	(348)
Opened – Farm Boy	**29**	76
Closed – pending conversion to Farm Boy	**–**	(51)
Net change	**(24)**	(260)

(1) Specific to converted Western Canada FreshCo stores, net of Safeway closures.

At May 2, 2020, Sobeys' square footage totalled 39.8 million, a 0.5% decrease compared to 40.0 million square feet at May 4, 2019.

Financing Activities

For the quarter ended May 2, 2020, cash used in financing activities increased due to the reclassification of payments of lease liabilities under IFRS 16 as previously discussed.

For the fiscal year ended May 2, 2020, financing resulted in cash used of $1,258.0 million compared to cash generated of $133.8 million in the prior year. The change was attributable to the reclassification of payments of lease liabilities under IFRS 16 as previously discussed, the cash inflow from the $400.0 million senior, unsecured non-revolving credit facility used to finance part of the Farm Boy acquisition in the prior year, the repayment of $375.0 million in credit facilities and the repurchase of Non-Voting Class A shares.

Free Cash Flow

Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. The definition of free cash flow was changed in the first quarter of fiscal 2020 to normalize for the impact of IFRS 16 and enable comparability with prior periods. The definition is updated to include the impact of net lease cash payments.

	13 Weeks Ended		$	52 Weeks Ended		$
($ in millions)	**May 2, 2020**	May 4, 2019	Change	**May 2, 2020**	May 4, 2019	Change
Cash flows from operating activities	**$ 887.6**	$ 373.8	$ 513.8	**$ 2,089.4**	$ 885.6	$ 1,203.8
Add: proceeds on disposal of assets[1] and lease terminations	**26.8**	28.9	(2.1)	**193.1**	89.7	103.4
Less: payments of lease liabilities, net of payments received for finance subleases	**(138.3)**	–	(138.3)	**(533.9)**	–	(533.9)
Less: acquisitions of property, equipment, investment property and intangibles	**(181.3)**	(227.1)	45.8	**(617.8)**	(434.6)	(183.2)
Free cash flow[2]	**$ 594.8**	$ 175.6	$ 419.2	**$ 1,130.8**	$ 540.7	$ 590.1

(1) Proceeds on disposal of assets include property, equipment and investment property.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

Free cash flow increased for the quarter ended May 2, 2020 as a result of an improvement in working capital due to fluctuations in payables, increased cash earnings and a decrease in capital investments as previously discussed.

Free cash flow increased for the fiscal year ended May 2, 2020 as a result of an improvement in working capital, increased cash earnings and an increase in proceeds on disposal of assets, partially offset by increased capital investments.

Employee Future Benefit Obligations

For the fiscal year ended May 2, 2020, the Company contributed $18.3 million (2019 – $19.5 million) to its registered defined benefit plans. The Company expects to contribute approximately $15.0 million to these plans in fiscal 2021.

Guarantees and Commitments

The following table presents the Company's commitments and other obligations that will come due over the next five fiscal years as at May 2, 2020:

($ in millions)	2021	2022	2023	2024	2025	Thereafter	Total
Commitments							
Long-term debt[1]	$ 570.0	$ 43.6	$ 8.8	$ 507.9	$ 5.3	$ 544.1	**$ 1,679.7**
Third party finance leases, as lessee	473.6	472.7	452.7	414.7	380.5	2,669.3	**4,863.5**
Related party finance leases, as lessee	152.0	153.3	154.1	155.5	155.5	1,396.3	**2,166.7**
Contractual obligations	1,195.6	669.6	615.6	1,078.1	541.3	4,609.7	**8,709.9**
Third party finance subleases, as lessor	(78.2)	(76.7)	(73.5)	(67.6)	(62.6)	(372.8)	**(731.4)**
Owned properties operating leases, as lessor	(8.2)	(7.8)	(7.4)	(6.4)	(5.0)	(10.0)	**(44.8)**
Subleased properties operating leases, as lessor	(52.4)	(46.5)	(41.5)	(33.4)	(27.6)	(242.5)	**(443.9)**
Contractual obligations, net	**$ 1,056.8**	**$ 538.6**	**$ 493.2**	**$ 970.7**	**$ 446.1**	**$ 3,984.4**	**$ 7,489.8**

(1) Principal debt repayments.

For further information on guarantees and commitments, please see Notes 10 and 16 of the Company's audited annual consolidated financial statements for the fiscal year ended May 2, 2020.

Consolidated Financial Condition

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)	May 2, 2020[1]	May 2, 2020 Impact of IFRS 16	May 4, 2019	May 5, 2018
Shareholders' equity, net of non-controlling interest	$ 3,924.6	$ (425.8)	$ 4,003.3	$ 3,702.8
Book value per common share[2]	$ 14.51	$ (1.58)	$ 14.72	$ 13.62
Long-term debt, including current portion	$ 1,675.2	$ (29.1)	$ 2,020.9	$ 1,666.9
Long-term lease liabilities, including current portion	$ 5,266.2	$ 5,266.2	$ –	$ –
Net funded debt to net total capital[2]	60.2%	46.4%	26.8%	21.9%
Funded debt to adjusted EBITDA[2]	3.7x	2.4x	1.9x	1.6x
Adjusted EBITDA to interest expense[2]	6.8x	(9.1)x	12.4x	10.5x
Current assets to current liabilities[3]	0.8x		1.0x	0.8x
Total assets[3]	$ 14,632.9		$ 9,602.4	$ 8,662.0
Total non-current financial liabilities[3]	$ 6,559.0		$ 2,838.1	$ 1,929.9

(1) Key Financial Condition Measures are impacted by the implementation of IFRS 16.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(3) See "Accounting Standards and Policies" section of this MD&A for the impact of IFRS 16 on the assets and liabilities metrics for fiscal 2020.

During fiscal 2020, Dominion Bond Rating Service ("DBRS") upgraded Sobeys' credit rating from BB (high) with a positive trend to BBB (low) with a stable trend. Standard & Poor's ("S&P") confirmed Sobeys' rating at BB+ and upgraded Sobeys' outlook from stable to positive.

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
DBRS	BBB (low)	Stable
S&P	BB+	Positive

The Company has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 2, 2020, the outstanding amount of the credit facility was $62.6 million (2019 – $ nil). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0 million. Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates. The facility was fully utilized on August 8, 2018 to repay long-term debt. As of May 2, 2020, $375.0 million has been repaid on this facility.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0 million. Interest payable on this facility fluctuates with changes in the 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 outstanding non-revolving credit facilities mature in the third quarter of fiscal 2021, and the Company anticipates renewing these facilities before their expiry.

Sobeys has a $650.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 2, 2020, the outstanding amount of the facility was $ nil (2019 – $ nil), and Sobeys has issued $76.4 million in letters of credit against the facility (2019 – $65.9 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

The Company believes its cash and cash equivalents on hand, approximately $761.0 million in unutilized, aggregate credit facilities as of May 2, 2020, and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

For additional information on Empire's long-term debt, see Note 16 of the Company's audited annual consolidated financial statements for the fiscal year ended May 2, 2020.

Shareholders' Equity

The Company's share capital was comprised of the following on May 2, 2020:

Authorized	Number of Shares May 2, 2020	May 4, 2019
2002 Preferred shares, par value of $25 each, issuable in series	991,980,000	991,980,000
Non-Voting Class A shares, without par value	765,108,266	768,105,849
Class B common shares, without par value, voting	122,400,000	122,400,000

Issued and outstanding ($ in millions)	Number of Shares	May 2, 2020	May 4, 2019
Non-Voting Class A shares	170,971,038	$ 2,009.1	$ 2,040.6
Class B common shares	98,138,079	7.3	7.3
Shares held in trust	(163,497)	(3.2)	(5.3)
Total		$ 2,013.2	$ 2,042.6

The Company's share capital on May 2, 2020 compared to the same period in the last fiscal year is shown in the table below:

(Number of Shares)	52 Weeks Ended May 2, 2020	May 4, 2019
Non-Voting Class A shares		
Issued and outstanding, beginning of year	173,661,495	173,547,591
Issued during year	307,126	113,904
Purchased for cancellation	(2,997,583)	–
Issued and outstanding, end of year	170,971,038	173,661,495
Shares held in trust, beginning of year	(271,968)	(308,504)
Issued for settlement of equity settled plans	109,620	40,313
Purchased for future settlement of equity settled plans	(1,149)	(3,777)
Shares held in trust, end of year	(163,497)	(271,968)
Issued and outstanding, net of shares held in trust, end of year	170,807,541	173,389,527
Class B common shares		
Issued and outstanding, beginning and end of year	98,138,079	98,138,079

The outstanding options at May 2, 2020 were granted at prices between $15.60 and $36.86 and expire between June 2021 and June 2027 with a weighted average remaining contractual life of 5.37 years. Stock option transactions during fiscal 2020 and 2019 were as follows:

	Fiscal 2020		Fiscal 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	4,293,288	$ 23.31	4,686,155	$ 22.81
Granted	1,730,178	31.38	800,573	25.97
Exercised	(1,115,115)	24.57	(746,346)	22.30
Expired	(3,525)	30.23	(250,116)	27.49
Forfeited	(219,162)	22.46	(196,978)	20.63
Balance, end of year	4,685,664	$ 26.03	4,293,288	$ 23.31
Stock options exercisable, end of year	1,732,433		2,201,160	

For the fiscal year ended May 2, 2020, the Company paid common dividends of $129.7 million (2019 – $119.5 million) to its common shareholders. This represents a payment of $0.48 per share (2019 – $0.44 per share) for common shareholders.

As at June 16, 2020, the Company had Non-Voting Class A and Class B common shares outstanding of 170,971,038 and 98,138,079, respectively. Options to acquire 4,685,644 Non-Voting Class A shares were outstanding as of May 2, 2020 (May 4, 2019 – 4,293,288). As at June 16, 2020, options to acquire 4,681,690 Non-Voting Class A shares were outstanding (June 26, 2019 – 4,276,914).

The Company established a trust fund to facilitate the purchase of Non-Voting Class A shares for the future settlement of vested units under the Company's equity settled stock-based compensation plans. Contributions to the trust fund and the Non-Voting Class A shares purchased are held by AST Trust Company (Canada) as trustee. The trust fund is a structured entity and as such the accounts of the trust fund are included on the consolidated financial statements of the Company. The following represents the activity of shares held in trust, recorded at cost:

Shares held in trust	Number of Shares	May 2, 2020	May 4, 2019
Balance, beginning of year	271,968	$ 5.3	$ 6.0
Purchased	1,149	–	0.1
Issued	(109,620)	(2.1)	(0.8)
Balance, end of year	163,497	$ 3.2	$ 5.3

Normal Course Issuer Bid ("NCIB")

In the first quarter of fiscal 2020, the Company announced the establishment of a NCIB effective for one year from July 2, 2019. The NCIB allows for the purchase for cancellation of up to 3.5 million Non-Voting Class A shares ("Class A shares") through the facilities of the Toronto Stock Exchange ("TSX") and alternative trading systems. During the second quarter, the Company entered into an automatic share purchase plan ("ASPP") with its designated broker allowing the purchase of Class A shares for cancellation under its NCIB during trading black-out periods.

In fiscal 2020, the Company purchased in the market for cancellation 2,997,583 Class A shares at a weighted average price of $33.36 for a total consideration of $100.0 million.

The Company has renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 5 million Class A shares representing approximately 3% of the Class A shares outstanding, subject to regulatory approval. The purchases 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 may commence on July 2, 2020 and shall terminate not later than July 1, 2021. Shareholders may obtain a copy of the NCIB notice, without charge, by contacting the Company at investor.relations@empireco.ca.

The Company believes that repurchasing Class A shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of Empire and its shareholders.

The average daily trading volume (the "ADTV") of the Class A shares was 632,893 on the TSX over the last six completed calendar months. Accordingly, under the policies of the TSX, Empire is entitled to purchase, during any one trading day up to 158,223 Class A shares (being 25% of the ADTV of the Class A shares). Empire is entitled to purchase a larger amount of Class A shares per calendar week, subject to the maximum number that may be acquired under the NCIB, if the transaction meets the block purchase exception under the TSX rules.

Automatic Share Purchase Plan

Empire has also renewed its ASPP with its designated broker to facilitate repurchases of Empire's Class A shares under its NCIB, subject to regulatory approval.

Under the ASPP, Empire's designated broker may purchase Class A shares at times when Empire would not ordinarily be permitted to make such purchases due to its internal trading black-out periods or applicable regulatory restrictions. Purchases made pursuant to the ASPP will be made by the Company's designated broker based upon the NCIB parameters prescribed by the TSX, applicable Canadian securities laws and the instructions given by Empire from time to time prior to the commencement of any such blackout period captured in a written agreement between the Company and its designated broker. The ASPP will terminate on the earliest of the date on which: (i) the purchase limit under the NCIB has been reached; (ii) the NCIB expires; and (iii) the Company terminates the ASPP in accordance with its terms. The ASPP will be entered into in accordance with the requirements of applicable Canadian securities laws and is subject to regulatory approval.

Accounting Standards and Policies

The audited 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

(i) Leases

Effective May 5, 2019, the Company adopted 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 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 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.

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).

As a result of the 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 or the modification date as applicable. 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's 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.

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.

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

($ in millions)		
Asset increase (decrease):		
Prepaid expenses	$	(43.4)
Current loans and other receivables		53.6
Non-current 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
Total assets	$	4,300.9
Liabilities and equity (increase) decrease:		
Current provisions	$	7.4
Long-term debt due within one year		6.5
Lease liabilities due within one year		(424.4)
Long-term 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
Retained earnings		432.0
Total liabilities and equity	$	(4,300.9)

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:

($ in millions)		
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)
Lease liabilities recognized as at May 5, 2019	$	4,994.0

During the quarter ended May 2, 2020, changes in right-of-use assets are as follows:

	13 Weeks Ended May 2, 2020					
($ in millions)		Property		Other		Total
Opening balance as at February 2, 2020	$	3,914.0	$	47.0	$	**3,961.0**
Additions		153.8		21.4		**175.2**
Disposals/retirements and other		(6.5)		–		**(6.5)**
Depreciation		(93.6)		(2.6)		**(96.2)**
Closing balance as at May 2, 2020	$	**3,967.7**	$	**65.8**	$	**4,033.5**

During fiscal 2020, changes in right-of-use assets are as follows:

	52 Weeks Ended May 2, 2020					
($ in millions)		Property		Other		Total
Opening balance as at May 5, 2019	$	3,784.7	$	16.0	$	**3,800.7**
Additions		568.9		57.2		**626.1**
Disposals/retirements and other		(32.8)		–		**(32.8)**
Depreciation		(353.1)		(7.4)		**(360.5)**
Closing balance as at May 2, 2020	$	**3,967.7**	$	**65.8**	$	**4,033.5**

During the quarter and fiscal year ended May 2, 2020, net finance costs includes $57.5 million and $218.2 million, respectively, of finance expense related to lease liabilities and $6.5 million and $24.5 million, respectively, of finance income related to finance subleases.

In fiscal 2020, the Company completed sale and leaseback transactions which resulted in a right-of-use adjustment of $15.4 million.

The following table provides the impact of the adoption of IFRS 16 in the quarter and fiscal year ended May 2, 2020:

Increase/(Decrease) ($ in millions)	13 Weeks Ended May 2, 2020	52 Weeks Ended May 2, 2020	Description
Other income – adjustment to sale and leaseback transaction	$ –	$ (15.4)	Calculated adjustment to right-of-use balance for asset retained by the Company
Net occupancy expense	141.2	546.5	Rent expense removed and recorded as depreciation expense and net finance expense
Depreciation expense	(95.4)	(356.5)	Depreciation expense to right-of-use assets
Intangible amortization	2.1	6.6	Off market lease intangibles part of right-of-use balance
Net finance costs	(50.2)	(189.9)	Lease finance expense net of finance income
Earnings before income taxes	(2.3)	(8.7)	Net pre-tax impact of IFRS 16
Earnings before income taxes excluding sale and leaseback impact	$ (2.3)	$ 6.7	Net pre-tax impact of IFRS 16 excluding impact of sale and leaseback transactions

(ii) Uncertainty Over Income Tax Treatments

Effective May 5, 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 consolidated financial statements.

Critical Accounting Estimates

The preparation of consolidated financial statements, in conformity with generally accepted accounting principles ("GAAP"), requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Certain of these estimates require subjective or complex judgments by management that may be uncertain. Some of these items include the valuation of inventories, goodwill, employee future benefits, stock-based compensation, estimates of provisions, impairments, customer loyalty programs, useful lives of property, equipment, investment property and intangibles for purposes of depreciation and amortization, and income taxes. Changes to these estimates could materially impact the financial statements. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Management regularly evaluates the estimates and assumptions it uses. Actual results could differ from these estimates.

Leases

Estimates and judgments relating to the adoption of IFRS 16, including the measurement of lease liabilities, right-of-use assets, discount rates and lease term expectations used are outlined in the Accounting Standards and Policies section of this MD&A.

Non-Controlling Interest Put and Call Options

The Company has applied estimates and judgment to the non-controlling interest put and call options the Company entered into as part of business acquisitions. The calculation is an earnings multiple that has various components including estimates of cash flows and discount rates.

Valuation of Inventories

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation or judgment is required in the determination of (i) estimated inventory provisions associated with vendor allowances and internal charges; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) inventories valued at retail and adjusted to cost. Changes or differences in any of these estimates may result in changes to inventories on the consolidated balance sheets and a charge or credit to operating income in the consolidated statements of earnings.

Impairments of Goodwill and Long-Lived Assets

Management assesses impairment of non-financial assets such as investments in associates and joint ventures, goodwill, intangible assets, property and equipment, right-of-use assets and investment property. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

Goodwill is subject to impairment testing on an annual basis. The Company performed its annual assessment of goodwill impairment during its third quarter. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. In addition, at each reporting period, the Company reviews whether there are indicators that the recoverable amount of long-lived assets may be less than their carrying amount.

Goodwill and long-lived assets were reviewed for impairment by determining the recoverable amount of each CGU or groups of CGUs to which the goodwill or long-lived assets relate. Management estimated the recoverable amount of the CGUs based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company's goodwill or long-lived assets in subsequent reporting periods.

Pension Benefit Plans and Other Benefit Plans

The cost of the Company's pension benefits for defined contribution plans are expensed at the time active employees are compensated. The cost of defined benefit pension plans and other benefit plans is accrued based on actuarial valuations, which are determined using the projected unit credit method pro-rated on service and management's best estimate of salary escalation, retirement ages, and expected growth rate of health care costs.

Current market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation.

To the extent that plan amendments increase the obligation related to past service, the Company will recognize a past service cost immediately as an expense.

In measuring its defined benefit liability, the Company will recognize all of its actuarial gains and losses immediately into other comprehensive income. The key assumptions are disclosed in Note 18 of the Company's audited annual consolidated financial statements.

Income Taxes

Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The financial statement carrying values of assets and liabilities are subject to accounting estimates inherent in those balances. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The current and deferred income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities. Management believes it has adequately provided for income taxes based on current available information.

Changes or differences in these estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated balance sheets.

Business Acquisitions

For business acquisitions, the Company applies judgment on the recognition and measurement of assets and liabilities assumed and estimates are utilized to calculate and measure such adjustments. In measuring the fair value of an acquiree's assets and liabilities, management uses estimates about future cash flows and discount rates. Any measurement changes after initial recognition would affect the measurement of goodwill, except for deferred taxes.

Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, if material.

Supply Agreements

The Company has various long-term supply agreements for products, some of which contain minimum volume purchases. Significant estimation and judgment is required in the determination of (i) future operating results; and (ii) forecasted purchase volumes. When measuring whether a provision is required based on the expected future cash flows associated with fulfilling the contract, management makes assumptions which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

Disclosure Controls and Procedures

Management of the Company, which includes the President & Chief Executive Officer ("CEO") and Executive Vice President & Chief Financial Officer ("CFO"), is responsible for establishing and maintaining Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that material information relating to the Company is made known to management by others, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Company and its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO have evaluated the effectiveness of the Company's DC&P and, based on that evaluation, the CEO and CFO have concluded that the Company's DC&P was effective as at May 2, 2020 and that there were no material weaknesses relating to the design or operation of the DC&P.

Internal Control Over Financial Reporting

Management of the Company, which includes the CEO and CFO, is responsible for establishing and maintaining Internal Control over Financial Reporting ("ICFR"), as that term is defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings". The control framework management used to design and assess the effectiveness of ICFR is "*Internal Control Integrated Framework (2013)*" published by the Committee of Sponsoring Organizations of the Treadway Commission. The CEO and CFO have evaluated the effectiveness of the Company's ICFR and, based on that evaluation, the CEO and CFO have concluded that the Company's ICFR was effective as at May 2, 2020 and that there were no material weaknesses relating to the design or operation of the ICFR.

There have been no changes in the Company's ICFR during the period beginning February 2, 2020 and ended May 2, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Related Party Transactions

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. The Company holds a 41.5% (2019 – 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.

The Company leased certain real property from Crombie REIT during the year at amounts which in management's opinion approximate fair market value that would be incurred if leased from a third party. Management has determined these amounts to be fair value based on the significant number of leases negotiated with third parties in each market it operates. The aggregate net payments under these leases, which are measured at exchange amounts, totalled approximately $188.8 million (2019 – $206.2 million).

Crombie REIT provides administrative and management services to the Company on a fee for service basis pursuant to a Management Agreement effective January 1, 2016. The Management Agreement replaces the previous arrangement where charges incurred were on a cost recovery basis.

During the fiscal year ended May 2, 2020, Sobeys, through a wholly-owned subsidiary, received $61.8 million for reimbursements of lessor improvements from Crombie REIT. These payments are related to modernization and efficiency improvements of existing properties, and construction allowances. As of May 2, 2020, an additional $0.5 million is currently receivable from Crombie REIT for these reimbursements.

On February 11, 2020, Crombie REIT announced it had closed a bought-deal public offering of units at a price of $16.00 per unit for aggregate proceeds of $100.0 million. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $41.5 million of Class B limited partnership units.

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 May 2, 2020, Sobeys has accrued a total of $4.3 million in current and long-term receivables related to these amounts.

On August 1, 2019, Sobeys, through a wholly-owned subsidiary, sold 50% of a property to Crombie REIT for cash consideration of $9.5 million, resulting in a pre-tax gain of $1.5 million.

On November 28, 2019, Sobeys, through a wholly-owned subsidiary, sold one property to Crombie REIT for cash consideration of $3.2 million. There was no gain or loss as a result of this sale.

On December 16, 2019, Sobeys, through a wholly-owned subsidiary, sold and leased back 50% of a distribution centre to Crombie REIT for cash consideration of $95.7 million, resulting in a pre-tax gain of $9.0 million. Subsequent to this transaction, Crombie REIT owns 100% of the property.

On April 11, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 26 property portfolio to a third party purchaser. 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. The lease amending agreements became effective on April 25, 2019, the closing date of the property disposal. As of May 2, 2020, Sobeys has accrued a total of $3.3 million in current and long-term receivables related to these amounts.

On June 29, 2018, Sobeys, through a wholly-owned subsidiary, sold and leased back one property to Crombie REIT for cash consideration of $12.5 million, resulting in a pre-tax gain of $5.6 million.

On September 28, 2018, Sobeys, through a wholly-owned subsidiary, sold one property to Crombie REIT for cash consideration of $3.7 million, resulting in a pre-tax gain of $1.5 million.

Key Management Personnel Compensation

Key management personnel include the Board of Directors and members of the Company's executive team that have authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation is comprised of:

	52 Weeks Ended	
($ in millions)	**May 2, 2020**	May 4, 2019
Salaries, bonus and other short-term employment benefits	$ **14.1**	$ 13.4
Post-employment benefits	**2.7**	3.4
Termination benefits	**–**	2.8
Share-based payments	**9.9**	8.6
	$ **26.7**	$ 28.2

Indemnities

The Company has agreed to indemnify its directors, officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

Contingencies

The Company is subject to claims and litigation arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

Risk Management

Through its operating companies and its equity-accounted investments, Empire is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. In order to achieve and sustain superior business performance an Enterprise Risk Management ("ERM") program has been firmly established within the Company.

As part of the ERM process, the Company identifies, assesses, manages and reports on key risks to the organization and its objectives. Risks are ranked and clear executive ownership is established in each case. In addition, processes have been put in place to facilitate effective oversight by establishing risk appetite statements, key risk indicators, treatment action plans and dashboards for key risks identified. Inherently, the key risks have been, and continue to be, embedded in the business and strategy discussions at the Board and/or Committee meetings. Annually, the senior leadership of the Company conducts a comprehensive assessment of the Company's effectiveness in managing existing/known risks along with an identification and discussion of new and emerging risks.

COVID-19 Pandemic

In early January 2020, reports of a novel coronavirus began to emerge from Wuhan, Hubei province in China. As reports of human-to-human transmission surfaced in mid-January, recognizing the risks this posed to human health and global supply chains, the Company rapidly established a task force with a mandate to monitor, assess and recommend mitigation strategies for potential impacts. On March 9, 2020, days before the COVID-19 pandemic was declared by the World Health Organization, the Company activated the crisis response process and protocols to ensure appropriate focus and priority was given to efforts to contain and mitigate threats and coordinate recovery.

The duration and severity of the COVID-19 pandemic is difficult to predict, however the Company is anticipating and preparing for a second and future waves as well as the implications of easing and economic recovery activities at national, regional and local levels. Preparation includes scenario planning, covering a range of contingencies. While the pandemic is ongoing, risks remain relating to continuing operations if there is an inability to ensure health and well-being of employees, customers and community health by preventing outbreaks in stores, warehouses and offices. Additional risks include labour availability due to pandemic absenteeism, as well as ensuring continuity of supply of goods for resale and pandemic supplies such as personal protective equipment and sanitization supplies. Increases in the prices of commodities may result in unrecoverable costs.

Competition

Empire's food retailing business, Sobeys, operates in a dynamic and competitive market. Other national and regional food distribution companies, along with non-traditional competitors, such as mass merchandisers, warehouse clubs, and online retailers, represent a competitive risk to Sobeys' ability to attract customers and operate profitably in its markets.

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry, operating in over 900 communities in Canada. The most significant risk to Sobeys is the potential for reduced revenues and profit margins as a result of increased competition. A failure to maintain geographic diversification to reduce the effects of localized competition could have an adverse impact on Sobeys' operating margins and results of operations. To successfully compete, Sobeys believes it must be customer and market-driven, be focused on superior execution and have efficient, cost-effective operations. It also believes it must invest in its existing store network, as well as its merchandising, marketing and operational execution to evolve its strategic platform to better meet the needs of consumers looking for food options. The Company updates branding strategies to remain relevant to customers. Failure to implement a marketing and branding strategy, including evaluating the strategic objectives and having people, processes and systems in place to execute the strategy, could adversely affect the Company. The consolidation of industry competitors may also lead to increased competition and loss of market share. The Company further believes it must invest in merchandising initiatives to better forecast and respond to changing consumer trends. Any failure to successfully execute in these areas could have a material adverse impact on Sobeys' financial results.

Empire's real estate operations, through its investment in Crombie REIT, compete with numerous other managers and owners of real estate properties in seeking tenants and new properties to acquire. The existence of competing managers and owners could affect their ability to: (i) acquire property in compliance with their investment criteria; (ii) lease space in their properties; and (iii) maximize rents charged and minimize concessions granted. Commercial property revenue is also dependent on the renewal of lease arrangements by key tenants. These factors could adversely affect the Company's financial results and cash flows. A failure by Crombie REIT to maintain strategic relationships with developers to ensure an adequate supply of prospective attractive properties or to maintain strategic relationships with existing and potential tenants to help achieve high occupancy levels at each of its properties could adversely affect the Company.

Product Safety and Security

Sobeys is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, food safety and product handling, and provision of pharmacy products and related services. Such liabilities may arise in relation to the storage, distribution, display and dispensing of products and, with respect to Sobeys' private label products, in relation to the production, packaging and design of products.

A large majority of Sobeys' sales are generated from food and pharmaceutical products and Sobeys could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food or pharmaceutical products. Such an event could materially affect Sobeys' financial performance. Procedures are in place to manage food and pharmaceutical crises, should they occur. These procedures are intended to identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from sale immediately. Food and pharmaceutical safety related liability exposures are insured by the Company's insurance program. In addition, Sobeys has food safety procedures and programs which address safe food handling and preparation standards. Similarly, provincial pharmacy standards and regulations are strictly followed, supported by robust internal policies and procedures to help mitigate risk along with a comprehensive reporting and follow up system is in place to quickly manage and contain any incidents. However, there can be no assurance that such measures will prevent the occurrence of any such product contamination or safety incident. Insurance may not be sufficient to cover any resulting food safety financial liability and no insurance remedies reputational harm.

Talent, Attraction and Retention

Effective leadership is very important to the growth and continued success of the Company. The Company develops and delivers training programs at all levels across its various operating regions to improve employee knowledge and to better serve its customers. The inability of the Company to properly attract, build talent and retain its employees with the appropriate skill set and failure to manage and monitor employees' performance may affect employee morale, overall reputation and the Company's future performance.

There is always a risk associated with the loss of key personnel. Succession plans have been identified for key roles including the depth of management talent throughout the Company and its subsidiaries; these plans are overseen by the Human Resources Committee and reviewed at least annually by the Board of Directors.

Labour Union Relationships

A significant percentage of the Company's store and distribution centre workforce, particularly in Western Canada, is unionized. While overall the Company has and works to maintain good relationships with its employees and unions, the renegotiation of collective agreements always presents the risk of labour disruption. The Company has consistently stated it will accept the short-term costs of labour disruption to support a commitment to building and sustaining a competitive cost structure for the long term. Any prolonged or widespread work stoppages or other labour disputes could have an adverse impact on the Company's financial results.

Franchisee and Affiliates Relationships

The success of Empire is closely tied to the performance of Sobeys' network of retail stores. Franchisees and affiliates operate approximately 53% of Sobeys' retail stores. Sobeys relies on its franchisees, affiliates and corporate store management to successfully execute retail strategies and programs.

To maintain controls over Sobeys' brands and the quality and range of products and services offered at its stores, franchisees and affiliates agree to purchase merchandise from Sobeys. In addition, each store agrees to comply with the policies, marketing plans and operating standards prescribed by Sobeys. These obligations are specified under franchise and operating agreements which expire at various times for individual franchisees and affiliates. Despite these franchise and operating agreements, Sobeys may have limited ability to control a franchisees' and affiliates' business operations. A breach of these franchise and operating agreements or operational failures by a significant number of franchisees and affiliates may adversely affect Sobeys' reputation and financial performance.

Technology

The Company operates extensive and complex information technology systems that are vital to the successful operation of its business and marketing strategies. Any interruption to these systems or the information collected by them would have a significant adverse impact on the Company, its operations and its financial results. The Company is committed to improving its operating systems, tools and procedures in order to become more efficient and effective. The implementation of major information technology projects carries with it various risks, including the risk of realization of functionality.

Information Management, Cyber Security and Data Protection

The integrity, reliability and security of information in all its forms is critical to the Company's daily and strategic operations. Inaccurate, incomplete or unavailable information, external intrusions on information systems or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches or inappropriate disclosure, leaks of sensitive information or system disruptions. Gathering and analyzing information regarding customers' purchasing preferences is an important part of the Company's strategy to attract and retain customers and effectively compete. In addition, sensitive personal health information is collected in order to provision pharmacy and home health care services to customers. Any failure to maintain privacy of customer information or to comply with applicable privacy laws or regulations could adversely affect the Company's reputation, competitive position and results of operations.

The Company recognizes that information is a critical enterprise asset. Currently, the information management risk is managed at the regional and national levels through the development of policies and procedures pertaining to security access, system development, change management and problem and incident management.

Supply Chain

The Company is exposed to potential supply chain disruptions and errors that could result in obsolete merchandise or an excess or shortage of merchandise in its retail store network. The Company's distribution and supply chain could be impacted by over reliance on key vendors and failure to manage costs and inventories. A failure to develop competitive new products, deliver high quality products and implement and maintain effective supplier selection and procurement practices could adversely affect Sobeys' ability to deliver desired products to customers and adversely affect the Company's ability to attract and retain customers, decreasing competitive advantage. A failure to maintain an efficient supply and logistics chain may adversely affect Sobeys' ability to sustain and meet growth objectives and maintain margins.

Business Continuity

The Company may be subject to unexpected events and natural hazards, including severe weather events, interruption of utilities and infrastructure or occurrence of pandemics, which could cause sudden or complete cessation of its day-to-day operations. The Company has worked to develop an integrated Business Continuity Management framework, including a comprehensive crisis plan. The Company is currently preparing for second and future waves of COVID-19 along with other pandemics that could occur. However, no such plan can eliminate the risks associated with events of this magnitude. Any failure to respond effectively or appropriately to such events could adversely affect the Company's operations, reputation and financial results.

Economic Environment

Management continues to closely monitor economic conditions, including foreign exchange rates, interest rates, inflation, employment rates and capital markets. Management believes that although a weakening economy has an impact on all businesses and industries, the Company has an operational and capital structure that is sufficient to meet its ongoing business requirements.

Drug Regulation, Legislation and Health Care Reform

The Company currently operates 351 in-store pharmacies and 74 freestanding pharmacies which are subject to federal, provincial, territorial and local legislation as well as regulations governing the sale of prescription drugs. Changes to reimbursement models used to fund prescription drugs, including the potential implementation of a national pharmacare model or failure to comply with these laws and regulations could have a negative impact on financial performance, operations and reputation. These laws and regulations typically regulate prescription drug coverage for public plans including patient and product eligibility as well as elements of drug pricing and reimbursements including product cost, markup, dispensing fee, distribution allowances and in some provinces the ability to negotiate manufacturers allowances. In some provinces, legislation requires the selling price for prescription drugs to third-party insurance plans and cash customers will not be higher than the price established for the provincial drug plan. In addition to reimbursement, these laws and regulations govern drug approval and distribution, allowable packaging and labelling, marketing, handling, storage and disposal.

In fiscal 2019, provincial governments and private plans continued to implement measures to manage the cost of their drug plans, the impact of which varied by province and by plan. The most significant of these measures implemented April 1, 2018 was the significant price reduction of almost 70 high-volume generic drugs which was the result of an agreement between the pan-Canadian Pharmaceutical Alliance and the Canadian Generic Pharmaceutical Association on behalf of the federal, provincial and territorial drug plans. The Council of the Federation, a joint collaboration created by the provincial premiers continues to work on cost reduction initiatives within the pharmaceutical sector many of which are extended to the private sector. The Patented Medicines Pricing Review Board ("PMPRB"), the independent, quasi-judicial consumer protection agency established by Parliament in 1987 through patent legislation intended to balance stronger patent protection for pharmaceuticals with a mechanism to ensure prices remain reasonable, has new regulations and guidelines slated to come into effect on July 1, 2020. PMPRB will advise all patentees of new median international prices based on the new 11 comparator countries by July 31, 2020. PDCI Market Access estimates that there will be an average 20% reduction in patented brand products. Little change in prices is anticipated before December 31, 2020.

It is anticipated that health care reform and regulation will continue to put pressure on pharmacy reimbursement through changes to patient and drug eligibility, prescription drug pricing including cost, dispensing fee, allowable markup, manufacturer allowance funding, distribution as well as potential restriction around customer inducements and expanded use of preferred providers. The Company has and will continue to identify opportunities to mitigate the negative impact these changes have on financial performance.

Ethical Business Conduct

Any failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact the Company's financial performance. The Company's framework for managing ethical business conduct includes the adoption of a Code of Business Conduct and Ethics which directors and employees of the Company are required to acknowledge and agree to on a regular basis and the Company maintains an anonymous, confidential whistleblowing hotline. There can be no assurance that these measures will be effective to prevent violations of law or unethical business practices.

Environmental

The Company operates its business locations across the country, including retail stores, distribution centres and fuel sites, and is subject to environmental risks associated with the contamination of such properties and facilities. Sobeys' retail fuel locations operate underground storage tanks. Environmental contamination resulting from leaks or damages to these tanks is possible. To mitigate this environmental risk, Sobeys engages in several monitoring procedures, as well as risk assessment activities, to minimize potential environmental hazards. The Company also operates refrigeration equipment in its stores and distribution centres. These systems contain refrigerant gases which could be released if equipment fails or leaks.

When environmental issues are identified, any required environmental site remediation is completed using appropriate, qualified internal and external resources. The Company may be required to absorb all costs associated with such remediation, which may be substantial. Failure to properly manage any of these environmental risks could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to legislation that imposes liabilities on retailers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to consumers. There is a risk that the Company will be subject to increased costs associated with these laws.

Social

Social reform movements bring public awareness to issues through protests and/or media campaigns. Issues that relate to the Company's business include, but are not limited to, diversity, animal welfare, local and ethical sourcing, nutritional labelling and human rights. Oversight of the Company's social strategies and issues management is through the Executive Committee and the Board of Directors. Ineffective action or inaction on social reform matters could adversely affect the Company's reputation or financial performance.

Occupational Health and Safety

The Company has developed programs to promote a healthy and safe workplace, as well as progressive employment policies focused on the well being of the thousands of employees who work in its stores, distribution centres and offices. These policies and programs are reviewed regularly by the Human Resources Committee of the Board of Directors.

Real Estate

The Company utilizes a capital allocation process which is focused on obtaining the most attractive real estate locations for its retail stores, as well as for its commercial property and residential development operations, with direct or indirect Company ownership being an important, but not overriding, consideration. The Company develops certain retail store locations on owned sites; however, the majority of its store development is done in conjunction with external developers. The availability of high-potential new store sites and the ability to expand existing stores are therefore in large part contingent upon the successful negotiation of operating leases with these developers and the Company's ability to purchase high-potential sites.

Loyalty Program

The Company utilizes a third-party loyalty program to provide additional value to customers. The decisions made by the third party can adversely affect the reputation and financial operations of the Company. Promotional and other activities related to possible changes in the loyalty programs must be effectively managed and coordinated to ensure a positive customer perception. Failure to effectively manage and communicate changes to the loyalty program may negatively impact the Company's reputation.

Product Costs

Sobeys is a significant purchaser of food product which is at risk of cost inflation given rising commodity prices and other costs of production to food manufacturers. Should rising costs of product materialize in excess of expectations and should Sobeys not be able to offset such cost inflation through higher retail prices or other cost savings, there could be a negative impact on sales and margin performance.

