MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED MAY 4, 2024

Forward-Looking Information 1
Overview of the Business 3
Company Priorities 3
Business Updates 4
Outlook 7
Summary Results – Fourth Quarter 8
Sales 9
Gross Profit 9
Operating Income 9
EBITDA 10
Finance Costs 10
Income Taxes 10
Net Earnings 10
Operating Results – Full Year 12
Sales 13
Gross Profit 13
Operating Income 13
EBITDA 14
Finance Costs 14
Income Taxes 14
Net Earnings 14
Financial Performance by Segment 16
Food Retailing 16
Investments and Other Operations 16
Quarterly Results of Operations 17
Liquidity and Capital Resources 18
Operating Activities 18
Investing Activities 18
Capital Expenditures 19
Store Network Activity and Square Footage 19
Financing Activities 19
Free Cash Flow 20
Employee Future Benefit Obligations 20
Guarantees and Commitments 20
Consolidated Financial Condition 21
Key Financial Condition Measures 21
Shareholders' Equity 22
Normal Course Issuer Bid 23
Accounting Standards and Policies 24
Changes to Accounting Standards Adopted During Fiscal 2024 24
Standards, Amendments and Interpretations Issued but not yet Adopted 24
Critical Accounting Estimates 25
Disclosure Controls and Procedures 27
Internal Control Over Financial Reporting 27
Related Party Transactions 28
Key Management Personnel Compensation 29
Indemnities 29
Contingencies 29
Risk Management 30
Designation for Eligible Dividends 37
Non-GAAP Financial Measures & Financial Metrics 38
Financial Measures 38
Food Retailing Segment Reconciliation 36
Financial Metrics 43

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) and its subsidiaries, including wholly-owned Sobeys Inc. ("Sobeys") for the fourth quarter and fiscal year ended May 4, 2024 compared to the fourth quarter and fiscal year ended May 6, 2023. 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 4, 2024, and the fiscal year ended May 6, 2023. Additional information about the Company, including the Company's Annual Information Form, can be found on SEDAR+ at www.sedarplus.ca 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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 19, 2024, 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 Company's aim to increase total adjusted earnings per share ("EPS") through net earnings, growth, and share repurchases, as well as its intention to continue improving sales, gross margin (excluding fuel) and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") margin, all of which could be impacted by several factors including a prolonged unfavourable macro-economic environment and unforeseen business challenges, as well as the factors identified in the "Risk Management" section of this MD&A;

- The Company's plans to further grow and enhance the Own Brands portfolio, which may be impacted by future operating costs and customer response;

- The Company's plan to invest $700 million capital in its network in fiscal 2025, including store expansions and renovations and renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026 which could be impacted by cost of materials, availability of contractors, operating results, and other macro-economic impacts;

- The Company's expectation that it will meet targeted growth of FreshCo, which may be impacted by customer response, availability of contractors, operating results, and other macro-economic impacts;

- The Company's expectation that it will continue its e-commerce expansion with Voilà, and that actions are expected to have a significant, positive impact on Voilà's profitability in fiscal 2025 and 2026, which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado Group plc ("Ocado");

- The Company's expectation that the *Scene+* program will accelerate engagement by focusing on scaling personalization, which may be impacted by customer response, *Scene+* app usage and the pace at which personalized offers are rolled out;

- The Company's expectation that it will continue to focus on driving efficiency and cost effectiveness initiatives which could be impacted by supplier relationships, labour relations, and other macro-economic impacts;

- The Company's expectation that Other income plus Share of earnings from investments, at equity will in aggregate, be in a range of $135 million to $155 million in fiscal 2025, which assumes completion of pending real estate transactions by the Company and Share of earnings from investments, at equity being consistent with historical values adjusted for significant transactions and may be impacted by the timing and terms of completion of real estate-related transactions and actual results from Crombie Real Estate Investment Trust ("Crombie REIT") and Real estate partnerships;

- The Company's expectations regarding the amount and timing of expenses relating to the completion of the future Customer Fulfilment Centre ("CFC"), which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;

- The Company's expectation of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macro-economic environment;

- 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 its cash and cash equivalents on hand, together with unutilized aggregate 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 macro-economic environment, operating results; and

- The Company's plans to purchase for cancellation Non-Voting Class A shares ("Class A shares") under the normal course issuer bid, which may be impacted by market and macro-economic conditions, availability of sellers, changes in laws and regulations, and the results of operations.

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

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

OVERVIEW OF THE BUSINESS

Empire's key businesses and financial results are segmented into two reportable segments: (i) Food retailing; and (ii) Investments and other operations. With approximately $30.7 billion in annual sales and $16.8 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 128,000 people.

Empire's Food retailing segment is carried out through Sobeys, a wholly-owned subsidiary. Proudly Canadian, with headquarters in Stellarton, Nova Scotia, Sobeys has been serving the food shopping needs of Canadians since 1907. Sobeys owns, affiliates or franchises more than 1,600 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, Farm Boy, Longo's and Lawtons Drugs, operates grocery e-commerce under the banners Voilà, Voilà par IGA, and ThriftyFoods.com, and operates and/or supplies more than 350 retail fuel locations.

Company Priorities

Since fiscal 2017, the Company has successfully completed two transformation strategies, Project Sunrise and Project Horizon. These strategies have comprehensively reset Empire's foundation, enhanced the Company's data capabilities, deepened the understanding of customers, and prepared the business to effectively capture emerging trends. With these transformation strategies now accomplished and the turnaround complete, the Company aims to grow total adjusted EPS over the long-term through net earnings growth and share repurchases. The Company intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as:

Continued Focus on Stores:

Over recent years, the Company has accelerated investments in renovations, conversions, and new stores along with store processes, communications, training, technology and tools. Investing in the store network will remain a priority, demonstrated by a sustained emphasis on renovations and continued store expansion in discount. The Own Brands program enhancement will remain a priority through increased distribution, shelf placement and product innovation.

The Company intends to invest capital in its store network and is on track with its plan to renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026. This capital investment includes important sustainability initiatives such as refrigeration system upgrades and other energy efficiency initiatives.

Enhanced Focus on Digital and Data:

The focus on digital and data will include continued e-commerce growth with Voilà, personalization, loyalty, through *Scene+* (see "Business Updates – Voilà" and "Business Updates – *Scene+*" for more information), improved space productivity and the continued improvement of promotional optimization. Space productivity will further enhance the customer experience by improving store layouts, optimizing category and product adjacencies and tailoring product assortment for each store. The advanced analytics tools built for promotional optimization will continue to be refined through the partnership between the advanced analytics team and category merchants. Enhancing digital and data capabilities will allow the Company to deliver the best personalized experiences to elevate its in-store and e-commerce experience for its customers.