Free Trade

The Company is susceptible to risks associated with trade relationships between Canada and other countries including the United States. Changes to trade agreements and tariffs between Canada and other countries could increase the costs of certain products and some items could become unavailable thereby having a negative impact on customer experience. While the Company can mitigate these risks to a certain extent through the use of alternative suppliers, international trade by its nature can be unpredictable and the Company may not be able to fully mitigate the negative impact of changes in trade agreements and tariffs.

Liquidity Risk

The Company's business is dependent in part on having access to sufficient capital and financial resources to fund its growth activities and investment in operations. Any failure to maintain adequate financial resources could impair the Company's growth or ability to satisfy financial obligations as they come due. The Company actively maintains committed credit facilities to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements. The Company monitors capital markets and the related economic conditions and maintains access to debt capital markets for long-term debt issuances as deemed prudent in order to minimize risk and optimize pricing. However, there can be no assurance that adequate capital resources will be available in the future on acceptable terms or at all.

Interest Rate Fluctuation

The Company's long-term debt objective is to maintain the majority of its debt at fixed interest rates. Any increase in the applicable interest rates could increase interest expense and have a material adverse effect on the Company's cash flow and results of operations. There can be no assurance that risk management strategies, if any, undertaken by the Company will be effective.

Utility and Fuel Prices

The Company is a significant consumer of electricity, other utilities and fuel. The costs of these items have been subject to significant volatility. Unanticipated cost increases in these items could negatively affect the Company's financial performance. A failure to maintain effective consumption and procurement programs could adversely affect the Company's financial results. In addition, Sobeys operates a large number of fuel stations. Significant increases in wholesale prices or availability could adversely affect operations and financial results of the fuel retailing business.

Legal, Taxation and Accounting

Changes to any of the various federal and provincial laws, rules and regulations related to the Company's business could have a material impact on its financial results. Compliance with any proposed changes could also result in significant cost to the Company. Failure to fully comply with various laws and rules and regulations may expose the Company to proceedings which may materially affect its performance.

Similarly, income tax regulations and/or accounting pronouncements may be changed in ways which could negatively affect the Company. The Company mitigates the risk of non-compliance with the various laws and rules and regulations by monitoring for newly adopted activities, improving technology systems and controls, improving internal controls to detect and prevent errors and overall application of more scrutiny to ensure compliance. In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

Credit Rating

There can be no assurance that the credit ratings assigned to the various debt instruments issued by Sobeys will remain in effect for any given period of time or that the rating will not be lowered, withdrawn or revised by DBRS or S&P at any time. Real or anticipated changes in credit ratings can affect the cost at which Sobeys can access the capital markets. The likelihood that Sobeys' creditors will receive payments owing to them will depend on Sobeys' financial health and creditworthiness. Credit ratings assigned by a ratings agency provide an opinion of that ratings agency on the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Receipt of a credit rating provides no guarantee of Sobeys' future creditworthiness.

Capital Allocation

It is important that capital allocation decisions result in an appropriate return on capital. The Company has a number of strong mitigation strategies in place regarding the allocation of capital, including the Board of Directors' review of significant capital allocation decisions.

Foreign Currency

The Company conducts the majority of its operating business in CAD and its foreign exchange risk is mainly limited to currency fluctuations between the CAD, the euro, the Great British pound ("GBP") and the United States dollar ("USD"). USD purchases of products represent approximately 4.8% of Sobeys' total annual purchases. Euro and GBP purchases are primarily limited to specific contracts for capital expenditures. A failure to adequately manage the risk of exchange rate changes could adversely affect the Company's financial results.

Pension Plans

The Company has certain retirement benefit obligations under its registered defined benefit plans. New regulations and market-driven changes may result in the Company being required to make contributions that differ from estimates, which could have an adverse effect on the financial performance of the Company.

The Company participates in various multi-employer pension plans, providing pension benefits to unionized employees pursuant to provisions in collective bargaining agreements. Approximately 15% of the employees of Sobeys and its franchisees and affiliates participate in these plans. The responsibility of Sobeys, its franchisees, and affiliates to make contributions to these plans is limited to the amounts established in the collective bargaining agreements and other associated agreements, however poor performance of these plans could have a negative effect on the participating employees or could result in changes to the terms and conditions of participation in these plans, which in turn could negatively affect the financial performance of the Company.

Leverage Risk

The Company's degree of leverage could have adverse consequences for the Company. These include limiting the Company's ability to obtain additional financing for working capital and activities such as capital expenditures, product development, debt service requirements, and acquisitions. Higher leveraging restricts the Company's flexibility and discretion to operate its business by limiting the Company's ability to declare dividends due to having to dedicate a portion of the Company's cash flows from operations to the payment of interest on its existing indebtedness. Utilizing cash flows for interest payments also limits capital available for other purposes including operations, capital expenditures and future business opportunities. Increased levels of debt expose the Company to increased interest expense on borrowings at variable rates thereby limiting the Company's ability to adjust to changing market conditions. This could place the Company at a competitive disadvantage compared to its competitors that have less debt, by making the Company vulnerable during downturns in general economic conditions and limiting the Company's ability to make capital expenditures that are important to its growth and strategies.

Insurance

The Company and its subsidiaries are self-insured on a limited basis with respect to certain operational risks and also purchase excess insurance coverage from financially stable third-party insurance companies. In addition to maintaining comprehensive loss prevention programs, the Company maintains management programs to mitigate the financial impact of operational risks. Such programs may not be effective to limit the Company's exposure to these risks, and to the extent that the Company is self-insured or liability exceeds applicable insurance limits, the Company's financial position could be adversely affected.

Designation for Eligible Dividends

"Eligible dividends" receive favourable treatment for income tax purposes. To be considered an eligible dividend, a dividend must be designated as such at the time of payment.

Empire has, in accordance with the administrative position of CRA, included the appropriate language on its website to designate the dividends paid by Empire as eligible dividends unless otherwise designated.

Non-GAAP Financial Measures & Financial Metrics

There are measures and metrics included in this MD&A that do not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. Management believes that certain of these measures and metrics, including gross profit and EBITDA, are important indicators of the Company's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt and fund future capital expenditures and uses these metrics for these purposes.

In addition, management adjusts certain measures and metrics, including EBITDA and net earnings to provide investors and analysts with a more comparable year-over-year performance metric. These adjustments may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

Financial Measures

The intent of non-GAAP Financial Measures is to provide additional useful information to investors and analysts. Non-GAAP Financial Measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. The Company's definitions of the non-GAAP terms included in this MD&A are as follows:

- Gross profit is calculated as sales less cost of sales. Management believes cost of sales is a useful metric to monitor profitability on a product-level basis. Gross profit represents a supplementary metric to assess underlying operating performance and profitability.

- Adjusted operating income is operating income excluding certain items to better analyze trends in performance. These adjustments result in a more comparable economic representation. Adjusted operating income is reconciled to operating income in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections. Adjusted operating income for the Food Retailing Segment is reconciled to operating income in the "Food Segment Reconciliations" section of this MD&A.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), is calculated as net earnings, before finance costs (net of finance income), income tax expense, depreciation and amortization of intangibles. Management believes EBITDA represents a supplementary metric to assess profitability and measure the Company's underlying ability to generate liquidity through operating cash flows.

The following table reconciles net earnings to EBITDA:

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	May 2, 2020	May 4, 2019	May 2, 2020	May 4, 2019
Net earnings	$ **188.8**	$ 128.9	$ **612.8**	$ 416.4
Income tax expense	**66.5**	44.1	**219.9**	144.3
Finance costs, net	**69.0**	21.2	**279.1**	91.6
Operating income	**324.3**	194.2	**1,111.8**	652.3
Depreciation	**186.7**	84.7	**709.1**	333.0
Amortization of intangibles	**16.8**	21.2	**71.5**	84.2
EBITDA	$ **527.8**	$ 300.1	$ **1,892.4**	$ 1,069.5

- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These adjustments result in a more comparable economic representation. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections. Adjusted EBITDA for the Food Retailing Segment is reconciled to EBITDA in the "Food Segment Reconciliations" section of this MD&A.
- Management calculates interest expense as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities. Management believes that interest expense represents a true measure of the Company's debt service expense, without the offsetting finance income.

The following table reconciles finance costs, net to interest expense:

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	May 2, 2020	May 4, 2019	May 2, 2020	May 4, 2019
Finance costs, net	$ **69.0**	$ 21.2	$ **279.1**	$ 91.6
Plus: finance income, excluding interest income on lease receivables	**3.7**	5.3	**12.1**	12.6
Less: net pension finance costs	**(2.2)**	(3.1)	**(8.9)**	(12.0)
Less: accretion expense on provisions	**(0.3)**	(0.7)	**(3.0)**	(5.7)
Interest expense	$ **70.2**	$ 22.7	$ **279.3**	$ 86.5

- Adjusted net earnings is net earnings, attributable to owners of the Company, excluding certain items to better analyze trends in performance and financial results. These adjustments result in a more comparable economic representation of the underlying business. Adjusted net earnings is reconciled to net earnings in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections. Adjusted net earnings for the Food Retailing Segment is reconciled to net earnings in the "Food Segment Reconciliations" section of this MD&A.
- Adjusted EPS (fully diluted) is calculated as adjusted net earnings divided by diluted weighted average number of shares outstanding. Management believes adjusted EPS (fully diluted), which excludes items that management does not consider reflective of the underlying performance of the business, represents a useful metric to better analyze trends in performance on a per share basis.
- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less acquisitions of property, equipment, investment property and intangibles. The definition of free cash flow was changed in the first quarter of fiscal 2020 to include the impact of net lease cash payments made. Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. Free cash flow is reconciled to GAAP measures as reported on the consolidated statements of cash flows, and is presented in the "Free Cash Flow" section of this MD&A.
- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances, long-term debt and long-term lease liabilities. Management believes that funded debt represents the most relevant indicator of the Company's total financial obligations on which interest payments are made.

- Net funded debt is calculated as funded debt less cash and cash equivalents. Management believes that the deduction of cash and cash equivalents from funded debt represents a more accurate measure of the Company's net financial obligations.
- Net total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest, less cash and cash equivalents.

The following table reconciles the Company's funded debt, net funded debt and net total capital to GAAP measures as reported on the balance sheets as at May 2, 2020, May 4, 2019 and May 5, 2018, respectively:

($ in millions)	May 2, 2020	May 4, 2019	May 5, 2018
Long-term debt due within one year	$ 570.0	$ 36.5	$ 527.4
Long-term debt	1,105.2	1,984.4	1,139.5
Lease liabilities due within one year	466.2	–	–
Long-term lease liabilities	4,800.0	–	–
Funded debt	6,941.4	2,020.9	1,666.9
Less: cash and cash equivalents	(1,008.4)	(553.3)	(627.9)
Net funded debt	5,933.0	1,467.6	1,039.0
Total shareholders' equity, net of non-controlling interest	3,924.6	4,003.3	3,702.8
Net total capital	$ 9,857.6	$ 5,470.9	$ 4,741.8

Food Segment Reconciliations

The following tables adjust Sobeys' contributed operating income, EBITDA, and net earnings, attributable to owners of the Company, for certain items to better analyze trends in performance. These adjustments result in a more comparable economic representation.

	52 Weeks Ended		$
($ in millions)	May 2, 2020	May 4, 2019	Change
Operating income	$ 1,040.2	$ 561.8	$ 478.4
Adjustments:			
Intangible amortization associated with the Canada Safeway acquisition	18.3	24.6	
Business acquisition costs	–	6.7	
	18.3	31.3	(13.0)
Adjusted operating income	$ 1,058.5	$ 593.1	$ 465.4

	52 Weeks Ended		$
($ in millions)	May 2, 2020	May 4, 2019	Change
EBITDA	$ 1,820.7	$ 978.7	$ 842.0
Adjustments:			
Business acquisition costs	–	6.7	
	–	6.7	(6.7)
Adjusted EBITDA	$ 1,820.7	$ 985.4	$ 835.3

	52 Weeks Ended		$
($ in millions)	May 2, 2020	May 4, 2019	Change
Net earnings	$ 528.1	$ 316.5	$ 211.6
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	13.3	17.8	
Business acquisition costs	–	4.9	
	13.3	22.7	(9.4)
Adjusted net earnings	$ 541.4	$ 339.2	$ 202.2

Financial Metrics

The intent of the following non-GAAP Financial Metrics is to provide additional useful information to investors and analysts. Management uses financial metrics for decision-making, internal reporting, budgeting and forecasting. The Company's definitions of the metrics included in this MD&A are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods. Management believes same-store sales represents a supplementary metric to assess sales trends as it removes the effect of the opening and closure of stores.
- Gross margin is gross profit divided by sales. Management believes that gross margin is an important indicator of profitability and can help management, analysts and investors assess the competitive landscape and promotional environment of the industry in which the Company operates. An increasing percentage indicates lower cost of sales as a percentage of sales.
- EBITDA margin is EBITDA divided by sales. Management believes that EBITDA margin is an important indicator of performance and can help management, analysts and investors assess the competitive landscape, promotional environment and cost structure of the industry in which the Company operates. An increasing percentage indicates higher EBITDA as a percentage of sales.
- Adjusted EBITDA margin is adjusted EBITDA divided by sales. Management believes that adjusted EBITDA margin is an important indicator of performance and can help management, analysts and investors assess the competitive landscape, promotional environment and cost structure of the industry in which the Company operates. An increasing percentage indicates higher adjusted EBITDA as a percentage of sales.
- Return on equity, as reported by Sobeys, is net earnings for the year attributable to owners of the parent, divided by average shareholders' equity. Management believes return on equity represents a supplementary measure to assess Sobeys' profitability.
- Net funded debt to net total capital ratio is net funded debt divided by net total capital. Management believes that the net funded debt to net total capital ratio represents a measure upon which the Company's changing capital structure can be analyzed over time. An increasing ratio would indicate that the Company is using an increasing amount of debt in its capital structure.
- Funded debt to adjusted EBITDA ratio is funded debt divided by trailing four-quarter adjusted EBITDA. Management uses this ratio to partially assess the financial condition of the Company. An increasing ratio would indicate that the Company is utilizing more debt per dollar of adjusted EBITDA generated.
- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense. Management uses this ratio to partially assess the coverage of its interest expense on financial obligations. An increasing ratio would indicate that the Company is generating more adjusted EBITDA per dollar of interest expense, resulting in greater interest coverage.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.

The following table shows the calculation of Empire's book value per common share as at May 2, 2020, May 4, 2019 and May 5, 2018:

($ in millions, except per share information)	May 2, 2020	May 4, 2019	May 5, 2018
Shareholders' equity, net of non-controlling interest	$ 3,924.6	$ 4,003.3	$ 3,702.8
Shares outstanding (basic)	270.4	271.9	271.8
Book value per common share	$ 14.51	$ 14.72	$ 13.62

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website www.empireco.ca or on the SEDAR website for Canadian regulatory filings at www.sedar.com.

Approved by Board of Directors: June 17, 2020
Stellarton, Nova Scotia, Canadav

Consolidated Financial Statements

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Management's Statement of Responsibility for Financial Reporting

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or Generally Accepted Accounting Principles and reflect management's best estimates and judgments.

All other financial information in the report is consistent with that contained in the consolidated financial statements.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the consolidated financial statements, the safeguarding of Company assets, and the prevention and detection of fraudulent financial reporting.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed solely of directors who are unrelated to, and independent of, the Company, meet regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual consolidated financial statements to be issued to shareholders.

The external auditors have full and free access to the Audit Committee.

signed "Michael Medline"

Michael Medline
President and Chief Executive Officer

June 17, 2020

signed "Michael Vels"

Michael Vels
Chief Financial Officer

June 17, 2020

Independent Auditor's Report

To the Shareholders of Empire Company Limited

OUR OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Empire Company Limited and its subsidiaries (together, the Company) as at May 2, 2020 and May 4, 2019, and its financial performance and its cash flows for the 52 weeks ended May 2, 2020 and May 4, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at May 2, 2020 and May 4, 2019;
- the consolidated statements of earnings for the 52 weeks ended May 2, 2020 and May 4, 2019;
- the consolidated statements of comprehensive income for the 52 weeks ended May 2, 2020 and May 4, 2019;
- the consolidated statements of changes in shareholders' equity for the 52 weeks ended May 2, 2020 and May 4, 2019;
- the consolidated statements of cash flows for the 52 weeks ended May 2, 2020 and May 4, 2019; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

EMPHASIS OF MATTER – ADOPTION OF NEW ACCOUNTING STANDARD

We draw attention to note 3(AB)(i) to the consolidated financial statements, which describes the effects of the adoption of IFRS 16, Leases, on the consolidated financial statements. Our opinion is not modified in respect of this matter.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Donald M. Flinn.

signed "PriceWaterhouseCoopers LLP"

Chartered Professional Accountants

Halifax, Nova Scotia
June 17, 2020

Consolidated Balance Sheets

As At (in millions of Canadian dollars)		May 2, 2020		May 4, 2019
ASSETS				
Current				
Cash and cash equivalents	$	**1,008.4**	$	553.3
Receivables		**535.3**		444.2
Inventories (Note 4)		**1,489.4**		1,441.8
Prepaid expenses		**113.1**		134.1
Loans and other receivables (Note 5)		**68.4**		18.7
Income taxes receivable		**34.8**		27.9
Assets held for sale (Note 6)		**6.1**		19.5
		3,255.5		2,639.5
Loans and other receivables (Note 5)		**580.8**		70.8
Investments, at equity (Note 7)		**607.5**		589.4
Other assets (Note 8)		**28.7**		43.4
Property and equipment (Note 9)		**2,883.4**		2,911.5
Right-of-use assets (Note 10)		**4,033.5**		–
Investment property (Note 11)		**114.0**		100.0
Intangibles (Note 12)		**968.8**		1,062.0
Goodwill (Note 13)		**1,573.7**		1,571.5
Deferred tax assets (Note 14)		**587.0**		614.3
	$	**14,632.9**	$	9,602.4
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**2,951.9**	$	2,496.4
Income taxes payable		**23.2**		29.0
Provisions (Note 15)		**48.7**		119.4
Long-term debt due within one year (Note 16)		**570.0**		36.5
Lease liabilities due within one year (Note 10)		**466.2**		–
		4,060.0		2,681.3
Provisions (Note 15)		**54.7**		93.1
Long-term debt (Note 16)		**1,105.2**		1,984.4
Long-term lease liabilities (Note 10)		**4,800.0**		–
Other long-term liabilities (Note 17)		**97.5**		269.0
Employee future benefits (Note 18)		**304.1**		286.1
Deferred tax liabilities (Note 19)		**197.5**		205.5
		10,619.0		5,519.4
SHAREHOLDERS' EQUITY				
Capital stock (Note 19)		**2,013.2**		2,042.6
Contributed surplus		**23.2**		25.2
Retained earnings		**1,872.1**		1,920.8
Accumulated other comprehensive income		**16.1**		14.7
		3,924.6		4,003.3
Non-controlling interest		**89.3**		79.7
		4,013.9		4,083.0
	$	**14,632.9**	$	9,602.4

See accompanying notes to the consolidated financial statements.

On Behalf of the Board

signed "James Dickson"

James Dickson
Director

signed "Michael Medline"

Michael Medline
Director

Consolidated Statements of Earnings

52 Weeks Ended (in millions of Canadian dollars, except share and per share amounts)	May 2, 2020	May 4, 2019
Sales	$ 26,588.2	$ 25,142.0
Other income (Note 20)	69.2	68.3
Share of earnings from investments, at equity (Note 7)	71.8	87.9
Operating expenses		
Cost of sales	19,954.9	19,058.4
Selling and administrative expenses	5,662.5	5,587.5
Operating income	1,111.8	652.3
Finance costs, net (Note 22)	279.1	91.6
Earnings before income taxes	832.7	560.7
Income tax expense (Note 14)	219.9	144.3
Net earnings	$ 612.8	$ 416.4
Earnings for the year attributable to:		
Non-controlling interest	$ 29.3	$ 29.1
Owners of the Company	583.5	387.3
	$ 612.8	$ 416.4
Earnings per share (Note 23)		
Basic	$ 2.16	$ 1.42
Diluted	$ 2.15	$ 1.42
Weighted average number of common shares outstanding, in millions (Note 23)		
Basic	270.4	271.9
Diluted	271.4	272.6

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

52 Weeks Ended (in millions of Canadian dollars)		May 2, 2020		May 4, 2019
Net earnings	$	**612.8**	$	416.4
Other comprehensive income				
Items that will be reclassified subsequently to net earnings				
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of taxes of $0.4 (2019 – $(0.2)))		**(0.9)**		0.9
Reclassification of gains on derivatives designated as cash flow hedges to earnings (net of taxes of $ nil (2019 – $ nil))		**(0.2)**		–
Share of other comprehensive income of investments, at equity (net of taxes of $(0.5) (2019 – $ nil))		**1.2**		0.2
Exchange differences on translation of foreign operations (net of taxes of $0.5 (2019 – $0.2))		**1.3**		1.1
		1.4		2.2
Items that will not be reclassified subsequently to net earnings				
Actuarial (losses) gains on defined benefit plans (net of taxes of $6.2 (2019 – $(18.0))) (Note 18)		**(21.1)**		48.1
Total comprehensive income	$	**593.1**	$	466.7
Total comprehensive income for the year attributable to:				
Non-controlling interest	$	**29.3**	$	29.1
Owners of the Company		**563.8**		437.6
	$	**593.1**	$	466.7

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(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 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	–	–	–	(119.5)	(119.5)	–	(119.5)
Equity based compensation, net	2.4	2.3	–	–	4.7	–	4.7
Shares held in trust, net (Note 19)	0.7	–	–	–	0.7	–	0.7
Capital transactions with structured entities	–	–	–	–	–	(16.2)	(16.2)
Non-controlling interest recognized on business acquisitions	–	–	–	(12.1)	(12.1)	–	(12.1)
Transactions with owners	3.1	2.3	–	(131.6)	(126.2)	(16.2)	(142.4)
Net earnings	–	–	–	387.3	387.3	29.1	416.4
Revaluation of put options	–	–	–	(10.9)	(10.9)	(0.2)	(11.1)
Other comprehensive income	–	–	2.2	48.1	50.3	–	50.3
Total comprehensive income for the year	–	–	2.2	424.5	426.7	28.9	455.6
Balance at May 4, 2019	$ 2,042.6	$ 25.2	$ 14.7	$ 1,920.8	$ 4,003.3	$ 79.7	$ 4,083.0
IFRS 16 transition adjustment (Note 3(ab))	–	–	–	(432.0)	(432.0)	–	(432.0)
Restated 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	–	–	–	(129.7)	(129.7)	–	(129.7)
Equity based compensation, net	3.8	(2.0)	–	–	1.8	–	1.8
Repurchase of capital stock	(35.3)	–	–	(64.7)	(100.0)	–	(100.0)
Shares held in trust, net	2.1	–	–	–	2.1	–	2.1
Capital transactions with structured entities	–	–	–	–	–	(17.0)	(17.0)
Transactions with owners	(29.4)	(2.0)	–	(194.4)	(225.8)	(17.0)	(242.8)
Net earnings	–	–	–	583.5	583.5	29.3	612.8
Revaluation of put options	–	–	–	15.3	15.3	(2.7)	12.6
Other comprehensive loss	–	–	1.4	(21.1)	(19.7)	–	(19.7)
Total comprehensive income for the year	–	–	1.4	577.7	579.1	26.6	605.7
Balance at May 2, 2020	$ 2,013.2	$ 23.2	$ 16.1	$ 1,872.1	$ 3,924.6	$ 89.3	$ 4,013.9

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

52 Weeks Ended (in millions of Canadian dollars)	May 2, 2020	May 4, 2019
Operations		
Net earnings	$ 612.8	$ 416.4
Adjustments for:		
Depreciation	709.1	333.0
Income tax expense	219.9	144.3
Finance costs, net (Note 22)	279.1	91.6
Amortization of intangibles	71.5	84.2
Net gain on disposal of assets and lease terminations	(51.7)	(48.9)
Impairment (reversals) of non-financial assets, net	1.9	(31.3)
Amortization of deferred items	3.2	1.8
Equity in earnings (loss) of other entities, net of distributions received	28.0	(8.6)
Employee future benefits	(9.3)	(8.8)
Increase in long-term lease obligation	–	2.8
Decrease in long-term provisions	(17.7)	(41.9)
Equity based compensation	6.2	6.7
Net change in non-cash working capital	279.3	16.5
Income taxes paid, net	(42.9)	(72.2)
Cash flows from operating activities	2,089.4	885.6
Investment		
Property, equipment and investment property purchases	(548.8)	(411.1)
Additions to intangibles	(69.0)	(23.5)
Proceeds on disposal of assets and lease terminations	193.1	89.7
Loans and other receivables	20.6	12.0
Other assets and other long-term liabilities	4.1	9.2
Business acquisitions (Note 24)	(19.2)	(778.6)
Payments received for finance subleases	76.4	–
Interest received	8.0	8.3
Increase in equity investments	(41.5)	–
Cash flows used in investing activities	(376.3)	(1,094.0)
Financing		
Issuance of long-term debt	80.8	58.3
Repayment of long-term debt	(85.2)	(605.2)
(Repayments) advances on credit facilities, net	(313.1)	900.0
Interest paid	(83.5)	(90.9)
Payments of lease liabilities (principal portion)	(392.1)	–
Payments of lease liabilities (interest portion)	(218.2)	–
Repurchases of Non-Voting Class A shares	(100.0)	–
Acquisitions of shares held in trust	–	(0.1)
Dividends paid, common shares	(129.7)	(119.5)
Non-controlling interest	(17.0)	(8.8)
Cash flows (used in) from financing activities	(1,258.0)	133.8
Increase (decrease) in cash and cash equivalents	455.1	(74.6)
Cash and cash equivalents, beginning of year	553.3	627.9
Cash and cash equivalents, end of year	$ 1,008.4	$ 553.3

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

May 2, 2020 (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 consolidated financial statements for the period ended May 2, 2020 include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. ("Sobeys"), and certain enterprises considered structured entities ("SEs"), 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 May 2, 2020, the Company's business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 27, 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on June 17, 2020.

BASIS OF MEASUREMENT

The 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 consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported on the 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.

The Company has applied judgment in its assessment of the appropriateness of consolidation of SEs, the appropriateness of equity accounting for its investments in associates and joint ventures, discount rate, classification of financial instruments, the level of componentization of property and equipment, the determination of cash generating units ("CGUs"), the identification of indicators of impairment for property and equipment, investment property, intangible assets and goodwill, the recognition and measurement of assets acquired and liabilities assumed, the recognition of provisions and non-controlling interest put and call options.

Estimates, judgments and assumptions that could have a significant impact to the amounts recognized on the consolidated financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from these estimates.

Estimates, and judgments relating to the adoption of IFRS 16, "Leases" ("IFRS 16"), including the measurement of lease liabilities, right-of-use assets, discount rates and lease term expectations used are outlined in note 3(ab).

The novel coronavirus pandemic has had, and 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 following the onset of the crisis. Additional costs were incurred as a result of the pandemic, including compensation incentives for employees, and community support funding, combined with additional cost for safety and sanitization measures. The full economic impact the pandemic will have on the Company remains uncertain and is dependent on the severity and duration of the virus.

(A) INVENTORIES

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation or judgment is required in the determination of (i) estimated inventory provisions associated with vendor allowances and internal charges; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) inventories valued at retail and adjusted to cost.

(B) IMPAIRMENT

Management assesses impairment of non-financial assets such as investments in associates and joint ventures, goodwill, intangible assets, property and equipment, right-of-use assets, and investment property. In assessing impairment, management estimates the recoverable amount of each asset or CGU based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Impairment losses and reversals are disclosed on the consolidated financial statements in Notes 9, 11, 12 and 13.

Goodwill is subject to impairment testing on an annual basis. The Company performed its annual assessment of goodwill impairment during its third quarter. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. In addition, at each reporting period, the Company reviews whether there are indicators that the recoverable amount of long-lived assets may be less than their carrying amount.

Goodwill and long-lived assets were reviewed for impairment by determining the recoverable amount of each CGU or groups of CGUs to which the goodwill or long-lived assets relate. Management estimated the recoverable amount of the CGUs based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company's goodwill or long-lived assets in subsequent reporting periods.

(C) EMPLOYEE FUTURE BENEFITS

Accounting for the costs of defined benefit pension plans and other post-employment benefits requires the use of several assumptions. Pension obligations are based on current market conditions and actuarial determined data such as medical cost trends, mortality rates, and future salary increases. A sensitivity analysis and more detail of key assumptions used in measuring the pension and post-employment benefit obligations are disclosed in Note 18.

(D) INCOME TAXES

Assumptions are applied when management assesses the timing and reversal of temporary differences and estimates the Company's future earnings to determine the recognition of current and deferred income taxes. Judgments are also made by management when interpreting the tax rules in jurisdictions where the Company operates. Note 14 details the current and deferred income tax expense and deferred tax assets and liabilities.

(E) BUSINESS ACQUISITIONS

For business acquisitions, the Company applies judgment on the recognition and measurement of assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. In measuring the fair value of an acquiree's assets and liabilities management uses estimates about future cash flows and discount rates. Any measurement changes after initial recognition would affect the measurement of goodwill.

(F) PROVISIONS

Estimates and assumptions are used to calculate provisions when the Company estimates the expected future cash flows relating to the obligation and applies an appropriate discount rate.

(G) SUPPLY AGREEMENTS

The Company has various long-term supply agreements for products, some of which contain minimum volume purchases. Significant estimation and judgment is required in the determination of (i) future operating results; and (ii) forecasted purchase volumes. When measuring whether a provision is required based on the expected future cash flows associated with fulfilling the contract, management makes assumptions which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

3. Summary of Significant Accounting Policies

The significant accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all periods presented, with the exception of IFRS 16.

(A) BASIS OF CONSOLIDATION

The financial statements for the Company include the accounts of the Company and all of its subsidiary undertakings up to the reporting date. Subsidiaries, including SEs, are all entities the Company controls. All subsidiaries have a reporting date within six weeks of the Company's reporting date. Where necessary, adjustments have been made to reflect transactions between the reporting dates of the Company and its subsidiaries.

Control exists when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company reassesses control on an ongoing basis.

SEs are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the SE. SEs controlled by the Company were established under terms that impose certain limitations on the decision-making powers of the SEs' management and that results in the Company receiving the majority of the benefits related to the SEs' operations and net assets, being exposed to the majority of risks incident to the SEs' activities, and retaining the majority of the residual or ownership risks related to the SEs or their assets.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

Earnings or losses and other comprehensive income or losses of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interest represents the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. If losses in a subsidiary applicable to a non-controlling interest exceed the non-controlling interest in the subsidiary's equity, the excess is allocated to the non-controlling interest except to the extent that the majority has a binding obligation and is able to cover the losses, except as discussed in Note 3(j).

(B) BUSINESS ACQUISITIONS

Business acquisitions are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded on the financial statements prior to acquisition. The acquiree's identifiable assets, liabilities, and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business combinations", are recognized at their fair value at the acquisition date, except for: (i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements which are recognized and measured in accordance with International Accounting Standard ("IAS") 12, "Income taxes", and IAS 19, "Employee benefits", respectively; and (ii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", which are measured and recognized at fair value less costs to sell. Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net earnings or loss immediately after acquisition. Transaction costs related to the acquisition are expensed as they are incurred.

(C) FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign operations with a different functional currency than the Company are translated at exchange rates in effect at each reporting period end date. The revenues and expenses are translated at average exchange rates for the period. Cumulative gains and losses on translation are shown in accumulated other comprehensive income or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each reporting period end date. Non-monetary items are translated at the historical exchange rate at the date of transaction. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income or loss. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and guaranteed investments with a maturity less than 90 days at date of acquisition, as well as, highly liquid guaranteed investments that are redeemable in cash on demand without penalty.

(E) INVENTORIES

Warehouse inventories are valued at the lower of cost and net realizable value with cost being determined on a weighted average cost basis. Retail inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost using either the standard cost method or retail method. The retail method uses the anticipated selling price less normal profit margins, on a weighted average cost basis. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

(F) INCOME TAXES

Tax expense recognized in net earnings or loss comprises the sum of deferred income tax and current income tax not recognized in other comprehensive income or loss.

Current income tax assets and liabilities are comprised of claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted at the balance sheet date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery. The calculation of current income tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income taxes are calculated using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their related tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business acquisition or affects tax or accounting profit. The deferred tax assets and liabilities have been measured using substantively enacted tax rates that will be in effect when the amounts are expected to settle. Deferred tax assets are only recognized to the extent that it is probable that they will be able to be utilized against future taxable income. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive income or loss (such as the unrealized gains and losses on cash flow hedges) or directly in equity.

(G) ASSETS HELD FOR SALE

Certain property and equipment have been listed for sale and reclassified as assets held for sale on the consolidated balance sheets. These assets are expected to be sold within a 12-month period. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell.

(H) INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Company is able to exert significant influence but which it does not control and which are not interests in a joint venture. Control is reassessed on an ongoing basis. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the earnings or losses generated by the associate are reported within share of earnings from investments, at equity on the Company's consolidated statements of earnings or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or losses or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For investments in publicly traded entities, carrying value of the investment is compared to the current market value of the investment based on its quoted price at the balance sheet date. For entities which are not publicly traded, VIU of the investment is determined by estimating the Company's share of the present value of the estimated cash flows expected to be generated by the investee. If impaired, the carrying value of the Company's investment is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and VIU.

In the process of measuring future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's investments in associates in the subsequent financial years.

Each of the associates identified by the Company has a reporting year end of December 31. For purposes of the Company's consolidated year end financial statements, each of the associates' results are included based on financial statements prepared as at March 31, with any changes occurring between March 31 and the Company's year end that would materially affect the results being taken into account.

(I) INVESTMENTS IN JOINT VENTURES

Investments in joint ventures are joint arrangements whereby the Company and the other parties to the arrangements have joint control and therefore have rights to the net assets of the arrangement. Investments in joint ventures are initially recognized at cost and subsequently accounted for using the equity method.

(J) FINANCIAL INSTRUMENTS

Financial instruments are recognized on the consolidated balance sheets when the Company becomes a party to the contractual provisions of a financial instrument. The classification and measurement categories for financial assets are amortized cost, fair value through other comprehensive income ("FVOCI"), and FVTPL. 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 classification and measurement categories for financial liabilities are amortized cost and FVTPL.

The Company's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification and Measurement
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Loans and other receivables	Amortized cost
Derivative financial assets and liabilities	FVTPL
Non-derivative other assets	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Other long-term liabilities	Amortized cost

Sobeys has entered into put and call options with non-controlling interest shareholders of certain subsidiary companies such that the Company may acquire their shareholdings under certain conditions on or after the exercise date. As a result, the Company recognizes a financial liability at the present value of the amount payable on exercise of the applicable put option. Remeasurement adjustments are recorded in retained earnings. At the end of each reporting period, non-controlling interests for these subsidiaries that have been recognized, including the earnings attributable to these non-controlling interests, are derecognized against the related non-controlling interest liability immediately before its period-end revaluation.

Impairment of financial assets are based on expected credit losses ("ECL"). The Company recognizes loss allowances on its trade receivables based on lifetime ECLs for those assets measured at amortized cost. 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.

(K) HEDGES

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and energy prices. For cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income or loss. To the extent the change in fair value of the derivative does not completely offset the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings or loss. Amounts accumulated in other comprehensive income or loss are reclassified to net earnings or loss when the hedged item is recognized in net earnings or loss. When a hedging instrument in a cash flow hedge expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in accumulated other comprehensive income or loss relating to the hedge is carried forward until the hedged item is recognized in net earnings or loss. When the hedged item ceases to exist as a result of its expiry or sale, or if an anticipated transaction is no longer expected to occur, the cumulative gain or loss in accumulated other comprehensive income or loss is immediately reclassified to net earnings or loss.

Financial derivatives assigned as part of a cash flow hedging relationship are classified on the consolidated balance sheets as either an other asset or other long-term liability as required based on their fair value determination.

Significant derivatives include the following:

(i) Foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to the purchase of goods or expenditures denominated in foreign currencies. Certain contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(ii) Electricity forward contracts for the primary purpose of limiting exposure to fluctuations in the market prices of electricity. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(iii) Natural gas forward contracts for the primary purpose of limiting exposure to fluctuations in the market prices of natural gas. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(L) PROPERTY AND EQUIPMENT

Owner-occupied land, buildings, equipment, leasehold improvements, and assets under construction are carried at acquisition cost less accumulated depreciation and impairment losses.

Under IFRS 16, buildings that are leasehold property are classified as right-of-use assets and are reported separately on the consolidated balance sheet (Note 10).

When significant parts of property and equipment have different useful lives, they are accounted for as separate components. Depreciation is recorded on a straight-line basis from the time the asset is available or when assets under construction become available for use over the estimated useful lives of the assets as follows:

Buildings	10 – 40 years
Equipment	3 – 20 years
Leasehold improvements	Lesser of lease term and 7 – 20 years

Depreciation has been included within selling and administrative expenses on the consolidated statements of earnings. Material residual value estimates and estimates of useful life are reviewed and updated as required, or annually at a minimum.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in net earnings or loss within other income. If the sale is to a Company's investment, at equity, a portion of the gain or loss is deferred and reduces the carrying value of the investment.

(M) INVESTMENT PROPERTY

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, rather than for the principal purpose of the Company's operating activities. Investment properties are accounted for using the cost model. The depreciation policies for investment property are consistent with those described for property and equipment.

Any gain or loss arising from the sale of an investment property is immediately recognized in net earnings or loss, unless the sale is to an investment, at equity, in which case a portion of the gain or loss is deferred and would reduce the carrying value of the Company's investment. Rental income and operating expenses from investment property are reported within other income and selling and administrative expenses, respectively, on the consolidated statements of earnings.

(N) LEASES

For year ending May 4, 2019, 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 year ending May 2, 2020, see Note 3(ab).

(O) INTANGIBLES

Intangibles arise on the purchase of a new business, existing franchises, software, and the acquisition of pharmacy prescription files. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Useful lives are reviewed annually and intangibles are subject to impairment testing. The following useful lives are applied:

Deferred purchase agreements	5 – 10 years
Franchise rights/agreements	10 years
Lease rights	5 – 10 years
Prescription files	15 years
Software	3 – 7 years
Other	5 – 10 years
Off market leases (May 4, 2019)	Lesser of lease term and 40 years

Amortization has been included within selling and administrative expenses on the consolidated statements of earnings. Expenditures made by the Company relating to intangible assets that do not meet the capitalization criteria are expensed in the period incurred.