Efficiency and Cost Control:

The Company has significantly improved its efficiency and cost effectiveness through sourcing efficiencies, optimizing supply chain productivity and improving systems and processes. The Company will continue to focus on driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure. In addition, the Company is pursuing cost savings in the Voilà business by pausing the opening of its fourth CFC and ending its mutual exclusivity with Ocado, amongst other initiatives.

Business Updates

Scene+

In June 2022, the Company launched a new loyalty strategy through *Scene+*, one of Canada's leading loyalty programs. Along with Scotiabank and Cineplex, the Company is a co-owner of *Scene+*. With its final launch in Quebec and Thrifty Foods in March 2023, it has now been over a year since the new loyalty program was successfully launched nationally. *Scene+* has now grown to over 15 million members.

The Company's key priority with *Scene+* is to accelerate program engagement by focusing on personalization. By using machine learning and artificial intelligence algorithms, personalization recommendations will be improved, delivering the right message to the right customer at the right time, through the right channels.

FreshCo

In fiscal 2018, the Company announced plans to expand its FreshCo discount format to Western Canada with expectations of converting up to 25% of the 255 Safeway and Sobeys Full-Service format stores in Western Canada to the FreshCo banner. As at June 19, 2024, FreshCo has 48 stores operating in Western Canada and the Company expects to achieve its original targeted growth over the next several years.

Through the FreshCo expansion program, the discount business in Western Canada has grown significantly, driven by store conversions and regional expansion. The value proposition and strong multicultural assortment, along with the addition of the *Scene+* loyalty program, has supported the growth and expansion of the discount format.

Voilà

In fiscal 2021, the Company introduced its new e-commerce platform, Voilà, revolutionizing online grocery home delivery in Canada. Voilà is powered by industry-leading technology provided by Ocado through its automated CFCs. The Company intends to operate four CFCs across Canada, with supporting spokes and curbside pickup. This will enable the Company to serve approximately 75% of Canadian households, representing approximately 90% of Canadians' projected e-commerce spend. To service Canadian households located outside of the core CFC service areas, the Company has Voilà curbside pickup, which services 98 stores in locations across Canada.

The Company has three active CFCs located in Toronto, Montreal and Calgary. In the quarter ended May 4, 2024, the Company decided to pause the opening of its fourth CFC in Vancouver, British Columbia to focus efforts on driving volume and performance in its three active CFCs. Construction of the external building for the fourth CFC has been substantially completed, with the internal work related to the grid build and robot commissioning not yet started. Once e-commerce penetration rates in Canada increase, the Company will be in a position to make a decision quickly on when it will proceed with the opening of its fourth CFC.

The Company has also taken actions to decrease costs and increase its flexibility to serve customers, including ending its mutual exclusivity agreement with Ocado subsequent to the year ended May 4, 2024, slightly before it was originally estimated to end. This will result in a one-time charge related to ending the exclusivity of $11.9 million in the first quarter of fiscal 2025.

In the quarter ended May 4, 2024, Voilà experienced a sales increase of 23.5% compared to the same quarter in the prior year and same-store sales growth of 17.3%. According to third-party market data, Voilà's national market share within the e-commerce channel continues to be higher versus the same quarter in the prior year.

In the first quarter of fiscal 2024, the Company completed its merger of Longo's e-commerce business, Grocery Gateway, into Voilà, thereby capturing logistics and delivery synergies. Operating as a 'shop in shop' has increased the reach of Longo's within Ontario and increased Voilà's product count. The Company now offers products from Sobeys, Farm Boy and Longo's through the Voilà platform.

The actions that the Company is taking as outlined above are expected to have a significant, positive impact on Voilà's profitability in fiscal 2025 and 2026. Voilà's future earnings will primarily be impacted by sales volume, with strong margins, operational efficiencies and cost discipline serving as important drivers to manage financial performance. While the market penetration of Voilà continues to be strong, the size and growth of the Canadian grocery e-commerce market is smaller than anticipated, resulting in higher net earnings dilution than originally estimated.

Cybersecurity Event

On November 4, 2022, Empire experienced IT system issues related to a cybersecurity event (the "Cybersecurity Event"). Upon discovery, the Company immediately activated its incident response and business continuity plans, including the engagement of world-class experts, isolated the source and implemented measures to prevent further spread.

The Company maintains a variety of insurance coverages, including cyber insurance. During the quarter ended May 4, 2024, Empire finalized the claims with its insurance providers under its policies, and all insurance recoveries have now been recognized. The total net impact of the Cybersecurity Event on net earnings over fiscal 2023 and fiscal 2024 was ($27.1) million, slightly below the original estimate of ($32.0) million.

The financial impact of insurance recoveries on net earnings in the quarter and fiscal year ended May 4, 2024 was a recovery of $10.4 million and $25.9 million, respectively. Impacts of the Cybersecurity Event, including the related insurance proceeds, are excluded from adjusted operating income(1), adjusted EBITDA(1), adjusted net earnings(1) and adjusted EPS(1) (collectively the "Adjusted Metrics"). Please refer to the "Summary Results – Fourth Quarter" section of this document for a more detailed discussion, including a reconciliation of these non-generally accepted accounting principles ("GAAP") financial measures.

Sustainable Business Reporting

Environmental, Social and Governance ("ESG") has deep roots in the Company's history, and the principles of ESG have been a part of the organization since the Company started 116 years ago.

The Company published its 2023 Sustainable Business Report in July 2023 which outlines the Company's steady and tangible progress in achieving its ESG goals. The fiscal 2023 report presents key results in areas where the Company has the greatest impact across the three pillars of its ESG framework: People, Planet, and Products. Highlights of the progress made this year include: becoming the first grocery retailer in Canada to have science-based climate targets validated by the Science Based Targets initiative; donating more than 23 million pounds of surplus food to local charities from stores and warehouses through the Company's partnership with Second Harvest; raising and donating close to $19.0 million across Canada to support the Healthier Tomorrows Community Investment strategy; and continued progress on embedding Diversity, Equity & Inclusion ("DE&I") more broadly across the organization, with over 90% of Directors and above having set DE&I performance and accountability goals. In addition, the Company also recently conducted the first climate scenario risk assessment on its operational footprint and published its inaugural Taskforce on Climate-Related Financial Disclosures-aligned report.