Included in intangibles are brand names, loyalty programs, and private labels, the majority of which have indefinite useful lives. Intangibles with indefinite useful lives are measured at cost less any accumulated impairment losses. These intangibles are tested for impairment on an annual basis or more frequently if there are indicators that intangibles may be impaired.

(P) GOODWILL

Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible and intangible assets acquired at the date of acquisition.

(Q) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and indefinite life intangibles are reviewed for impairment at least annually by assessing the recoverable amount of each CGU or groups of CGUs to which the goodwill or indefinite life intangible relates. The recoverable amount is the higher of FVLCD and VIU. When the recoverable amount of the CGU(s) is less than the carrying amount, an impairment loss is recognized immediately in net earnings or loss. Impairment losses related to goodwill cannot be reversed.

Long-lived tangible and finite life intangible assets are reviewed each reporting period for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of FVLCD and VIU. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU(s) to which the asset belongs. The Company has determined a CGU to be primarily an individual store or customer fulfilment centre. Corporate assets such as head offices and distribution centres do not individually generate separate cash inflows and are therefore aggregated for testing with the stores they service. When the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to the recoverable amount. An impairment loss is recognized immediately in selling and administrative expenses on the consolidated statements of earnings.

Where an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset (or CGU) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of impairment loss is recognized immediately in net earnings or loss.

(R) CUSTOMER LOYALTY PROGRAMS

The AIR MILES® loyalty program is used by the Company. AIR MILES® are earned by Sobeys customers based on purchases in stores. The Company pays a per point fee under the terms of the agreement with AIR MILES®. The cost of points is recorded as a reduction of revenue.

(S) PROVISIONS

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, if material. Where discounting is used, the increase in the provision due to passage of time ("unwinding of the discount") is recognized within finance costs, net on the consolidated statements of earnings.

(T) BORROWING COSTS

Borrowing costs are primarily comprised of interest on the Company's debts. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other borrowing costs are expensed in the period in which they are incurred and are reported within finance costs.

(U) DEFERRED REVENUE

Deferred revenue consists of long-term supplier purchase agreements. Deferred revenue is included in other long-term liabilities and is amortized to income on a straight-line basis over the term of the related agreements.

(V) EMPLOYEE BENEFITS

(i) Short-term employment benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses expected to be settled within 12 months from the end of the reporting period. Short-term employee benefits are measured on an undiscounted basis and are recorded as selling and administrative expenses as the related service is provided.

(ii) Post-employment benefits

The cost of the Company's pension benefits for defined contribution plans are expensed at the time active employees are compensated. The cost of defined benefit pension plans and other benefit plans is accrued based on actuarial valuations, which are determined using the projected unit credit method pro-rated on service and management's best estimate of salary escalation, and retirement ages.

The liability recognized on the consolidated balance sheets for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair market value of plan assets. Current market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding amounts in net interest), are recognized immediately on the consolidated balance sheets with a corresponding charge to retained earnings through other comprehensive income or loss in the period in which they occur. Remeasurements are not reclassified to net earnings or loss in subsequent periods.

Past service costs are recognized in net earnings or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes restructuring-related costs.

Service cost on the net defined benefit liability, comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, is included in selling and administrative expenses. Net interest expense on the net defined benefit liability is included in finance costs, net.

(iii) Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Company recognizes related restructuring costs and when the Company can no longer withdraw the offer of those benefits.

(W) REVENUE RECOGNITION

Revenue is recognized upon delivery and acceptance of the goods. Revenue is measured at the expected consideration net of discounts and allowances. 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.

(X) VENDOR ALLOWANCES

The Company receives allowances from certain vendors whose products are purchased for resale. Included in these vendor programs are allowances for volume purchases, exclusivity allowances, listing fees, and other allowances. The Company recognizes these allowances as a reduction of cost of sales and related inventories. Certain allowances are contingent on the Company achieving minimum purchase levels and these allowances are recognized when it is probable that the minimum purchase level will be met, and the amount of allowance can be estimated.

(Y) INTEREST AND DIVIDEND INCOME

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognized when the right to receive payment has been established.

(Z) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for the dilutive effect of employee stock options and performance share units. When a loss is recorded, the weighted average number of shares used for the purpose of basic and diluted loss per share is equal, as the impact of all potential common shares would be anti-dilutive.

(AA) STOCK-BASED COMPENSATION

The Company operates both equity and cash settled stock-based compensation plans for certain employees.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values. Where employees are rewarded using stock-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted (Note 28).

(AB) CHANGES TO ACCOUNTING STANDARDS ADOPTED DURING FISCAL 2020

(i) Leases

Effective May 5, 2019, the Company adopted 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 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 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.

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).

As a result of the 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 or the modification date as applicable. 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's 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.

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.

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

		May 5, 2019
Assets – increase (decrease)		
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
	$	**4,300.9**
Liabilities – (increase) decrease		
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 assets		36.5
Non-current liabilities		(4,322.4)
Shareholders' equity – decrease		
Retained earnings		432.0
	$	**(4,300.9)**

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)
Lease liabilities recognized as at May 5, 2019	$	**4,994.0**

(ii) Uncertainty over income tax treatments

Effective May 5, 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 consolidated financial statements.

4. Inventories

The cost of inventories recognized as an expense during the year was $19,954.9 (2019 – $19,058.4). The Company recorded $2.0 (2019 – $1.9) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at May 2, 2020. There were no reversals of inventories written down previously (2019 – $ nil).

5. Loans and Other Receivables

	May 2, 2020	May 4, 2019
Loans receivable	$ 42.9	$ 56.4
Lease receivable	574.7	–
Notes receivable and other	31.6	33.1
	649.2	89.5
Less amount due within one year	68.4	18.7
	$ 580.8	$ 70.8

Loans receivable represent long-term financing to certain retail associates. These loans are primarily secured by inventory, fixtures and equipment; bear various interest rates, and have repayment terms up to 10 years. The carrying amount of the loans receivable approximates fair value based on the variable interest rates charged on the loans.

Lease receivables are a result of the adoption of IFRS 16 and the introduction of balance sheet recognition for finance subleases (Note 10). All lease receivables are due from franchisees and are secured by the related head lease.

Included in notes receivable and other as at May 2, 2020, is $8.8 (2019 – $10.3) due from a third party related to equipment sales.

6. Assets Held for Sale

As at May 2, 2020, assets held for sale relates to land, buildings and equipment expected to be sold in the next 12 months. These assets were previously used in the Company's retail and retail support operations.

During fiscal 2020, the Company reclassified one property from assets held for sale to investment property, due to an incomplete transaction. Total reclassification value was $19.5, with $3.4 recognized as depreciation expense that would have otherwise been recognized if the asset had not been classified as held for sale.

During fiscal 2019, Sobeys sold four properties to third parties. Total proceeds from these transactions were $18.6, resulting in a pre-tax gain of $14.4.

7. Investments, at Equity

	May 2, 2020	May 4, 2019
Investment in associates and joint ventures		
Crombie Real Estate Investment Trust ("Crombie REIT")	$ 501.0	$ 466.5
Canadian real estate partnerships	87.2	94.6
U.S. real estate partnerships	14.0	20.3
Joint ventures	5.3	8.0
Total	$ 607.5	$ 589.4

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:

	May 2, 2020	May 4, 2019
Crombie REIT	$ 825.1	$ 904.7

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.

The Company owns 64,677,272 Class B LP units and attached special voting units of Crombie REIT, along with 909,090 REIT units, representing a 41.5% (2019 – 41.5%) economic and voting interest in Crombie REIT.

Crombie REIT has a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to have their distributions automatically reinvested in additional REIT units. The Company is enrolled in the DRIP.

During fiscal 2020, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $41.5 of Class B limited partnership units.

The Company's carrying value of its investment in Crombie REIT is as follows:

	May 2, 2020	May 4, 2019
Balance, beginning of year	$ 466.5	$ 448.5
Equity earnings	50.7	63.6
Share of comprehensive income	1.7	–
Distributions, net of DRIP	(61.4)	(53.5)
Deferral of gains on sale of property	(7.4)	(4.0)
Reversal of deferred gain on sale of property to unrelated party	9.4	11.9
Interest acquired in Crombie REIT	41.5	–
Balance, end of year	$ 501.0	$ 466.5

The Company's carrying value of its investment in Canadian real estate partnerships is as follows:

	May 2, 2020	May 4, 2019
Balance, beginning of year	$ 94.6	$ 90.7
Equity earnings	16.7	18.5
Distributions	(24.1)	(14.6)
Balance, end of year	$ 87.2	$ 94.6

The Company's carrying value of its investment in U.S. real estate partnerships is as follows:

	May 2, 2020	May 4, 2019
Balance, beginning of year	$ 20.3	$ 23.2
Equity earnings	3.3	4.9
Distributions	(10.5)	(8.7)
Foreign currency translation adjustment	0.9	0.9
Balance, end of year	$ 14.0	$ 20.3

The following amounts represent the revenues, expenses, assets, and liabilities of Crombie REIT as at and for the 12 months ended March 31, 2020, as well as a reconciliation of the carrying amount of the Company's investment in Crombie REIT to the net assets attributable to unitholders of Crombie REIT:

	March 31, 2020	March 31, 2019
Revenues	$ 395.8	$ 414.1
Expenses	259.6	284.4
Earnings before income taxes	$ 136.2	$ 129.7
Loss from continuing operations	$ (14.9)	$ (5.2)
Other comprehensive loss	(2.4)	(0.9)
Total comprehensive loss	$ (17.3)	$ (6.1)

	March 31, 2020	March 31, 2019
Assets		
Current	$ 161.4	$ 17.3
Non-current	3,876.9	4,030.4
Total	$ 4,038.3	$ 4,047.7
Liabilities		
Current	$ 335.9	$ 413.8
Non-current	2,166.0	2,180.5
Total	$ 2,501.9	$ 2,594.3

	March 31, 2020	March 31, 2019
Unitholders' net assets		
REIT units	$ 915.6	$ 870.7
Class B LP units	620.8	582.7
	1,536.4	1,453.4
Less total REIT units outstanding as at March 31	(915.6)	(870.7)
Cumulative changes since acquisition of Crombie REIT		
Variances in timing of distributions	4.8	4.6
Issue costs related to Class B LP units	12.6	12.6
Deferred gains (net of depreciation addback and timing variances)	(158.6)	(154.9)
Dilution gains	38.6	38.6
Write off of portion of AOCI on dilution of interest in Crombie REIT	0.7	0.7
Crombie REIT tax reorganization – deferred tax adjustment	(31.7)	(31.7)
Carrying amount attributable to investment in Class B LP units	487.2	452.6
REIT units owned by Empire	13.8	13.8
Cumulative equity earnings on REIT units	6.1	5.3
Cumulative distributions on REIT units	(6.1)	(5.2)
Empire's carrying amount of investment in Crombie REIT	$ 501.0	$ 466.5

The Company has interests in various Canadian real estate partnerships ranging from 40.7% to 49.0% which are involved in residential property developments in Ontario and Western Canada.

The following amounts represent the revenues, expenses, assets, and liabilities of the Canadian real estate partnerships as at and for the 12 months ended March 31, 2020:

	March 31, 2020	March 31, 2019
Revenues	$ 110.5	$ 112.1
Expenses	69.8	67.4
Net earnings	$ 40.7	$ 44.7

	March 31, 2020	March 31, 2019
Current assets	$ 243.6	$ 264.1
Current liabilities	61.2	67.8
Net assets	$ 182.4	$ 196.3
Carrying amount of investment	$ 87.2	$ 94.6

The Company has interests in various U.S. real estate partnerships ranging from 37.1% to 39.0% which are involved in residential property developments in the United States.

The following amounts represent the revenues, expenses, assets, and liabilities of the U.S. real estate partnerships as at and for the 12 months ended March 31, 2020:

	March 31, 2020	March 31, 2019
Revenues	$ 20.1	$ 33.3
Expenses	11.3	21.4
Net earnings	$ 8.8	$ 11.9

	March 31, 2020	March 31, 2019
Current assets	$ 38.0	$ 58.3
Current liabilities	1.4	2.5
Net assets	$ 36.6	$ 55.8
Carrying amount of investment	$ 14.0	$ 20.3

8. Other Assets

	May 2, 2020	May 4, 2019
Investments	$ 11.9	$ 8.2
Deferred lease assets	9.4	25.0
Derivative assets	0.2	1.4
Deferred financing costs	0.7	2.1
Other	6.5	6.7
Total	$ 28.7	$ 43.4

9. Property and Equipment

May 2, 2020	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	$ 485.2	$ 1,280.7	$ 2,655.6	$ 784.2	$ 268.1	$ 5,473.8
Reclassification due to IFRS 16	–	(44.5)	(29.4)	–	–	(73.9)
Balance after reclassification	485.2	1,236.2	2,626.2	784.2	268.1	5,399.9
Additions	0.9	(6.5)	138.1	28.4	358.8	519.7
Additions from business acquisitions	9.5	1.6	1.9	0.4	–	13.4
Transfers and adjustments	(6.8)	38.3	104.1	37.9	(265.3)	(91.8)
Disposals and write-downs	(36.9)	(84.9)	(256.5)	(61.5)	1.7	(438.1)
Closing balance	$ 451.9	$ 1,184.7	$ 2,613.8	$ 789.4	$ 363.3	$ 5,403.1
Accumulated depreciation and impairment losses						
Opening balance	$ –	$ 495.0	$ 1,601.3	$ 466.0	$ –	$ 2,562.3
Reclassification due to IFRS 16	–	(29.8)	(21.8)	–	–	(51.6)
Balance after reclassification	–	465.2	1,579.5	466.0	–	2,510.7
Disposals and write-downs	–	(25.8)	(209.7)	(60.3)	–	(295.8)
Transfers and adjustments	–	(1.3)	(20.8)	(14.7)	–	(36.8)
Depreciation	–	50.6	240.3	53.2	–	344.1
Impairment losses	–	4.1	3.5	0.7	–	8.3
Impairment reversals	–	(2.3)	(4.9)	(3.6)	–	(10.8)
Closing balance	$ –	$ 490.5	$ 1,587.9	$ 441.3	$ –	$ 2,519.7
Net carrying value as at May 2, 2020	$ 451.9	$ 694.2	$ 1,025.9	$ 348.1	$ 363.3	$ 2,883.4

May 4, 2019		Land		Buildings		Equipment		Leasehold Improvements		Assets Under Construction		Total
Cost												
Opening balance	$	511.2	$	1,309.3	$	2,547.4	$	700.9	$	78.8	$	5,147.6
Additions		1.6		4.7		120.2		16.9		268.1		411.5
Additions from business acquisitions		–		–		36.4		36.1		13.2		85.7
Transfers and adjustments		(10.9)		3.9		34.5		43.4		(90.7)		(19.8)
Disposals and write-downs		(16.7)		(37.2)		(82.9)		(13.1)		(1.3)		(151.2)
Closing balance	$	485.2	$	1,280.7	$	2,655.6	$	784.2	$	268.1	$	5,473.8
Accumulated depreciation and impairment losses												
Opening balance	$	–	$	464.0	$	1,459.4	$	436.9	$	–	$	2,360.3
Disposals and write-downs		–		(18.5)		(76.5)		(12.8)		–		(107.8)
Transfers and adjustments		–		(4.3)		1.4		12.4		–		9.5
Depreciation		–		54.1		230.7		46.8		–		331.6
Impairment losses		–		0.1		4.4		0.3		–		4.8
Impairment reversals		–		(0.4)		(18.1)		(17.6)		–		(36.1)
Closing balance	$	–	$	495.0	$	1,601.3	$	466.0	$	–	$	2,562.3
Net carrying value as at May 4, 2019	$	485.2	$	785.7	$	1,054.3	$	318.2	$	268.1	$	2,911.5

FINANCE LEASES

For the year ended May 4, 2019, under IAS 17, the Company had various property leases with a net carrying value of $14.7. These leases are included in buildings.

For the year ended May 4, 2019, under IAS 17, the Company had equipment leases with a net carrying value of $7.6. These leases are included in equipment.

ASSETS UNDER CONSTRUCTION

During the year, the Company capitalized borrowing costs of $1.8 (2019 – $0.6) on indebtedness related to property and equipment under construction. The Company used a capitalization rate of 4.3% (2019 – 4.4%).

SECURITY

As at May 2, 2020, the net carrying value of property pledged as security for borrowings is $50.9 (2019 – $54.1).

IMPAIRMENT OF PROPERTY AND EQUIPMENT

The Company performed an impairment test for property and equipment and determined recoverable amounts based on VIU calculations using cash flow projections from the Company's latest internal forecasts. When the recoverable amount of a 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 7.0% to 10.0%.

Impairment reversals of $10.8 and losses of $8.3 were recorded in selling and administrative expenses during the year ended May 2, 2020 (2019 – $36.1 and $4.8). The impairment reversals were mainly a result of improved operating performance at previously impaired stores in Western Canada.

All impairment losses and reversals relate to the food retailing segment.

10. Leases

FINANCE LEASES, AS LESSEE

The Company leases various retail stores, distribution centres, offices, and equipment under non-cancellable finance leases. These leases have varying terms, escalation clauses, renewal options, and bases on which variable rent is payable.

As of May 2, 2020, changes in right-of-use assets are as follows:

		Property		Other		Total
Opening balance as at May 5, 2019	$	3,784.7	$	16.0	$	**3,800.7**
Additions		568.9		57.2		**626.1**
Disposals/retirements and adjustments		(32.8)		–		**(32.8)**
Depreciation		(353.1)		(7.4)		**(360.5)**
Closing balance	$	**3,967.7**	$	**65.8**	$	**4,033.5**

During the year ended May 2, 2020, the Company completed sale and leaseback transactions which resulted in a right-of-use adjustment of $15.4.

The Company has variable rent payments which are recognized in selling and administrative expenses. Contingent rent recognized for the year ended May 2, 2020 is $12.6 (2019 – $5.3).

FINANCE LEASE LIABILITIES

As of May 2, 2020, changes in lease liabilities are as follows:

		Total
Opening balance as at May 5, 2019	$	**4,994.0**
Lease additions, net of lease terminations		**664.3**
Lease payments		**(610.3)**
Interest expense on lease liabilities		**218.2**
Closing balance	$	**5,266.2**
Current	$	**466.2**
Non-current		**4,800.0**
Total	$	**5,266.2**

The weighted average incremental borrowing rate is 4.2% as at May 2, 2020. The weighted average lease term remaining as at May 2, 2020 is 14 years.

The total future minimum rent payable under the Company's finance leases as of May 2, 2020 is $7,030.2. The commitments over the next five fiscal years are:

		Third Party Lease Payments		Related Party Lease Payments
2021	$	473.6	$	152.0
2022		472.7		153.3
2023		452.7		154.1
2024		414.7		155.5
2025		380.5		155.5
Thereafter		2,669.3		1,396.3

Under IAS 17 the total net future minimum rent payable under the Company's finance leases as of May 4, 2019 was $39.1.

OPERATING LEASES, AS LESSEE

The Company has short-term operating leases that are primarily related to equipment and vehicles. The Company recorded $16.5 in selling and administrative expenses.

Under IAS 17, the Company recorded $596.9 as an expense for minimum lease payments for the year ended May 4, 2019.

Under IAS 17 the total net, future minimum rent payable under the Company's operating leases as of May 4, 2019 was $4,825.2. This was a gross lease obligation of $5,837.8 reduced by expected sublease income of $1,012.6. Related party lease obligations were $2,418.6.

FINANCE LEASES, AS A LESSOR

Finance income for the year ended May 2, 2020 was $24.5 (2019 – $ nil). The total future minimum rent to be received by the Company relating to properties that are subleased to third parties are:

	Finance Lease Payments to be Received
2021	$ 78.2
2022	76.7
2023	73.5
2024	67.6
2025	62.6
Thereafter	372.8
Total undiscounted lease payments receivable	731.4
Unearned finance income	156.7
Net investment in finance subleases	$ 574.7

Under IAS 17 the Company did not classify any leases as finance leases as at May 4, 2019.

OPERATING LEASES, AS LESSOR

The Company leases most investment properties under operating leases. These leases have varying terms, escalation clauses, renewal options and bases upon which contingent rent is receivable.

Lease income for the year ended May 2, 2020 was $17.5 (2019 – $19.1) of which $0.2 was contingent rent (2019 – $0.2) and was recognized within other income on the consolidated statements of earnings.

The lease payments expected to be received over the next five fiscal years for owned properties are:

	Operating Lease Payments to be Received
2021	$ 8.2
2022	7.8
2023	7.4
2024	6.4
2025	5.0
Thereafter	10.0
Total	$ 44.8

The Company recorded $57.0 (2019 – $125.2) of sublease income for minimum lease payments received.

The lease payments expected to be received over the next five fiscal years for subleased properties are:

	Operating Lease Payments to be Received
2021	$ 52.4
2022	46.5
2023	41.5
2024	33.4
2025	27.6
Thereafter	242.5
Total	$ 443.9

11. Investment Property

Investment property is primarily comprised of commercial properties owned by the Company held for income generating purposes, rather than for the principal purpose of the Company's operating activities.

	May 2, 2020	May 4, 2019
Cost		
Opening balance	$ 119.8	$ 112.8
Additions	2.8	0.3
Transfers and adjustments	19.7	8.4
Disposals and write-downs	(1.4)	(1.7)
Closing balance	$ 140.9	$ 119.8
Accumulated depreciation and impairment losses		
Opening balance	$ 19.8	$ 18.9
Depreciation	4.5	1.4
Impairment expense	4.4	–
Transfers and adjustments	(1.7)	–
Disposals and write-downs	(0.1)	(0.5)
Closing balance	$ 26.9	$ 19.8
Net carrying value	$ 114.0	$ 100.0
Fair value	$ 176.6	$ 161.0

The fair value of investment property is classified as Level 3 on the fair value hierarchy. The fair value represents the price that would be received to sell the assets in an orderly transaction between market participants at the measurement date.

An external, independent valuation company, having appropriate recognized professional qualifications and experience, assisted in determining the fair value of investment properties chosen from a rotating sample each year at May 2, 2020 and May 4, 2019. Additions to investment property through acquisition are transacted at fair value and therefore carrying value equals fair value at the time of acquisition. Properties reclassified from property and equipment are valued for disclosure purposes using comparable market information or the use of an external independent valuation company.

Rental income from investment property included in other income on the consolidated statements of earnings amounted to $2.9 for the year ended May 2, 2020 (2019 – $2.0).

Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from investment property that generated rental income amounted to $3.2 for the year ended May 2, 2020 (2019 – $1.1). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from non-income producing investment property amounted to $1.2 for the year ended May 2, 2020 (2019 – $0.8). All direct operating expenses for investment properties are included in selling and administrative expenses on the consolidated statements of earnings.

Impairment of investment property follows the same methodology as property and equipment (Note 3(q)). Impairment losses of $4.4 and reversals of $ nil were recorded during the year ended May 2, 2020 (2019 – $ nil and $ nil).

12. Intangibles

May 2, 2020	Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Off Market Leases	Other	Total
Cost							
Opening balance	$ 465.9	$ 164.5	$ 304.0	$ 267.6	$ 158.6	$ 244.2	$ 1,604.8
Reclassification due to IFRS 16	–	–	–	–	(158.6)	–	(158.6)
Balance after reclassification	465.9	164.5	304.0	267.6	–	244.2	1,446.2
Additions, separately acquired	–	14.4	–	39.7	–	15.9	70.0
Additions, internally developed	–	–	–	0.1	–	–	0.1
Additions from business acquisitions	0.3	–	–	–	–	–	0.3
Transfers and adjustments	–	(1.0)	–	34.9	–	0.3	34.2
Disposals and write-downs	–	(6.3)	–	(14.1)	–	(2.6)	(23.0)
Closing balance	$ 466.2	$ 171.6	$ 304.0	$ 328.2	$ –	$ 257.8	$ 1,527.8
Accumulated amortization and impairment losses							
Opening balance	$ 28.3	$ 91.7	$ 125.1	$ 174.4	$ 31.9	$ 91.4	$ 542.8
Reclassification due to IFRS 16	–	–	–	–	(31.9)	–	(31.9)
Balance after reclassification	28.3	91.7	125.1	174.4	–	91.4	510.9
Amortization	–	15.4	19.5	31.0	–	5.6	71.5
Transfers and adjustments	–	–	–	(0.5)	–	(0.6)	(1.1)
Disposals and write-downs	–	(5.6)	–	(14.1)	–	(2.6)	(22.3)
Closing balance	$ 28.3	$ 101.5	$ 144.6	$ 190.8	$ –	$ 93.8	$ 559.0
Net carrying value as at May 2, 2020	$ 437.9	$ 70.1	$ 159.4	$ 137.4	$ –	$ 164.0	$ 968.8

May 4, 2019	Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Off Market Leases	Other	Total
Cost							
Opening balance	$ 201.0	$ 161.0	$ 304.1	$ 287.9	$ 172.4	$ 207.2	$ 1,333.6
Additions, separately acquired	–	10.4	–	8.1	–	8.7	27.2
Additions, internally developed	–	–	–	(0.4)	–	–	(0.4)
Additions from business acquisitions	265.0	–	–	0.4	–	8.8	274.2
Transfers and adjustments	(0.1)	(2.5)	(0.1)	(7.2)	(13.8)	20.6	(3.1)
Disposals and write-downs	–	(4.4)	–	(21.2)	–	(1.1)	(26.7)
Closing balance	$ 465.9	$ 164.5	$ 304.0	$ 267.6	$ 158.6	$ 244.2	$ 1,604.8
Accumulated amortization and impairment losses							
Opening balance	$ 28.2	$ 81.2	$ 105.7	$ 161.6	$ 32.2	$ 82.7	$ 491.6
Amortization	0.2	15.5	19.5	34.1	5.9	9.0	84.2
Transfers and adjustments	(0.1)	–	(0.1)	–	(6.2)	–	(6.4)
Disposals and write-downs	–	(5.0)	–	(21.3)	–	(0.3)	(26.6)
Closing balance	$ 28.3	$ 91.7	$ 125.1	$ 174.4	$ 31.9	$ 91.4	$ 542.8
Net carrying value as at May 4, 2019	$ 437.6	$ 72.8	$ 178.9	$ 93.2	$ 126.7	$ 152.8	$ 1,062.0

Included in other intangibles at May 2, 2020 are liquor licenses of $7.5 (2019 – $5.2). These licenses have options to renew and it is the Company's intention to renew these licenses at each renewal date indefinitely. Therefore, cash inflows are expected to be generated at each store location for which the license is valid, and these assets are considered to have indefinite useful lives. Also included in other intangibles as at May 2, 2020 are the following amounts with indefinite useful lives: Loyalty programs – $11.4 (2019 – $11.4) and Private labels – $59.5 (2019 – $59.5). The Company has also determined that Brand names with a net carrying value of $437.9 (2019 – $437.6) have indefinite useful lives. All intangibles with indefinite useful lives relate to the Food retailing segment. Impairment of these intangibles is assessed at least annually on the same basis as goodwill (Note 13).

Impairment of intangibles follows the same methodology as property and equipment (Note 3(q)). For the year ended May 2, 2020, impairment losses of $ nil (2019 – $ nil) and reversals of $ nil (2019 – $ nil) were recorded.

13. Goodwill

		May 2, 2020		May 4, 2019
Opening balance	$	**1,571.5**	$	1,001.9
Additions from business acquisitions		**2.5**		569.6
Other adjustments		**(0.3)**		–
Closing balance	$	**1,573.7**	$	1,571.5

Goodwill arising from business acquisitions is allocated at the lowest level within the organization at which it is monitored by management to make business decisions and should not be larger than an operating segment before aggregation. Therefore, goodwill has been allocated to the following six Food retailing operating segments:

		May 2, 2020		May 4, 2019
Atlantic	$	**193.8**	$	193.8
Farm Boy		**541.4**		541.6
Lawtons		**19.3**		17.1
Ontario		**174.3**		174.3
Quebec		**641.2**		641.2
West		**3.7**		3.5
Total	$	**1,573.7**	$	1,571.5

Goodwill arising on business acquisitions is not amortized but is reviewed for impairment on an annual basis, or more frequently, if indicators that goodwill may be impaired exist. The Company's annual review of goodwill was performed during the third quarter of fiscal 2020 and resulted in an impairment of $ nil (2019 – $ nil) being recorded.

In performing the review, the Company determined the recoverable amount of the CGU to which goodwill relates based on FVLCD, except for Farm Boy which was estimated using a VIU model. For all operating segments other than Farm Boy, the key assumptions used by management to determine the fair value of the CGU includes industry earnings multiples in a range from 8.0 to 14.0. Farm Boy goodwill was measured using discounted cash flow projections, using pre-tax cash flow forecasts from management approved budgets for the next fiscal year using a discount rate of 9.9%. Cash flow growth is based on projections for new retail sites as well as growth of 3% to 6.6% over a 10-year timeline, with a terminal growth rate of 3%.

14. Income Taxes

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory tax rate as a result of the following:

		May 2, 2020		May 4, 2019
Earnings before income taxes	$	**832.7**	$	560.7
Effective combined statutory income tax rate		**27.4%**		27.7%
Income tax expense according to combined statutory income tax rate		**228.2**		155.3
Income taxes resulting from:				
Non-deductible items		**0.8**		0.3
Non-taxable items		**(7.3)**		(8.7)
Change in tax rates and subsidiary rate differential		**0.4**		(2.6)
Other		**(2.2)**		–
Total income tax expense, combined effective tax rate of 26.4% (2019 – 25.7%)	$	**219.9**	$	144.3

Current year income tax expense attributable to net earnings consists of:

		May 2, 2020		May 4, 2019
Current tax expense	$	**31.1**	$	35.5
Deferred tax expense:				
Origination and reversal of temporary differences		**188.4**		111.4
Change in tax rates		**0.4**		(2.6)
Total	$	**219.9**	$	144.3

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

		Recognized in:			
May 2, 2020	Opening Balance	OCI and Equity	Business Acquisitions	Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ 7.4	$ –	$ –	$ (3.3)	$ 4.1
Employee future benefits	79.6	6.0	–	(2.6)	83.0
Goodwill and intangibles	111.4	34.5	–	(57.4)	88.5
Inventory	5.6	–	–	(0.9)	4.7
Investments	(38.1)	(0.3)	–	(0.7)	(39.1)
Lease liabilities	–	1,370.9	–	38.4	1,409.3
Long-term debt	5.8	–	–	(7.7)	(1.9)
Other assets	(1.7)	2.0	–	(5.1)	(4.8)
Other long-term liabilities	42.0	(39.7)	–	38.0	40.3
Property, equipment and investment property	(59.2)	–	–	(4.9)	(64.1)
Provisions	76.0	(3.4)	–	(41.6)	31.0
Partnership deferral reserve	10.4	–	–	7.3	17.7
Right-of-use assets and lease receivables	–	(1,200.5)	–	(32.6)	(1,233.1)
Tax loss carry forwards	170.4	–	–	(112.9)	57.5
Other	(0.8)	–	–	(2.8)	(3.6)
	$ 408.8	$ 169.5	$ –	$ (188.8)	$ 389.5
Recognized as:					
Deferred tax assets	$ 614.3	$ 161.8	$ –	$ (189.1)	$ 587.0
Deferred tax liabilities	$ (205.5)	$ 7.7	$ –	$ 0.3	$ (197.5)

		Recognized in:			
May 4, 2019	Opening Balance	OCI and Equity	Business Acquisitions	Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ (8.8)	$ –	$ –	$ 16.2	$ 7.4
Employee future benefits	100.1	(18.0)	–	(2.5)	79.6
Equity	3.8	–	–	(3.8)	–
Goodwill and intangibles	284.5	–	(77.2)	(95.9)	111.4
Inventory	4.9	–	–	0.7	5.6
Investments	(39.9)	–	–	1.8	(38.1)
Long-term debt	7.3	–	–	(1.5)	5.8
Other assets	(0.3)	–	–	(1.4)	(1.7)
Other long-term liabilities	29.8	–	(0.3)	12.5	42.0
Property, equipment and investment property	(105.2)	–	(4.6)	50.6	(59.2)
Provisions	74.4	–	4.6	(3.0)	76.0
Partnership deferral reserve	11.6	–	–	(1.2)	10.4
Tax loss carry forwards	251.5	–	–	(81.1)	170.4
Other	(0.6)	–	–	(0.2)	(0.8)
	$ 613.1	$ (18.0)	$ (77.5)	$ (108.8)	$ 408.8
Recognized as:					
Deferred tax assets	$ 754.4	$ –	$ –	$ (140.1)	$ 614.3
Deferred tax liabilities	$ (141.3)	$ (18.0)	$ (77.5)	$ 31.3	$ (205.5)

As at May 2, 2020, the Company had approximately $208.4 of Canadian non-capital tax loss carry forwards, which expire between fiscal 2034 and 2040. The remaining deductible temporary differences do not expire under current income tax legislation. All deferred tax assets (including tax losses and other tax credits) have been recognized in the consolidated balance sheets as it is probable that future taxable income will be available to the Company to utilize the benefits of those assets. The amount of deferred tax assets and deferred tax liabilities that are expected to be recovered or settled beyond the next 12 months is $312.8.

15. Provisions

May 2, 2020	Lease Contracts	Legal	Environmental	Restructuring	Total
Opening balance	$ 19.3	$ 7.0	$ 42.4	$ 143.8	$ 212.5
Reclassification due to IFRS 16 (Note 3(ab))	(7.1)	–	–	(24.0)	(31.1)
Balance after reclassification	12.2	7.0	42.4	119.8	181.4
Provisions made	4.8	7.8	1.5	36.9	51.0
Provisions used	(5.0)	(3.8)	(1.9)	(91.6)	(102.3)
Provisions reversed	(1.3)	(3.4)	(1.8)	(23.2)	(29.7)
Change due to discounting	0.2	–	1.2	1.6	3.0
Closing balance	$ 10.9	$ 7.6	$ 41.4	$ 43.5	$ 103.4
Current	$ 7.1	$ 7.6	$ 1.5	$ 32.5	$ 48.7
Non-current	3.8	–	39.9	11.0	54.7
Total	$ 10.9	$ 7.6	$ 41.4	$ 43.5	$ 103.4

LEASE CONTRACTS

Lease contract provisions are recorded when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The Company records onerous contract provisions for closed store locations where it has entered into a lease contract. The provision is measured at the lower of the expected cost to terminate the lease and the expected net cost of continuing the contract. The net cost is derived by considering the present value of future fixed occupancy costs net of related operating subleases in the lease excluding lease payments which are recognized as lease liabilities under IFRS 16. Once the store is closed, a liability is recorded to reflect the present value of the expected liability associated with any lease contract and other contractually obligated costs. Onerous contract provisions for planned store or distribution centre closures as part of the Company's rationalization activities are classified as restructuring provisions and are measured and recorded using the same methodology. Discounting of provisions resulting from lease contracts has been calculated using pre-tax discount rates ranging between 7.0% and 9.0%.

LEGAL COSTS

Legal provisions relate to claims of $7.6 (2019 – $7.0) that are outstanding as at May 2, 2020 that arose in the ordinary course of business.

ENVIRONMENTAL COSTS

In accordance with legal and environmental policy requirements, the Company has recorded provisions for locations requiring environmental restoration. These provisions relate to decommissioning liabilities recorded for fuel station locations owned by the Company and other sites where restoration will be incurred at the net present value of the estimated future remediation costs. Discounting of environmental related provisions has been calculated using pre-tax discount rates ranging between 4.0% and 6.0%.

RESTRUCTURING

Restructuring provisions made for fiscal year ended May 2, 2020 were $36.9. Of this amount, $18.4 relates to store conversion costs. These costs have been recorded in selling and administrative expenses on the consolidated statements of earnings. Provisions used of $91.6 relate to the Company's initiatives to simplify organizational structures and reduce costs. Of this amount, $56.5 relates to voluntary BC buyouts and store conversion severance costs. Provisions reversed of $23.2 relates mainly to store conversion severance costs and BC buyouts. Discounting of restructuring provisions has been calculated using a pre-tax discount rate of 7.0%.

16. Long-Term Debt

	May 2, 2020	May 4, 2019
First mortgage loans, weighted average interest rate 5.84%, due 2021 – 2033	$ 4.8	$ 5.8
Medium term notes, Series D, interest rate 6.06%, due October 29, 2035	175.0	175.0
Medium term notes, Series E, interest rate 5.79%, due October 6, 2036	125.0	125.0
Medium term notes, Series F, interest rate 6.64%, due June 7, 2040	150.0	150.0
Series 2013-2 Notes, interest rate 4.70%, due August 8, 2023	500.0	500.0
Notes payable and other debt primarily at interest rates fluctuating with the prime rate	137.3	140.4
Credit facility, expiring November 4, 2020, floating interest rate tied to bankers' acceptance rates	125.0	500.0
Credit facility, expiring December 10, 2020, floating interest rate tied to bankers' acceptance rates	400.0	400.0
Credit facility, expiring November 4, 2022, floating interest rate tied to bankers' acceptance rates	62.6	–
	1,679.7	1,996.2
Unamortized transaction costs	(4.5)	(4.4)
Finance lease obligations, 6.05% (Note 3(ab))	–	29.1
	1,675.2	2,020.9
Less amount due within one year	570.0	36.5
	$ 1,105.2	$ 1,984.4

First mortgage loans are secured by land, buildings, and specific charges on certain assets. Medium term notes and 2013-2 Notes are unsecured. Finance lease obligations have been reclassified under IFRS 16 (Note 3(ab)).

The Company has a $250.0, senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 2, 2020, the outstanding amount of the credit facility was $62.6 (2019 – $ nil). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0. Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates. The facility was fully utilized on August 8, 2018 to repay long-term debt. As of May 2, 2020, $375.0 has been repaid on this facility.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0. Interest payable on this facility fluctuates with changes in the 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.

Sobeys has a $650.0 senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 2, 2020, the outstanding amount of the facility was $ nil (2019 – $ nil), and Sobeys has issued $76.4 in letters of credit against the facility (2019 – $65.9). Interest payable on this facility fluctuates with changes in the Canadian prime rate, or bankers' acceptance rates.