The Company is focused on several initiatives as part of a continuing ESG journey such as carbon reduction projects to achieve its Scope 1 and 2 climate targets, reducing or eliminating avoidable and hard-to-recycle plastics, expanding the Company's efforts to cultivate a fair, equitable and inclusive environment for all, and embedding sustainable business mandates within the Company's performance management goals.

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

Other Items

Farm Boy – acquisition of remaining ownership interest

As part of the Farm Boy acquisition, members of the Farm Boy senior management team (the "Stakeholders"), retained a 12% interest in Farm Boy, resulting in a non-controlling interest. The parties entered into put and call options such that the Stakeholders could put, and Sobeys could call, the remaining 12% at any time after five years following the acquisition date. On January 6, 2024 the Company received formal notice from the Stakeholders exercising their put options.

During the quarter ended May 4, 2024, the Company acquired the remaining 12% non-controlling interest in Farm Boy for $77.1 million. Farm Boy's key executive management team has remained unchanged following this transaction.

Labour Buyouts

On October 20, 2023, United Food and Commercial Workers ("UFCW") 1518 and UFCW 247 ratified new agreements with the Company. The new agreements allow the Company to offer voluntary buyouts to senior B.C. Safeway unionized employees. Employee buyouts provide flexibility and stability for the Company to better manage labour and operational costs. During the third quarter of fiscal 2024, the Company initiated the buyout process, and offered the impacted employees the ability to elect to accept the buyout packages. As a result, the Company's financial impact in the quarter and fiscal year ended May 4, 2024 was $6.7 million and $10.5 million, respectively.

Distribution Centre Strike

On October 14, 2023, teammates at a distribution centre in Ontario went on strike after negotiations between the union and the Company were unsuccessful in agreeing on the terms of a new collective bargaining agreement. The strike ended on January 13, 2024, after an agreement was reached. The strike did not have a material financial impact on net earnings for the fiscal year ended May 4, 2024.

Western Canada Fuel Sale

On December 13, 2022, the Company signed a definitive agreement between a wholly-owned subsidiary of Sobeys and Canadian Mobility Services Limited, a wholly-owned subsidiary of Shell Canada, to sell all 56 retail fuel sites in Western Canada for approximately $100.0 million. Following regulatory review and approval, the sale ("Western Canada Fuel Sale") was completed on July 30, 2023.

OUTLOOK

Management aims to grow total adjusted EPS over the long-term through net earnings growth and share repurchases. The Company intends to continue improving sales, gross margin (excluding fuel) and adjusted EBITDA margin by focusing on priorities such as: a continued focus on stores (investing in renovations, discount expansion, and Own Brands program enhancement), an expanded focus on digital and data (through key strategic initiatives including Voilà, *Scene+*, personalization, space productivity and promotional optimization), and driving efficiency and cost effectiveness through initiatives related to sourcing of goods not for resale, supply chain productivity and the organizational structure.

For fiscal 2025, capital spend is expected to be approximately $700 million, with approximately half of this investment allocated to renovations and new store expansion, 25% allocated to IT and business development projects and the remainder allocated to central kitchens, logistics, sustainability and e-commerce. The Company is on track with its plan to renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026.

For fiscal 2025, the Company expects aggregate pre-tax earnings from Other income plus Share of earnings from investments, at equity (both found in the Company's Consolidated Statements of Earnings), to be in the range of $135 million to $155 million (2024 – $140.1 million, excluding the gain of $90.8 million on the Western Canada Fuel Sale). During the first quarter of fiscal 2025, the Company sold and leased back a property from a third party. Total proceeds from the transaction was $89.0 million, resulting in a pre-tax gain of $39.0 million.

During the fiscal year ended May 4, 2024, the Company continued to comply with the federal government's request to identify ways to help further stabilize prices for consumers. Consistent with Consumer Price Index for food purchased from stores, the Company's internal food inflation has also decreased again this quarter. The Company continues to focus on supplier relationships and negotiations to ensure competitive pricing for customers. The Company continues to be well positioned to pursue long-term growth despite the impacts of global economic uncertainties.

SUMMARY RESULTS – FOURTH QUARTER

($ in millions, except per share amounts)	**13 Weeks Ended May 4, 2024**	13 Weeks Ended May 6, 2023	$ Change	% Change
Sales	**$ 7,411.5**	$ 7,408.4	$ 3.1	0.0%
Gross profit[1]	**2,005.1**	1,959.0	46.1	2.4%
Operating income	**291.3**	321.6	(30.3)	(9.4)%
Adjusted operating income[1]	**297.7**	328.1	(30.4)	(9.3)%
EBITDA[1]	**556.6**	592.3	(35.7)	(6.0)%
Adjusted EBITDA[1]	**563.0**	598.8	(35.8)	(6.0)%
Finance costs, net	**74.3**	70.2	4.1	5.8%
Income tax expense	**61.4**	63.5	(2.1)	(3.3)%
Non-controlling interest	**6.7**	5.0	1.7	34.0%
Net earnings[2]	**148.9**	182.9	(34.0)	(18.6)%
Adjusted net earnings[1][2][3]	**154.0**	184.9	(30.9)	(16.7)%
Basic earnings per share				
Net earnings[2]	**$ 0.61**	$ 0.72		
Adjusted net earnings[1][2][3]	**$ 0.63**	$ 0.72		
Basic weighted average number of shares outstanding (in millions)	**243.4**	254.9		
Diluted earnings per share				
Net earnings[2]	**$ 0.61**	$ 0.72		
Adjusted net earnings[1][2][3]	**$ 0.63**	$ 0.72		
Diluted weighted average number of shares outstanding (in millions)	**243.7**	255.4		
Dividend per share	**$ 0.1825**	$ 0.1650		

	13 Weeks Ended May 4, 2024	13 Weeks Ended May 6, 2023
Gross margin[1]	**27.1%**	26.4%
EBITDA margin[1]	**7.5%**	8.0%
Adjusted EBITDA margin[1]	**7.6%**	8.1%
Same-store sales[1] (decline) growth	**(0.3)%**	1.6%
Same-store sales[1] growth, excluding fuel	**0.2%**	2.6%
Effective income tax rate	**28.3%**	25.3%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(2) Attributable to owners of the Company.
(3) See "Adjusted Impacts on Net Earnings" section of this MD&A.

Empire Company Limited Consolidated Operating Results

Sales

Sales for the quarter ended May 4, 2024 were consistent with the prior year with positive growth across the business, particularly in FreshCo, Voilà and Farm Boy, offset by lower fuel sales mainly driven by the Western Canada Fuel sale which occurred in the first quarter of fiscal 2024.

Gross Profit

Gross profit for the quarter ended May 4, 2024 increased by 2.4% mainly as a result of business expansion (Voilà, Farm Boy, and FreshCo), strong performance and operational discipline in Full-Service banners.

Gross margin for the quarter ended May 4, 2024 increased to 27.1% from 26.4% in the prior year, primarily as a result of strong execution in Full-Service banners from several targeted initiatives aimed at improving promotional mix and closely managing shrink and inventory, as well as business expansion (Voilà, Farm Boy, and FreshCo) and continued implementation of efficiencies in distribution resulting in lower supply chain costs. Gross margin, excluding the mix impact of fuel, increased by 68 basis points.

Operating Income

($ in millions)		**13 Weeks Ended May 4, 2024**		13 Weeks Ended May 6, 2023		$ Change
Food retailing	**$**	**280.6**	$	304.5	$	(23.9)
Investments and other operations:						
Crombie REIT		**11.9**		10.9		1.0
Real estate partnerships		**3.6**		6.5		(2.9)
Other operations, net of corporate expenses		**(4.8)**		(0.3)		(4.5)
		10.7		17.1		(6.4)
Operating income	**$**	**291.3**	$	321.6	$	(30.3)
Adjustments:						
Cybersecurity Event(1)		**(14.1)**		(6.8)		(7.3)
Grocery Gateway Integration(1)		**-**		13.3		(13.3)
Restructuring(1)		**20.5**		-		20.5
		6.4		6.5		(0.1)
Adjusted operating income(2)	**$**	**297.7**	$	328.1	$	(30.4)

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

For the quarter ended May 4, 2024, operating income from the Food retailing segment decreased mainly due to higher selling and administrative expenses and a decrease in other income, partially offset by higher sales and gross profit. Selling and administrative expenses increased primarily as a result of continued investment in business expansion (including Voilà, Farm Boy and FreshCo), higher retail labour costs driven by wage rate increases, increased investments in the store network, tools, technology and projects to support the Company's strategic initiatives. These increases were partially offset by a decrease in compensation accruals in the current year and lower depreciation and amortization.

For the quarter ended May 4, 2024, operating income from the Investments and other operations segment decreased primarily as a result of higher corporate expenses.

EBITDA

($ in millions)		**13 Weeks Ended May 4, 2024**		13 Weeks Ended May 6, 2023		$ Change
EBITDA[1]	**$**	**556.6**	$	592.3	$	(35.7)
Adjustments:						
Cybersecurity Event[2]		**(14.1)**		(6.8)		(7.3)
Grocery Gateway Integration[2]		**-**		13.3		(13.3)
Restructuring[2]		**20.5**		-		20.5
		6.4		6.5		(0.1)
Adjusted EBITDA[1]	**$**	**563.0**	$	598.8	$	(35.8)

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.

For the quarter ended May 4, 2024, EBITDA decreased to $556.6 million from $592.3 million in the prior year mainly as a result of the same factors affecting operating income (which excludes the decrease in depreciation and amortization). EBITDA margin decreased to 7.5% from 8.0% in the prior year.

Finance Costs

For the quarter ended May 4, 2024, net finance costs increased from the prior year mainly as a result of an increase in interest expense on lease liabilities and an increase in interest on credit facility borrowings.

Income Taxes

The effective income tax rate for the quarter ended May 4, 2024, was 28.3% compared to 25.3% last year. The effective tax rate is higher than the statutory rate primarily due to changes in tax rates and the revaluation of tax estimates, not all of which are recurring, partially offset by the benefits of investment tax credits. The effective tax rate in the same quarter last year was lower than the statutory rate primarily due to the revaluation of tax estimates, not all of which are recurring.

Net Earnings

($ in millions, except per share amounts)		**13 Weeks Ended May 4, 2024**		13 Weeks Ended May 6, 2023		$ Change
Net earnings[1]	**$**	**148.9**	$	182.9	$	(34.0)
EPS[4] (fully diluted)	**$**	**0.61**	$	0.72		
Adjustments[2] (net of income taxes):						
Cybersecurity Event[3]		**(10.4)**		(5.0)		(5.4)
Grocery Gateway Integration[3]		**-**		7.0		(7.0)
Restructuring[3]		**15.5**		-		15.5
		5.1		2.0		3.1
Adjusted net earnings[1][4][5]	**$**	**154.0**	$	184.9	$	(30.9)
Adjusted EPS (fully diluted)[4]	$	**0.63**	$	0.72		
Diluted weighted average number of shares outstanding (in millions)		**243.7**		255.4		

(1) Attributable to owners of the Company.
(2) Total adjustments for the quarter are net of income taxes of $1.8 million.
(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(4) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(5) See "Adjusted Impacts on Net Earnings" section of this MD&A

Adjusted Impacts on Net Earnings

On November 4, 2022, Empire experienced IT system issues related to a Cybersecurity Event. The Company included in its Adjusted Metrics an adjustment for direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, and labour costs, net of insurance recoveries. The impact to net earnings for the quarter ended May 4, 2024 was a recovery of $10.4 million (2023 – $5.0 million).

Longo’s e-commerce business, Grocery Gateway, merged into Voilà in July 2023. The Company included in its Adjusted Metrics an adjustment for the costs of the integration. The impact to net earnings for the fourth quarter of fiscal 2023 was ($7.0) million.

In the first quarter of fiscal 2024, Empire began to pursue strategies to optimize its organization, improve efficiencies and reduce costs including changes to its leadership team and organizational structure and the voluntary buyout of certain unionized employees (the “Restructuring”). The impact to net earnings for the quarter ended May 4, 2024 was ($15.5) million (2023 – $ nil).