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

	May 2, 2020	May 4, 2019
Opening balance	$ 2,020.9	$ 1,666.9
Reclassification due to IFRS 16 (Note 3(ab))	(29.1)	–
Opening balance after reclassification	1,991.8	1,666.9
Issuance of debt	80.8	58.3
Repayments of long-term debt	(85.2)	(605.2)
(Repayments) advances on credit facilities	(313.1)	900.0
Total cash flow from long-term debt financing activities	(317.5)	353.1
Deferred financing costs	0.9	0.9
Closing balance	$ 1,675.2	$ 2,020.9
Current	$ 570.0	$ 36.5
Non-current	1,105.2	1,984.4
Total	$ 1,675.2	$ 2,020.9

Principal debt retirement in each of the next five fiscal years is as follows:

2021	$ 570.0
2022	43.6
2023	8.8
2024	507.9
2025	5.3
Thereafter	544.1

17. Other Long-Term Liabilities

	May 2, 2020	May 4, 2019
Deferred lease obligation (Note 3(ab))	$ –	$ 165.4
Deferred revenue	**6.1**	6.6
Non-controlling interest liabilities	**77.5**	90.1
Other	**13.9**	6.9
Total	**$ 97.5**	$ 269.0

18. Employee Future Benefits

The Company has several defined contribution, defined benefit, and multi-employer plans providing pension and other post-retirement benefits to most of its employees.

DEFINED CONTRIBUTION PENSION PLANS

The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income can be achieved with the combined total of employee and employer contributions and investment income over the period of plan membership, and annuity purchase rates at the time of the employee's retirement.

DEFINED BENEFIT PENSION PLANS

The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employee contributions, if required, pay for part of the cost of the benefit, and employer contributions fund the balance. The employer contributions are not specified or defined within the pension plan text, but are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation.

The defined benefit plan typically exposes the Company to actuarial risks such as interest rate risk, mortality risk and salary risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate that reflects the average yield, as at the measurement date, on high-quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high-quality corporate bonds will increase the Company's defined benefit liability.

Mortality risk

The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salary of the plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

The Company uses either January 1 or December 31 as an actuarial valuation date and May 1 as a measurement date for accounting purposes, for its defined benefit pension plans.

	Most Recent Valuation Date	Next Required Valuation Date
Retirement pension plans	December 31, 2017	December 31, 2019 (elected)
Senior management pension plans	December 31, 2016	December 31, 2019
Other benefit plans	January 1, 2019	January 1, 2022

MULTI-EMPLOYER PLANS

The Company participates in various multi-employer pension plans which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. Approximately 15% of employees in the Company and of its franchisees and affiliates participate in these plans. Defined benefit multi-employer pension plans are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements. The contributions made by the Company to multi-employer plans are expensed as contributions are due.

During the year ended May 2, 2020, the Company recognized an expense of $43.5 (2019 – $44.1) in operating income, which represents the contributions made in connection with multi-employer pension plans. During fiscal 2020, the Company expects to continue to make contributions into these multi-employer pension plans.

OTHER BENEFIT PLANS

The Company also offers certain employee post-retirement and post-employment benefit plans which are not funded and include health care, life insurance, and dental benefits.

DEFINED CONTRIBUTION PLANS

The total expense, and cash contributions, for the Company's defined contribution plans was $32.8 for the year ended May 2, 2020 (2019 – $32.6).

DEFINED BENEFIT PLANS

Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2020	May 4, 2019	May 2, 2020	May 4, 2019
Defined benefit obligation				
Balance, beginning of year	$ 819.8	$ 833.2	$ 113.2	$ 158.7
Current service cost, net of employee contributions	1.0	1.2	2.5	3.5
Interest cost	24.9	27.2	3.6	5.3
Benefits paid	(67.4)	(55.4)	(4.7)	(5.9)
Past service costs – curtailments	–	(2.2)	–	–
Settlements	0.1	0.5	–	–
Remeasurement – actuarial losses (gains) included in other comprehensive income	61.7	15.3	(1.3)	(48.4)
Balance, end of year	$ 840.1	$ 819.8	$ 113.3	$ 113.2

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2020	May 4, 2019	May 2, 2020	May 4, 2019
Plan assets				
Fair value, beginning of year	$ 646.9	$ 630.7	$ –	$ –
Interest income on plan assets	19.7	20.5	–	–
Remeasurement return (loss) on plan assets (excluding amount in net interest)	33.2	33.0	–	–
Employer contributions	18.3	19.5	4.7	5.9
Benefits paid	(67.4)	(55.4)	(4.7)	(5.9)
Administrative costs	(1.4)	(1.4)	–	–
Fair value, end of year	$ 649.3	$ 646.9	$ –	$ –

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2020	May 4, 2019	May 2, 2020	May 4, 2019
Funded status				
Total fair value of plan assets	$ 649.3	$ 646.9	$ –	$ –
Present value of unfunded obligations	(96.3)	(92.8)	(113.3)	(113.2)
Present value of partially funded obligations	(743.8)	(727.0)	–	–
Accrued benefit liabilities	$ (190.8)	$ (172.9)	$ (113.3)	$ (113.2)

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2020	May 4, 2019	**May 2, 2020**	May 4, 2019
Expenses				
Current service cost, net of employee contributions	**$ 1.0**	$ 1.2	**$ 2.5**	$ 3.5
Net interest on net defined benefit liability	**5.2**	6.7	**3.6**	5.3
Administrative costs	**1.4**	1.4	**–**	–
Past service costs – curtailments	**–**	(2.2)	**–**	–
Settlement loss	**0.1**	0.5	**–**	–
Expenses	**$ 7.7**	$ 7.6	**$ 6.1**	$ 8.8

Current and past service costs have been recognized within selling and administrative expenses, whereas interest costs and return on plan assets (excluding amounts in net interest costs) have been recognized within finance costs, net on the consolidated statements of earnings.

Actuarial gains and losses recognized directly in other comprehensive income:

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2020	May 4, 2019	**May 2, 2020**	May 4, 2019
Remeasurement effects recognized in other comprehensive (loss) income				
(Return) loss on plan assets (excluding amounts in net interest)	**$ (33.2)**	$ (33.0)	**$ –**	$ –
Actuarial loss (gain) – experience changes	**5.5**	(6.9)	**(5.4)**	(49.1)
Actuarial loss – financial assumptions	**56.3**	22.2	**4.1**	0.7
Remeasurement effects recognized in other comprehensive (loss) income	**$ (28.6)**	$ 17.7	**$ 1.3**	$ 48.4

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of May 2, 2020):

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2020	May 4, 2019	**May 2, 2020**	May 4, 2019
Discount rate	**2.70%**	3.20%	**2.70%**	3.10%
Rate of compensation increase	**3.50%**	3.50%		

For measurement purposes, a 5.00% fiscal 2020 annual rate of increase in the per capita cost of covered health care benefits was assumed (2019 – 5.25%). The cumulative rate expectation to 2022 and thereafter is 4.50%.

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions are used in the determination of the Company's defined benefit obligations and should be regarded as management's best estimate. However, the actual outcome may vary. Estimation uncertainties exist especially regarding medical cost trends, which may vary significantly in future appraisals of the Company's obligations.

The table below outlines the sensitivity of the fiscal 2020 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce impact on the accrued benefit obligations or benefit plan expenses.

	Pension Benefit Plans		Other Benefit Plans	
	Benefit Obligations	Benefit Cost[1]	Benefit Obligations	Benefit Cost[1]
Discount rate[2]	2.70%	2.70%	2.70%	2.70%
Impact of: 1% increase	$ (101.1)	$ (2.6)	$ (13.1)	$ 0.2
Impact of: 1% decrease	$ 127.1	$ 1.3	$ 16.1	$ (0.3)
Growth rate of health care costs[3]			5.00%	5.00%
Impact of: 1% increase			$ 5.3	$ 0.3
Impact of: 1% decrease			$ (4.6)	$ (0.3)

(1) Reflects the impact on the current service cost, interest cost, and net interest on defined benefit liability (asset).
(2) Based on weighted average of discount rates related to all plans.
(3) Gradually decreasing to 4.50% in 2022 and remaining at that level thereafter.

The asset mix of the defined benefit pension plans as at year end is as follows:

	May 2, 2020	May 4, 2019
Canadian equity funds	5.1%	6.7%
Foreign equity funds	14.0%	14.9%
Fixed income funds	80.6%	78.1%
Net working capital	0.3%	0.3%
Total investments	100.0%	100.0%

Within these securities are investments in Empire Non-Voting Class A shares. The pro rata market value of these shares at year end is as follows:

	May 2, 2020	% of Plan Assets	May 4, 2019	% of Plan Assets
Empire Company Limited Non-Voting Class A shares	$ 6.0	0.9%	$ 9.2	1.4%

All the securities are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The actual return on plan assets was $51.5 for the year ended May 2, 2020 (2019 – $52.1).

Management's best estimate of contributions expected to be paid to the defined benefit pension plans during the annual period beginning on May 3, 2020 and ending on May 1, 2021 is $15.0.

19. Capital Stock

NORMAL COURSE ISSUER BID

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 entered into an automatic share purchase plan 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.

During fiscal 2020, the Company purchased for cancellation 2,997,583 Non-Voting Class A shares at an average price of $33.36. The purchase price was $100.0 of which $35.4 of the purchase price was accounted for as a reduction to share capital and the remainder as a reduction to retained earnings.

	Number of Shares	
Authorized	May 2, 2020	May 4, 2019
2002 Preferred shares, par value of $25 each, issuable in series	991,980,000	991,980,000
Non-Voting Class A shares, without par value	765,108,266	768,105,849
Class B common shares, without par value, voting	122,400,000	122,400,000

Issued and outstanding	Number of Shares	May 2, 2020	May 4, 2019
Non-Voting Class A shares, without par value	170,971,038	$ 2,009.1	$ 2,040.6
Class B common shares, without par value, voting	98,138,079	7.3	7.3
Shares held in trust	(163,497)	(3.2)	(5.3)
Total		$ 2,013.2	$ 2,042.6

Under certain circumstances, where an offer (as defined in the share conditions) is made to purchase Class B common shares, the holders of the Non-Voting Class A shares shall be entitled to receive a follow-up offer at the highest price per share paid, pursuant to such offer to purchase Class B common shares.

During fiscal 2020, the Company paid common dividends of $129.7 (2019 – $119.5) to its equity holders. This represents a payment of $0.48 per share (2019 – $0.44 per share) for common shareholders.

The Company has established a trust fund to facilitate the purchase of Non-Voting Class A shares for the future settlement of vested units under the Company's equity settled stock-based compensation plans. Contributions to the trust fund and the Non-Voting Class A shares purchased are held by AST Trust Company (Canada) as trustee. The trust fund is an SE and as such the accounts of the trust fund are included on the consolidated financial statements of the Company. The following represents the activity of shares held in trust, recorded at cost:

Shares held in trust	Number of Shares	May 2, 2020	May 4, 2019
Balance, beginning of year	271,968	$ 5.3	$ 6.0
Purchased	1,149	–	0.1
Issued	(109,620)	(2.1)	(0.8)
Balance, end of year	163,497	$ 3.2	$ 5.3

20. Other Income

	May 2, 2020	May 4, 2019
Net gain on disposal of assets and lease terminations	$ 51.7	$ 48.9
Lease income from owned property	17.5	19.4
Total	$ 69.2	$ 68.3

21. Employee Benefits Expense

	May 2, 2020	May 4, 2019
Wages, salaries and other short-term employment benefits	$ 3,319.3	$ 3,156.2
Post-employment benefits	37.8	37.0
Termination benefits	8.7	9.8
Total	$ 3,365.8	$ 3,203.0

22. Finance Costs, Net

	May 2, 2020	May 4, 2019
Finance income		
Interest income on lease receivables	$ 24.5	$ –
Interest income from cash and cash equivalents	8.0	8.3
Fair value gains on forward contracts	3.6	3.7
Accretion income on loans and other receivables	0.5	0.6
Total finance income	36.6	12.6
Finance costs		
Interest expense on lease liabilities	218.2	–
Interest expense on financial liabilities measured at amortized cost	85.6	86.5
Net pension finance costs	8.9	12.0
Accretion expense on provisions	3.0	5.7
Total finance costs	315.7	104.2
Finance costs, net	$ 279.1	$ 91.6

23. Earnings per Share

	May 2, 2020	May 4, 2019
Weighted average number of shares – basic (Note 19)	270,441,107	271,940,649
Shares deemed to be issued for no consideration in respect of stock-based payments	972,901	614,062
Weighted average number of shares – diluted	271,414,008	272,554,711

24. Business Acquisitions

The Company acquires franchise and non-franchise retail stores, retail fuel locations and prescription files. The results of these acquisitions have been included in the consolidated financial results of the Company since their acquisition dates, and were accounted for through the use of the acquisition method. Goodwill recorded on the acquisitions of franchise and non-franchise stores and retail fuel locations relate to the acquired workforce 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 following table represents the amounts of identifiable assets and liabilities from resulting acquisitions for the year ending:

	May 2, 2020	May 4, 2019
Receivables	$ 0.8	$ 4.9
Inventories	3.0	24.5
Prepaid expenses	–	2.5
Property and equipment	13.4	85.7
Intangibles	0.3	274.2
Goodwill	2.5	569.6
Accounts payable and accrued liabilities	(0.8)	(38.7)
Other assets and liabilities	–	2.6
Deferred tax liability	–	(77.5)
Non-controlling interest	–	(66.9)
Total consideration	$ 19.2	$ 780.9

For acquired businesses during fiscal year ended May 2, 2020, sales of $34.6 and net losses of ($1.2) were included in the consolidated financial statements.

During the year ending May 2, 2020, the Company finalized the purchases price allocation of Farm Boy and Kim Phat acquisitions acquired in prior year. No adjustments were made to the amounts disclosed in the audited consolidated financial statements for the fiscal year ended May 4, 2019.

25. Guarantees and Contingent Liabilities

GUARANTEES

Franchisees and affiliates

Sobeys is party to several franchise and operating agreements as part of its business model. These agreements contain clauses which require Sobeys to provide support to franchisee and affiliate operators to offset or mitigate retail store losses, reduce store rental payments, minimize the impact of promotional pricing, and assist in covering other store related operating expenses. Not all of the financial support noted above will apply in each instance as the provisions of the agreements vary. Sobeys will continue to provide financial support pursuant to the franchise and operating agreements in future years.

During fiscal 2009, Sobeys entered into an additional credit enhancement contract in the form of a standby letter of credit for certain franchisees and affiliates for the purchase and installation of equipment. Under the terms of the contract, should franchisees and affiliates be unable to fulfil their lease obligations or provide an acceptable remedy, Sobeys would be required to fund the greater of $6.0 or 10.0% (2019 – $6.0 or 10.0%) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to provide a letter of credit in the amount of the outstanding guarantee, to be renewed each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain franchisees and affiliates. As at May 2, 2020, the amount of the guarantee was $6.0 (2019 – $6.0).

Other

At May 2, 2020, the Company had entered into letters of credit issued in an aggregate amount of $88.6 (2019 – $79.5) to support the Company's obligations.

Sobeys, through its subsidiaries, has guaranteed the payment of obligations under certain commercial development agreements. As at May 2, 2020, Sobeys has guaranteed $40.0 (2019 – $43.5) in obligations related to these agreements.

Contingent liabilities

On June 21, 2005, Sobeys received a notice of reassessment from Canada Revenue Agency ("CRA") for fiscal years 1999 and 2000 related to Lumsden Brothers Limited, a wholesale subsidiary of Sobeys, and the Goods and Service Tax ("GST"). The reassessment related to GST on sales of tobacco products to status Indians. CRA asserts that Sobeys was obliged to collect GST on sales of tobacco products to status Indians. The total tax, interest and penalties in the reassessment was $13.6 (2019 – $13.6). Sobeys has reviewed this matter, has received legal advice, and believes it was not required to collect GST. During fiscal 2006, Sobeys filed a Notice of Objection with CRA. The matter is still under dispute and Sobeys has filed a Notice of Appeal with the Tax Court of Canada. Accordingly, Sobeys has not recorded on its statements of earnings any of the tax, interest or penalties in the notice of reassessment. Sobeys has deposited with CRA funds equal to the total tax, interest and penalties in the reassessment and has recorded this amount as an other long-term receivable from CRA pending resolution of the matter.

There are various claims and litigation, with which the Company is involved, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

26. Financial Instruments

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, receivables, loans and other receivables, derivative contracts and guarantees.

The Company's maximum exposure to credit risk corresponds to the carrying amount for all cash and cash equivalents, loans and receivables, and guarantee contracts for franchisees and affiliates (Note 25).

The Company mitigates credit risk associated with its trade receivables and loans receivables through established credit approvals, limits and a regular monitoring process. The Company generally considers the credit quality of its financial assets that are neither past due or impaired to be solid. The Company regularly monitors collection performance and pledged security for all of its receivables and loans and other receivables to ensure adequate payments are being received and adequate security is available. Pledged security can vary by agreement, but generally includes inventory, fixed assets including land and/or building, as well as personal guarantees. Credit risk is further mitigated due to the large number of customers and their dispersion across geographic areas. The Company only enters into derivative contracts with counterparties that are dual rated by recognized credit rating agencies and have a credit rating of "A" or better to minimize credit risk.

Receivables are substantially comprised of balances due from independent accounts, franchisee or affiliate locations as well as rebates and allowances from vendors. The due date of these amounts can vary by agreement but in general balances over 30 days are considered past due. The aging of the receivables is as follows:

	May 2, 2020	May 4, 2019
0 – 30 days	$ 464.0	$ 386.8
31 – 90 days	28.2	10.9
Greater than 90 days	81.9	73.3
Total receivables before allowance for credit losses	574.1	471.0
Less: allowance for credit losses	(38.8)	(26.8)
Receivables	$ 535.3	$ 444.2

Interest earned on past due accounts is recorded as a reduction to selling and administrative expenses on the consolidated statements of earnings. Receivables are classified as current on the consolidated balance sheets as of May 2, 2020.

Allowance for credit losses is reviewed at each balance sheet date. An allowance is taken on receivables from independent accounts, as well as receivables, loans and other receivables from franchisee or affiliate locations and is recorded as a reduction to its respective receivable account on the consolidated balance sheets. The change in allowance for credit losses is recorded as selling and administrative expenses on the consolidated statements of earnings and is presented as follows:

	May 2, 2020	May 4, 2019
Allowance, beginning of year	$ 26.8	$ 27.5
Provision for losses	17.2	7.4
Recoveries	(0.2)	(1.9)
Write-offs	(5.0)	(6.2)
Allowance, end of year	$ 38.8	$ 26.8

LIQUIDITY RISK

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

The Company monitors capital markets and the related conditions, and monitors its cash flows in order to assist in optimizing its cash position and evaluate longer term cash and funding requirements. Market conditions allowing, the Company will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate in order to minimize risk and optimize pricing.

The following table summarizes the amount and the contractual maturities of both the interest and principal portion of significant financial liabilities on an undiscounted basis as at May 2, 2020:

	2021	2022	2023	2024	2025	Thereafter	Total
Derivative financial liabilities							
Foreign currency swaps	$ 12.3	$ –	$ –	$ –	$ –	$ –	$ 12.3
Non-controlling interest liabilities	–	–	–	71.0	6.5	–	77.5
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	2,951.9	–	–	–	–	–	2,951.9
Long-term debt	629.9	98.2	63.3	550.5	36.1	906.1	2,284.1
Total	$ 3,594.1	$ 98.2	$ 63.3	$ 621.5	$ 42.6	$ 906.1	$ 5,325.8

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the estimated amount that the Company would receive to sell financial assets or pay to transfer financial liabilities in an orderly transaction between market participants at the measurement date.