OPERATING RESULTS – FULL YEAR

($ in millions, except per share amounts)	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022	2024 Compared to 2023 $ Change	2024 Compared to 2023 % Change
Sales	**$ 30,732.6**	$ 30,478.1	$ 30,162.4	$ 254.5	0.8%
Gross profit	**8,070.4**	7,792.7	7,659.7	277.7	3.6%
Operating income	**1,310.8**	1,232.4	1,363.7	78.4	6.4%
Adjusted operating income(1)	**1,257.1**	1,291.5	1,363.7	(34.4)	(2.7)%
EBITDA(1)	**2,381.5**	2,263.0	2,330.8	118.5	5.2%
Adjusted EBITDA(1)	**2,327.8**	2,322.1	2,330.8	5.7	0.2%
Finance costs, net	**282.4**	267.0	282.1	15.4	5.8%
Income tax expense	**265.8**	237.7	270.3	28.1	11.8%
Non-controlling interest	**37.4**	41.7	65.5	(4.3)	(10.3)%
Net earnings(2)	**725.2**	686.0	745.8	39.2	5.7%
Adjusted net earnings(1)(2)(3)	**681.6**	727.1	745.8	(45.5)	(6.3)%
Basic earnings per share					
Net earnings(2)	**$ 2.92**	$ 2.65	$ 2.81		
Adjusted net earnings(1)(2)(3)	**$ 2.75**	$ 2.81	$ 2.81		
Basic weighted average number of shares outstanding (in millions)	**248.0**	258.8	265.2		
Diluted earnings per share					
Net earnings(2)	**$ 2.92**	$ 2.64	$ 2.80		
Adjusted net earnings(1)(2)(3)	**$ 2.74**	$ 2.80	$ 2.80		
Diluted weighted average number of shares outstanding (in millions)	**248.4**	259.4	266.2		
Dividend per share	**$ 0.73**	$ 0.66	$ 0.60		

	52 Weeks Ended May 4, 2024	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022
Gross margin(1)	**26.3%**	25.6%	25.4%
EBITDA margin(1)	**7.7%**	7.4%	7.7%
Adjusted EBITDA margin(1)	**7.6%**	7.6%	7.7%
Same-store sales(1) growth	**1.3%**	2.3%	0.0%
Same-store sales(1) growth, excluding fuel	**2.0%**	1.5%	(2.1)%
Effective income tax rate	**25.8%**	24.6%	25.0%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(2) Attributable to owners of the Company.
(3) See "Adjusted Impacts on Net Earnings" section of this MD&A.

Empire Company Limited Consolidated Operating Results

Sales

Sales for the fiscal year ended May 4, 2024 increased 0.8%, primarily driven by positive growth across the business, including both Discount and Full-Service. This increase was offset by lower fuel sales mainly driven by the Western Canada Fuel Sale.

Gross Profit

Gross profit for the fiscal year ended May 4, 2024 increased by 3.6% primarily as a result of business expansion (FreshCo, Farm Boy, and Voilà) and the increase in sales in both the Discount and Full-Service banners.

Gross margin for the fiscal year ended May 4, 2024 increased to 26.3% from 25.6% in the prior year, primarily as a result of the mix impact of lower fuel sales, strong execution in operations, including a focus on improved shrink management, and lower distribution costs related to efficiency initiatives in supply chain. Gross margin, excluding the mix impact of fuel, increased by 43 basis points.

Operating Income

($ in millions)		**52 Weeks Ended May 4, 2024**		52 Weeks Ended May 6, 2023		$ Change
Food retailing	**$**	**1,265.0**	$	1,140.1	$	124.9
Investments and other operations:						
Crombie REIT		**43.5**		77.3		(33.8)
Real estate partnerships		**12.8**		16.5		(3.7)
Other operations, net of corporate expenses		**(10.5)**		(1.5)		(9.0)
		45.8		92.3		(46.5)
Operating income	**$**	**1,310.8**	$	1,232.4	$	78.4
Adjustments:						
Western Canada Fuel Sale(1)		**(90.8)**		-		(90.8)
Cybersecurity Event(1)		**(35.1)**		45.8		(80.9)
Grocery Gateway Integration(1)		**-**		13.3		(13.3)
Restructuring(1)		**72.2**		-		72.2
		(53.7)		59.1		(112.8)
Adjusted operating income(2)	**$**	**1,257.1**	$	1,291.5	$	(34.4)

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

For the fiscal year ended May 4, 2024, operating income from the Food retailing segment increased mainly due to higher sales, gross profit and other income, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of continued investment in business expansion (Voilà, Farm Boy and FreshCo), higher retail labour costs driven by wage rate increases, restructuring costs, increased focused investments in the store network, tools, technology and projects to support the Company's strategic initiatives and higher depreciation and amortization. These increases were partially offset by the net cost recoveries in the current year compared to net costs in the prior year related to the Cybersecurity Event.

For the fiscal year ended May 4, 2024, operating income from the Investments and other operations segment decreased primarily as a result of lower equity earnings from Crombie REIT, mainly due to fewer property sales in the current year.

EBITDA

($ in millions)		52 Weeks Ended May 4, 2024		52 Weeks Ended May 6, 2023		$ Change
EBITDA[1]	**$**	**2,381.5**	$	2,263.0	$	118.5
Adjustments:						
Western Canada Fuel Sale[2]		**(90.8)**		-		(90.8)
Cybersecurity Event[2]		**(35.1)**		45.8		(80.9)
Grocery Gateway Integration[2]		**-**		13.3		(13.3)
Restructuring[2]		**72.2**		-		72.2
		(53.7)		59.1		(112.8)
Adjusted EBITDA[1]	**$**	**2,327.8**	$	2,322.1	$	5.7

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.

For the fiscal year ended May 4, 2024, EBITDA increased to $2,381.5 million from $2,263.0 million in the prior year mainly as a result of the same factors affecting operating income (which excludes the increase in depreciation and amortization). EBITDA margin increased to 7.7% from 7.4% in the prior year.

Finance Costs

For the fiscal year ended May 4, 2024, net finance costs increased from the prior year as a result of an increase in interest expense on lease liabilities and the impacts of increased credit facility borrowings and elevated interest rates on other financial liabilities measured at amortized cost, offset by an increase in interest income on lease liabilities and fair value gains on forward contracts.

Income Taxes

The effective income tax rate for the fiscal year ended May 4, 2024, was 25.8% compared to 24.6% last year. The current year effective tax rate was lower than the statutory rate primarily due to the revaluation of tax estimates, not all of which were recurring and the benefits of investment tax credits. The effective tax rate in the prior year was lower than the statutory rate primarily due to the revaluation of tax estimates, not all of which were recurring, non-taxable capital items, and consolidated structured entities which are taxed at lower rates.

Net Earnings

($ in millions, except per share amounts)		52 Weeks Ended May 4, 2024		52 Weeks Ended May 6, 2023		$ Change
Net earnings[1]	**$**	**725.2**	$	686.0	$	39.2
EPS[4] (fully diluted)	**$**	**2.92**	$	2.64		
Adjustments[2] (net of income taxes):						
Western Canada Fuel Sale[3]		**(71.5)**		-		(71.5)
Cybersecurity Event[3]		**(25.9)**		34.1		(60.0)
Grocery Gateway Integration[3]		**-**		7.0		(7.0)
Restructuring[3]		**53.8**		-		53.8
		(43.6)		41.1		(84.7)
Adjusted net earnings[1][4][5]	**$**	**681.6**	$	727.1	$	(45.5)
Adjusted EPS (fully diluted)	**$**	**2.74**	$	2.80		
Diluted weighted average number of shares outstanding (in millions)		**248.4**		259.4		

(1) Attributable to owners of the Company.
(2) Total adjustments for the fiscal year ended are net of income taxes of ($9.2 million).
(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(4) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(5) See "Adjusted Impacts on Net Earnings" section of this MD&A.

Adjusted Impacts on Net Earnings

On July 30, 2023, Empire completed the sale of its Western Fuel Business to Canadian Mobility Services Limited, a wholly-owned subsidiary of Shell Canada. The sale of all 56 retail fuel sites in Western Canada was completed for approximately $100.0 million, which resulted in a pre-tax gain of $90.8 million. The impact to net earnings for the fiscal year ended May 4, 2024 was $71.5 million (2023 – $ nil).

On November 4, 2022, Empire experienced IT system issues related to a Cybersecurity Event. The Company included in its Adjusted Metrics an adjustment for direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, and labour costs, net of insurance recoveries. The impact to net earnings for the fiscal year ended May 4, 2024 was a recovery of $25.9 million (2023 – expense of $34.1 million).

Longo's e-commerce business, Grocery Gateway, merged into Voilà in July 2023. The Company has included in its Adjusted Metrics an adjustment for the costs of the integration. The impact to net earnings for the fiscal year ended May 6, 2023 was ($7.0) million.

In the first quarter of fiscal 2024, Empire began to pursue strategies to optimize its organization, improve efficiencies and reduce costs including changes to its leadership team and organizational structure and the voluntary buyout of certain unionized employees. The impact to net earnings for the fiscal year ended May 4, 2024 was ($53.8) million (2023 – $ nil).

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 for the fiscal years ended May 4, 2024, May 6, 2023 and May 7, 2022.

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 4, 2024**	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022	2024 Compared to 2023 $ Change	2024 Compared to 2023 % Change
Sales	**$ 30,732.6**	$ 30,478.1	$ 30,162.4	$ 254.5	0.8%
Gross profit	**8,070.4**	7,792.7	7,659.7	277.7	3.6%
Operating income	**1,265.0**	1,140.1	1,277.0	124.9	11.0%
Adjusted operating income(1)	**1,211.3**	1,199.2	1,277.0	12.1	1.0%
EBITDA	**2,335.4**	2,170.6	2,243.9	164.8	7.6%
Adjusted EBITDA(1)	**2,281.7**	2,229.7	2,243.9	52.0	2.3%
Net earnings(2)	**712.3**	610.1	677.9	102.2	16.8%
Adjusted net earnings(1)(2)	**668.7**	651.2	677.9	17.5	2.7%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A for a description of the types of costs and recoveries included.
(2) 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, which are set out below.

($ in millions)	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022
Sales growth	**0.8%**	1.0%	6.7%
Same-store sales growth	**1.3%**	2.3%	0.0%
Same-store sales growth (decline), excluding fuel	**2.0%**	1.5%	(2.1)%
Return on equity(1)	**16.4%**	14.7%	17.7%
Adjusted return on equity	**15.4%**	15.7%	17.7%
Funded debt to total capital(1)	**62.9%**	63.3%	65.1%
Funded debt to adjusted EBITDA(1)	**3.2x**	3.2x	3.3x
Acquisitions of property, equipment, investment property and intangibles	**$ 800.0**	$ 755.4	$ 817.2

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

Investments and Other Operations

($ in millions)	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023	$ Change
Crombie REIT	**$ 43.5**	$ 77.3	$ (33.8)
Real estate partnerships	**12.8**	16.5	(3.7)
Other operations, net of corporate expenses	**(10.5)**	(1.5)	(9.0)
Operating income	**$ 45.8**	$ 92.3	$ (46.5)

For the fiscal year ended May 4, 2024, operating income from the Investments and other operations segment decreased primarily as a result of lower equity earnings from Crombie REIT, mainly due to fewer property sales compared to the prior year.

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	Fiscal 2024 Q4 (13 Weeks) May 4, 2024	Q3 (13 Weeks) Feb. 3, 2024	Q2 (13 Weeks) Nov. 4, 2023	Q1 (13 Weeks) Aug. 5, 2023	Fiscal 2023 Q4 (13 Weeks) May 6, 2023	Q3 (13 Weeks) Feb. 4, 2023	Q2 (13 Weeks) Nov. 5, 2022	Q1 (13 Weeks) Aug. 6, 2022
Sales	**$ 7,411.5**	$ 7,494.4	$ 7,751.2	$ 8,075.5	$ 7,408.4	$ 7,489.3	$ 7,642.8	$ 7,937.6
Operating income	**291.3**	250.6	312.4	456.5	321.6	232.8	333.9	344.1
Adjusted operating income(1)	**297.7**	275.9	308.6	374.9	328.1	285.4	333.9	344.1
EBITDA(2)	**556.6**	521.5	580.4	723.0	592.3	492.5	584.2	594.0
Adjusted EBITDA(1)(2)	**563.0**	546.8	576.6	641.4	598.8	545.1	584.2	594.0
Net earnings(3)	**148.9**	134.2	181.1	261.0	182.9	125.7	189.9	187.5
Adjusted net earnings(1)(3)	**154.0**	153.1	178.3	196.2	184.9	164.8	189.9	187.5
Per share information, basic								
Net earnings(3)	**$ 0.61**	$ 0.54	$ 0.73	$ 1.04	$ 0.72	$ 0.49	$ 0.73	$ 0.72
Adjusted net earnings(1)(3)	**$ 0.63**	$ 0.62	$ 0.72	$ 0.78	$ 0.73	$ 0.64	$ 0.73	$ 0.72
Basic weighted average number of shares outstanding (in millions)	**243.4**	246.3	249.3	251.7	254.9	257.9	260.1	262.2
Per share information, diluted								
Net earnings(3)	**$ 0.61**	$ 0.54	$ 0.72	$ 1.03	$ 0.72	$ 0.49	$ 0.73	$ 0.71
Adjusted net earnings(1)(3)	**$ 0.63**	$ 0.62	$ 0.71	$ 0.78	$ 0.72	$ 0.64	$ 0.73	$ 0.71
Diluted weighted average number of shares outstanding (in millions)	**243.7**	246.8	249.9	252.2	255.4	258.4	260.6	263.0

(1) See "Non-GAAP Financial Measures and Financial Metrics" section of this MD&A for a reconciliation of the adjusted metrics presented in the table.