The book value of cash and cash equivalents, receivables, current portion of loans and other receivables, and accounts payable and accrued liabilities approximates fair value at the balance sheet dates due to the short-term maturity of these instruments.

The book value of the long-term portion of loans and other receivables approximate fair values at the balance sheet dates due to the current market rates associated with these instruments.

The fair value of the variable rate long-term debt approximates its carrying amount based on current market rates and consistency of credit spread. The fair value of long-term debt has been estimated by discounting future cash flows at a rate offered for borrowings of similar maturities and credit quality.

The fair value of derivative financial assets and liabilities, classified as Level 2, is estimated using valuation models that utilize market based observable inputs. Management believes that its valuation technique is appropriate.

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.

There were no transfers between classes of the fair value hierarchy during the year ended May 2, 2020.

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

Long-term debt	**May 2, 2020**	May 4, 2019
Total carrying amount	**$ 1,675.2**	$ 2,020.9
Total fair value	**$ 1,832.2**	$ 2,086.8

As at May 2, 2020, the fair value hierarchy includes financial assets at FVTPL of $ nil, $0.2, and $ nil for Levels 1, 2 and 3, respectively (2019 – $ nil, $1.4, and $ nil).

As at May 2, 2020, the fair value hierarchy includes financial liabilities at FVTPL of $ nil, $0.3, and $77.5 for Levels 1, 2 and 3, respectively (2019 – $ nil, $0.1, and $90.1).

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recorded on the consolidated balance sheets at fair value unless the derivative instrument is a contract to buy or sell a non-financial item in accordance with the Company's expected purchase, sale or usage requirements, referred to as a "normal purchase" or "normal sale". Changes in the fair values of derivative financial instruments are recognized in net earnings or loss unless it qualifies and is designated as an effective cash flow hedge or a normal purchase or normal sale. Normal purchases and normal sales are exempt from the application of the standard and are accounted for as executory contracts. Changes in fair value of a derivative financial instrument designated as a cash flow hedge are recorded in other assets and other long-term liabilities with the effective portion recorded in other comprehensive income or loss.

CASH FLOW HEDGES

The Company's cash flow hedges consist principally of foreign currency swaps, electricity sales agreements, and natural gas sales agreements. Foreign exchange contracts are used to hedge future purchases or expenditures of foreign currency denominated goods or services. Electricity and natural gas sales agreements are used to mitigate the risk of changes in market prices of electricity and natural gas. Gains and losses are initially recognized directly in other comprehensive income or loss and are transferred to net earnings or loss when the forecast cash flows affect income or expense for the year.

As of May 2, 2020, the fair values of the outstanding derivatives designated as cash flow hedges of forecast transactions were assets of $0.2 (2019 – $1.4) and liabilities of $0.3 (2019 – $0.1).

Cash flows from cash flow hedges are expected to flow over the year until fiscal 2021, and are expected to be recognized in net earnings or loss over this period, and, in the case of foreign currency swaps, over the life of the related debt in which a portion of the initial cost is being hedged.

INTEREST RATE RISK

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Company to interest rate risk include financial liabilities with floating interest rates.

The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. The majority of the Company's long-term debt is at fixed interest rates. Approximately 46.0% (2019 – 30.3%) of the Company's long-term debt is exposed to interest rate risk due to floating rates.

Net earnings or loss is impacted by a change in interest rates on the average balance of interest bearing financial liabilities during the year. For the year ending May 2, 2020, the Company's average outstanding unhedged floating rate debt was $849.3 (2019 – $567.4). An increase (decrease) of 25 basis points would have impacted net earnings by $1.5 ($1.5) (2019 – $1.0 ($1.0)) as a result of the Company's exposure to interest rate fluctuations on its unhedged floating rate debt.

FOREIGN CURRENCY EXCHANGE RISK

The Company conducts the vast majority of its business in Canadian dollars. The Company's foreign currency exchange risk principally relates to purchases made in U.S. dollars, British pound and European euros. In addition, the Company also uses forward contracts to fix the exchange rate on some of its expected requirements for foreign currencies. Amounts received or paid related to instruments used to hedge foreign exchange, including any gains and losses, are recognized in the cost of purchases. The Company does not consider its exposure to foreign currency exchange risk to be material.

The Company has entered into foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to expenditures denominated in foreign currencies. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the forward contracts are accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in net earnings or loss in future accounting periods.

The Company estimates that a 10% increase (decrease) in applicable foreign currency exchange rates would impact net earnings by $ nil ($ nil) (2019 – $ nil ($ nil)) and other comprehensive income by $0.9 ($0.9) (2019 – $2.7 ($2.7)) for foreign currency derivatives in place at year-end.

27. 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:

	May 2, 2020	May 4, 2019
Segmented operating income		
Food retailing	$ 1,040.2	$ 561.8
Investments and other operations		
Crombie REIT	50.7	63.6
Real estate partnerships	20.1	23.4
Other operations, net of corporate expenses	0.8	3.5
	71.6	90.5
Total	$ 1,111.8	$ 652.3

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

	May 2, 2020	May 4, 2019
Total operating income	$ 1,111.8	$ 652.3
Finance costs, net	279.1	91.6
Total	$ 832.7	$ 560.7

	May 2, 2020	May 4, 2019
Total assets by segment		
Food retailing	$ 13,932.9	$ 8,921.4
Investments and other operations	700.0	681.0
Total	$ 14,632.9	$ 9,602.4

28. 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 $29.28 per PSU issued during the current year was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	$30.41
Expected life	2.60 years
Risk-free interest rate	1.36%
Expected volatility	25.15%
Dividend yield	1.47%

At May 2, 2020, there were 284,184 (2019 – 338,275) PSUs outstanding. The compensation expense for the year ended May 2, 2020 related to PSUs was $1.6 (2019 – $3.0).

STOCK OPTION PLAN

During fiscal 2020, the Company granted 1,730,178 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 $6.79 per option issued during the year was determined using the Black-Scholes model with the following weighted average assumptions:

Share price	$31.38
Expected life	6.76 years
Risk-free interest rate	1.38%
Expected volatility	24.00%
Dividend yield	1.45%

The compensation expense for the year ended May 2, 2020 related to the issuance of options was $4.6 (2019 – $3.7).

The outstanding options at May 2, 2020 were granted at prices between $15.60 and $36.86 and expire between June 2021 and June 2027 with a weighted average remaining contractual life of 5.37 years. Stock option transactions during fiscal 2020 and 2019 were as follows:

	2020			2019		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	**4,293,288**	**$**	**23.31**	4,686,155	$	22.81
Granted	**1,730,178**		**31.38**	800,573		25.97
Exercised	**(1,115,115)**		**24.57**	(746,346)		22.30
Expired	**(3,525)**		**30.23**	(250,116)		27.49
Forfeited	**(219,162)**		**22.46**	(196,978)		20.63
Balance, end of year	**4,685,664**	**$**	**26.03**	4,293,288	$	23.31
Stock options exercisable, end of year	**1,732,433**			2,201,160		

The following table summarizes information related to stock options outstanding at May 2, 2020:

	Options Outstanding			Options Exercisable	
Year Granted	Number of Outstanding Options	Weighted Average Remaining Contractual Life[1]	Weighted Average Exercise Price	Number Exercisable at May 2, 2020	Weighted Average Exercise Price
2014	443,277	1.16	$ 26.25	443,277	$ 26.25
2015	163,554	2.16	22.55	163,554	22.55
2016	169,097	3.16	30.21	169,097	30.21
2017	567,705	4.16	19.87	357,482	19.72
2018	917,483	5.16	19.59	422,262	19.59
2019	709,752	6.16	26.01	176,761	26.01
2020	1,714,796	7.16	31.38	–	–
Total	4,685,664	5.37	$ 26.03	1,732,433	$ 23.29

(1) Weighted average remaining contractual life is expressed in years.

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 May 2, 2020, there were 1,337,562 (2019 – 1,063,299) DSUs outstanding related to this plan and the total carrying amount of the liability was $28.4 (2019 – $20.8). The compensation expense for the year ended May 2, 2020 related to DSUs was $12.0 (2019 – $14.2).

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 May 2, 2020, there were 306,489 (2019 – 247,605) DSUs outstanding and the total carrying amount of the liability was $9.5 (2019 – $7.4). During the year ended May 2, 2020, the compensation expense recorded was $2.1 (2019 – $2.7).

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.

29. Related Party Transactions

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. The Company holds a 41.5% (2019 – 41.5%) ownership interest in Crombie REIT and accounts for its investment using the equity method.

Crombie REIT has instituted a 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.

The Company leased certain real property from Crombie REIT during the year at amounts which in management's opinion approximate fair market value that would be incurred if leased from a third party. Management has determined these amounts to be fair value based on the significant number of leases negotiated with third parties in each market it operates. The aggregate net payments under these leases, which are measured at exchange amounts, totalled approximately $188.8 (2019 – $206.2).

Crombie REIT provides administrative and management services to the Company on a fee for service basis pursuant to a Management Agreement effective January 1, 2016. The Management Agreement replaces the previous arrangement where charges incurred were on a cost recovery basis.

During the year ended May 2, 2020, Sobeys, through a wholly-owned subsidiary, received $61.8 for reimbursements of lessor improvements from Crombie REIT. These payments are related to modernization and efficiency improvements of existing properties, and construction allowances. As of May 2, 2020, an additional $0.5 is currently receivable from Crombie REIT for these reimbursements.

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 May 2, 2020, Sobeys has accrued a total of $4.3 in current and long-term receivables related to these amounts.

On August 1, 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 consolidated statements of earnings.

On November 28, 2019, Sobeys, through a wholly-owned subsidiary, sold one property to Crombie REIT for cash consideration of $3.2. There was no gain or loss as a result of this sale.

On December 16, 2019, 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 which has been recognized in other income on the consolidated statements of earnings. Subsequent to this transaction Crombie REIT owns 100% of the property.

On February 11, 2020, Crombie REIT announced it had closed a bought-deal public offering of units at a price of $16.00 per unit for aggregate proceeds of $100.0. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $41.5 of Class B limited partnership units.

On April 11, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 26 property portfolio to a third party purchaser. 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. The lease amending agreements became effective on April 25, 2019, the closing date of the property disposal. As of May 2, 2020, Sobeys has accrued a total of $3.3 in current and long-term receivables related to these amounts.

On June 29, 2018, Sobeys, through a wholly-owned subsidiary, sold and leased back one 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 consolidated statements of earnings.

On September 28, 2018, Sobeys, through a wholly-owned subsidiary, sold one 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 consolidated statements of earnings.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel include the Board of Directors and members of the Company's executive team that have authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation is comprised of:

		May 2, 2020		May 4, 2019
Salaries, bonus and other short-term employment benefits	$	14.1	$	13.4
Post-employment benefits		2.7		3.4
Termination benefits		-		2.8
Share-based payments		9.9		8.6
Total	$	26.7	$	28.2

INDEMNITIES

The Company has agreed to indemnify its directors, officers and particular employees in accordance with the Company's policies. The Company maintains insurance policies that may provide coverage against certain claims.

30. Capital Management

The Company's objectives when managing capital are: (i) to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; (ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; (iii) to maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants; and (iv) to maintain an investment grade credit rating with each rating agency that assesses the credit worthiness of the Company. There have been no changes to the Company's objectives during the year ended May 2, 2020.

The Company monitors and makes adjustments to its capital structure, when necessary, in light of changes in economic conditions, the objectives of its shareholders, the cash requirements of the business and the condition of capital markets.

The Company considers its total capitalization to include all interest-bearing debt, including bank loans, long-term debt (including the current portion thereof), lease liabilities and shareholders' equity, net of cash and cash equivalents. The calculation is set out in the following table:

	May 2, 2020	May 4, 2019
Long-term debt due within one year	$ **570.0**	$ 36.5
Long-term debt	**1,105.2**	1,984.4
Lease liabilities due within one year	**466.2**	–
Long–term lease liabilities	**4,800.0**	–
Funded debt, including lease liabilities	**6,941.4**	2,020.9
Less cash and cash equivalents	**(1,008.4)**	(553.3)
Net funded debt	**5,933.0**	1,467.6
Shareholders' equity, net of non-controlling interest	**3,924.6**	4,003.3
Capital under management	$ **9,857.6**	$ 5,470.9

The primary investments undertaken by the Company include additions to the selling square footage and renovations of its store network via the construction, expansion, and improvements to existing stores. These additions and modifications to the store network include related leasehold improvements and the purchase of land bank sites for future store construction. The Company makes capital investments in information technology, customer fulfilment centres, and its distribution capabilities to support an expanding store network. In addition, the Company makes capital expenditures in support of its investments and other operations. The Company largely relies on its cash flow from operations to fund its capital investment program and dividend distributions to its shareholders. The cash flow is supplemented, when necessary, through the incurrence of additional debt or the issuance of additional capital stock.

Under the terms of existing debt agreements, three financial covenants are monitored on a quarterly basis by management to ensure compliance with the agreements. The covenants are: (i) adjusted total debt/EBITDA – calculated as net funded debt plus letters of credit, guarantees and commitments divided by EBITDA (as defined by the credit agreements and for the previous 52 weeks); (ii) lease adjusted debt/EBITDAR – calculated as adjusted total debt plus eight times rent divided by EBITDAR (as defined by the credit agreements and for the previous 52 weeks); and (iii) debt service coverage ratio – calculated as EBITDA divided by interest expense plus repayments of long-term debt (as defined by the credit agreements and for the previous 52 weeks). The Company was in compliance with these covenants during the year.

Eleven-Year Financial Review

SUPPLEMENTARY INFORMATION – UNAUDITED

Year Ended[1]	2020	2019	2018	2017
Financial Results ($ in millions)				
Sales	$ **26,588.2**	$ 25,142.0	$ 24,214.6	$ 23,806.2
Operating income (loss)	**1,111.8**	652.3	346.5	333.0
Adjusted operating income	**1,130.1**	683.6	601.7	378.5
EBITDA	**1,892.4**	1,069.5	785.7	777.2
Adjusted EBITDA	**1,892.4**	1,076.2	1,014.7	796.9
Finance costs, net	**279.1**	91.6	110.5	118.0
Income tax expense (recovery)	**219.9**	144.3	56.2	42.5
Non-controlling interest	**29.3**	29.1	20.3	14.0
Net earnings (loss)[2]	**583.5**	387.3	159.5	158.5
Adjusted net earnings[2]	**596.8**	410.0	344.3	191.3
Financial Position ($ in millions)				
Total assets	**14,632.9**	9,602.4	8,662.0	8,695.5
Long-term debt (excluding current portion)	**1,105.2**	1,984.4	1,139.5	1,736.8
Shareholders' equity[3]	**3,924.6**	4,003.3	3,702.8	3,644.2
Per Share Data on a Fully Diluted Basis ($ per share)				
Net earnings (loss)[2]	**2.15**	1.42	0.59	0.58
Adjusted net earnings[2]	**2.20**	1.50	1.27	0.70
Dividends				
Non-Voting Class A shares	**0.480**	0.440	0.420	0.410
Class B common shares	**0.480**	0.440	0.420	0.410
Book value	**14.51**	14.72	13.62	13.40
Share Price, Non-Voting Class A Shares ($ per share)				
High	**37.36**	31.11	26.15	22.56
Low	**24.29**	22.69	18.74	15.00
Close	**31.01**	29.94	25.01	21.50
Diluted weighted average number of shares outstanding (in millions)	**271.4**	272.6	272.1	272.0

(1) Fiscal years end the first Saturday in May, consistent with the fiscal year-end of Sobeys Inc. Financial data for fiscal 2010, with the exception of the balances noted for financial position for fiscal 2010, were prepared using CGAAP and have not been restated to IFRS. Fiscal 2011 and 2016 are 53-week years.

(2) Attributable to owners of the Company.

(3) Net of non-controlling interest.

2016	2015	2014	2013	2012	2011	2010
$ 24,618.8	$ 23,928.8	$ 20,957.8	$ 17,343.9	$ 16,249.1	$ 15,956.8	$ 15,516.2
(2,418.5)	742.4	326.7	573.2	534.3	525.7	479.7
713.7	867.0	639.7	553.4	513.9	500.4	479.7
(1,944.7)	1,224.9	753.5	918.1	876.6	863.0	819.4
1,161.4	1,321.9	1,052.8	942.9	856.2	837.7	819.4
137.4	155.1	131.4	55.4	59.9	75.4	72.5
(441.3)	150.4	36.3	136.4	122.3	122.0	99.1
16.4	17.9	8.0	9.1	12.7	9.0	5.6
(2,131.0)	419.0	235.4	379.5	339.4	400.6	301.9
410.2	511.0	390.6	390.7	322.7	303.2	284.5
9,138.5	11,497.2	12,236.6	7,140.4	6,913.1	6,518.6	6,248.3
2,017.0	2,230.2	3,282.1	915.9	889.1	1,090.3	821.6
3,623.9	5,986.7	5,700.5	3,724.8	3,396.3	3,162.1	2,952.4
(7.78)	1.51	0.98	1.86	1.66	1.96	1.47
1.50	1.84	1.62	1.91	1.58	1.48	1.39
0.400	0.360	0.347	0.320	0.300	0.267	0.247
0.400	0.360	0.347	0.320	0.300	0.267	0.247
13.23	21.61	20.59	18.27	16.66	15.49	14.36
30.79	31.60	27.75	22.88	21.00	19.71	17.98
20.23	21.67	21.68	17.85	17.57	17.02	13.23
21.09	29.15	22.88	22.86	19.21	18.05	17.66
274.0	277.2	240.6	204.2	204.2	204.6	205.4

Shareholder and Investor Information

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Shareholders, analysts and investors should direct their financial inquiries or requests to:

E-mail: investor.relations@empireco.ca

Communication regarding investor records including changes of address or ownership, lost certificates or tax forms, should be directed to the Company's transfer agent and registrar, AST Trust Company (Canada).

Transfer Agent

AST Trust Company (Canada)
Investor Correspondence
P.O. Box 700, Station B
Montreal, Québec
H3B 3K3
Telephone: 1-800-387-0825
E-mail: inquiries@astfinancial.com

Multiple Mailings

If you have more than one account, you may receive a separate mailing for each. If this occurs, please contact AST Trust Company (Canada) at 1-800-387-0825 to eliminate the multiple mailings.

Shareholders' Annual General Meeting

September 10, 2020 at 11:00 a.m. (ADT)

Virtually via live audio webcast at:
http://web.lumiagm.com/199783167
Password: empire2020 (case sensitive)

Dial-in number (listen mode only):
1-416-764-8688 (Toronto)
1-888-390-0546 (North America)

Dividend Record and Payment Dates for Fiscal 2021

Record Date	Payment Date
July 15, 2020	July 31, 2020
October 15, 2020*	October 30, 2020*
January 15, 2021*	January 29, 2021*
April 15, 2021*	April 30, 2021*

*Subject to approval by the Board of Directors.

Outstanding Shares

As at June 16, 2020	
Non-Voting Class A shares	170,971,038
Class B common shares, voting	98,138,079

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol

Non-Voting Class A shares – EMP.A

Solicitors

Stewart McKelvey
Halifax, Nova Scotia

Auditor

PricewaterhouseCoopers, LLP
Halifax, Nova Scotia

Design: Craib Design & Communications www.craib.com Printed in Canada

Our Heroes

EMPIRE
COMPANY LIMITED