(2) 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.

(3) Attributable to owners of the Company.

For the most recent eight quarters, results have fluctuated overall, with sales consistently improving when comparing to the same period year over year. Fluctuations in sales during fiscal 2024 were largely due to the impact of the Western Canada Fuel sale in the first quarter.

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 and net earnings have all been influenced by the Company's strategic investment activities, the competitive environment, cost management initiatives, food prices and general industry trends, adjusted items, as well as other risk factors as outlined in the "Risk Management" section of this MD&A.

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 audited Consolidated Financial Statements for the fiscal year ended May 4, 2024.

($ in millions)	**13 Weeks Ended May 4, 2024**	13 Weeks Ended May 6, 2023	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023
Cash flows from operating activities	**$ 556.5**	$ 504.6	**$ 2,074.3**	$ 1,605.3
Cash flows used in investing activities	**(266.1)**	(148.7)	**(608.5)**	(684.7)
Cash flows used in financing activities	**(279.9)**	(345.2)	**(1,427.5)**	(1,511.6)
Increase (decrease) in cash and cash equivalents	**$ 10.5**	$ 10.7	**$ 38.3**	$ (591.0)

Operating Activities

Cash flows from operating activities for the quarter ended May 4, 2024 increased versus prior year primarily as a result of favourable working capital changes and lower income taxes paid in the current year. The working capital changes are primarily impacted by improvements in accounts payable and accrued liabilities, partially offset by changes in accounts receivable in the current year.

Cash flows from operating activities for the fiscal year ended May 4, 2024 increased versus prior year primarily as a result of favourable working capital changes and higher income taxes paid in the prior year driven by the timing of payment of taxes on higher fiscal 2022 net earnings. The working capital changes are impacted primarily by improvements in accounts receivable and inventory.

Investing Activities

The table below outlines details of investing activities for the relevant periods:

($ in millions)	**13 Weeks Ended May 4, 2024**	13 Weeks Ended May 6, 2023	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023
Increase in equity investments	**$ (2.4)**	$ (1.0)	**$ (6.1)**	$ (3.4)
Acquisitions of property, equipment, investment property and intangibles	**(301.6)**	(158.2)	**(798.7)**	(757.7)
Proceeds on disposal of assets(1) and lease modifications and terminations	**31.5**	29.4	**180.0**	48.9
Leases and other receivables, net	**(19.7)**	(35.5)	**(48.0)**	(34.8)
Other assets	**0.6**	(1.2)	**(11.7)**	(4.2)
Other liabilities	**3.7**	(2.2)	**(2.1)**	(2.5)
Business acquisitions	**(4.7)**	(2.4)	**(19.2)**	(18.7)
Payments received for finance subleases	**26.0**	21.9	**93.7**	84.8
Interest received	**0.5**	0.5	**3.6**	2.9
Cash flows used in investing activities	**$ (266.1)**	$ (148.7)	**$ (608.5)**	$ (684.7)

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

Cash used in investing activities for the quarter ended May 4, 2024 increased versus prior year primarily as a result of higher capital investments, partially offset by lower leases and other receivables.

For the fiscal year ended May 4, 2024, cash used in investing activities decreased versus prior year primarily as a result of the receipt of proceeds on disposal of assets in relation to the Western Canada Fuel Sale of approximately $100.0 million in the first quarter of fiscal 2024, offset by higher capital investments and leases and an increase in other receivables in the current year.

Capital Expenditures

The Company invested $416.9 million and $831.4 million in capital expenditures[1] for the quarter and fiscal year ended May 4, 2024, respectively (2023 – $243.1 million and $796.7 million) including renovations and construction of new stores, investments in advanced analytics technology and other technology systems, FreshCo stores in Western Canada and Voilà CFCs. In fiscal 2024, capital expenditures were expected to be approximately $775 million, subject to a land parcel acquisition, which increased the expected capital expenditures to be approximately $885 million.

For fiscal 2025, capital spend is expected to be approximately $700 million, with approximately 50% of this investment allocated to renovations and new store expansion, 25% on IT and business development projects and the remainder on central kitchens, logistics, sustainability and e-commerce. The Company is on track with its plan to renovate approximately 20% to 25% of the network between fiscal 2024 and fiscal 2026.

(1) Capital expenditures are 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:

# of stores	**13 Weeks Ended May 4, 2024**	13 Weeks Ended May 6, 2023	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023
Opened/relocated/acquired [1]	**11**	1	**34**	8
Expanded	**1**	-	**4**	1
Rebannered/redeveloped	**-**	1	**6**	3
Closed[1][2]	**3**	9	**38**	21
Opened - FreshCo[3]	**-**	1	**4**	4
Opened - Farm Boy	**1**	1	**1**	3

(1) Total impact excluding the expansion of Farm Boy and FreshCo.
(2) This number does not include 38 Safeway co-located fuel sites or 17 co-branded convenience fuel locations which were sold in the first quarter of fiscal 2024.
(3) Specific to converted Western Canada FreshCo stores.

The following table shows Sobeys' square footage changes:

Square feet (in thousands)	**13 Weeks Ended May 4, 2024**	**13 Weeks Ended May 6, 2023**
Opened	**38**	1
Expanded	**3**	-
Closed	**(22)**	(33)
Net change before the impact of the expansion of Farm Boy and FreshCo	**19**	(32)
Opened - FreshCo[1]	**-**	50
Opened - Farm Boy	**25**	30
Net change	**44**	48

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

At May 4, 2024, Sobeys' retail space totalled 43.0 million square feet compared to 42.7 million square feet at May 6, 2023. The prior year square footage was increased by 0.8 million to reflect a correction in reporting.

Financing Activities

Cash used in financing activities for the quarter ended May 4, 2024 decreased versus prior year mainly due to an increase in advances on credit facilities, partially offset by the purchase of the remaining 12% interest in Farm Boy in the current year.

For the fiscal year ended May 4, 2024, cash used in financing activities decreased versus prior year primarily due to the repayment of the $500.0 million Series 2013-2 Notes in the prior year, partially offset by net repayments of credit facilities in the current year (compared to advances on credit facilities in the prior year), the purchase of the remaining 12% interest in Farm Boy in the current year and a higher volume of repurchases of Class A shares in the current year.

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.

($ in millions)	**13 Weeks Ended May 4, 2024**	13 Weeks Ended May 6, 2023	$ Change	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023	$ Change
Cash flows from operating activities	**$ 556.5**	$ 504.6	$ 51.9	**$ 2,074.3**	$ 1,605.3	$ 469.0
Add: proceeds on disposal of assets[1] and lease modifications and terminations	**31.5**	29.4	2.1	**180.0**	48.9	131.1
Less: interest paid	**(12.2)**	(3.4)	(8.8)	**(50.4)**	(52.0)	1.6
payments of lease liabilities, net of payments received for finance subleases	**(170.4)**	(163.2)	(7.2)	**(674.5)**	(653.0)	(21.5)
acquisitions of property, equipment, investment property and intangibles	**(301.6)**	(158.2)	(143.4)	**(798.7)**	(757.7)	(41.0)
Free cash flow[2]	**$ 103.8**	$ 209.2	$ (105.4)	**$ 730.7**	$ 191.5	$ 539.2

(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 for the quarter ended May 4, 2024 decreased versus prior year primarily as a result of an increase in acquisitions of property, equipment, investment property and intangibles, offset by an increase in cash flows from operating activities.

Free cash flow for the fiscal year ended May 4, 2024 increased versus prior year primarily as a result of an increase in cash flows from operating activities and higher proceeds on disposal of assets and lease modifications and terminations primarily related to the Western Canada Fuel Sale of approximately $100.0 million in the first quarter of fiscal 2024, partially offset by an increase in acquisitions of property, equipment, investment property and intangibles in the current year.

Employee Future Benefit Obligations

For the fiscal year ended May 4, 2024, the Company contributed $15.4 million (2023 – $11.0 million) to its registered defined benefit plans. The Company expects to contribute approximately $17.2 million to these plans in fiscal 2025.

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 4, 2024:

($ in millions)	2025	2026	2027	2028	2029	Thereafter	**Total**
Commitments							
Long-term debt[1]	$ 113.5	$ 9.5	$ 8.1	$ 398.6	$ 5.0	$ 562.6	**$ 1,097.3**
Third party finance leases, as lessee	603.2	601.1	579.0	528.8	473.4	2,655.1	**5,440.6**
Related party finance leases, as lessee	187.3	189.1	189.8	186.0	185.5	1,632.2	**2,569.9**
Non-controlling interest liabilities	-	66.9	66.4	80.6	66.4	-	**280.3**
Capital commitments	48.4	-	-	-	-	-	**48.4**
Venture commitments	12.0	12.0	12.0	12.0	12.0	-	**60.0**
Contractual obligations	964.4	878.6	855.3	1,206.0	742.3	4,849.9	**9,496.5**
Third party finance subleases, as lessor	(94.3)	(88.2)	(81.5)	(73.2)	(64.0)	(275.7)	**(676.9)**
Owned properties operating leases, as lessor	(6.1)	(5.5)	(4.4)	(2.7)	(2.3)	(10.9)	**(31.9)**
Subleased properties operating leases, as lessor	(57.2)	(49.3)	(43.1)	(37.4)	(28.0)	(111.0)	**(326.0)**
Contractual obligations, net	**$ 806.8**	**$ 735.6**	**$ 726.3**	**$ 1,092.7**	**$ 648.0**	**$ 4,452.3**	**$ 8,461.7**

(1) Principal debt repayments.

For further information on guarantees and commitments, please see Notes 9 and 15 of the Company's audited Consolidated Financial Statements for the fiscal year ended May 4, 2024.

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		**May 4, 2024**		May 6, 2023		May 7, 2022
Shareholders' equity, net of non-controlling interest	**$**	**5,341.1**	$	5,200.4	$	4,991.5
Book value per common share[1]	**$**	**21.54**	$	20.09	$	18.82
Long-term debt, including current portion	**$**	**1,095.4**	$	1,012.3	$	1,176.7
Long-term lease liabilities, including current portion	**$**	**6,264.5**	$	6,184.6	$	6,285.4
Funded debt to total capital[1]		**57.9%**		58.1%		59.9%
Funded debt to adjusted EBITDA[1]		**3.2x**		3.1x		3.2x
Adjusted EBITDA to interest expense[1]		**8.3x**		8.8x		8.3x
Current assets to current liabilities		**0.8x**		0.8x		0.8x
Total assets	**$**	**16,790.3**	$	16,483.7	$	16,593.6
Total non-current financial liabilities	**$**	**7,430.4**	$	7,289.5	$	7,220.0

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

During fiscal 2024, Sobeys' credit ratings for both DBRS Morningstar ("DBRS") and S&P Global ("S&P") remained unchanged from the prior year. The following table shows Sobeys' credit ratings as at May 4, 2024:

Rating Agency	**Credit Rating (Issuer rating)**	**Trend/Outlook**
DBRS	BBB	Stable
S&P	BBB-	Stable

Empire has a $150.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of May 4, 2024, the outstanding amount of the credit facility was $54.0 million (May 6, 2023 – $48.8 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates or the Canadian Overnight Repo Rate Average[2].

Sobeys' has a $650.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2027. As of May 4, 2024, the outstanding amount of the facility was $367.9 million (May 6, 2023 – $306.9 million) and Sobeys' has issued $60.3 million in letters of credit against the facility (May 6, 2023 – $70.4 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates or Canadian Overnight Repo Rate Average.

Sobeys' acquired Longo's existing $75.0 million demand operating line of credit. On July 20, 2023, Longo's amended this line of credit agreement from $75.0 million to $100.0 million. As of May 4, 2024, the outstanding amount of the facility was $64.0 million (May 6, 2023 – $44.5 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

The Company believes its cash and cash equivalents on hand as of May 4, 2024, together with approximately $353.8 million in unutilized, aggregate credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

(2) Led by central banks and regulators, there is a global initiative on interest rate benchmark reform to improve transparency of benchmark indices and ensure compliance with stringent international standards. On December 16, 2021, the Canadian Alternative Reference Rate working group ("CARR") recommended that the administrator, Refinitiv Benchmark Services (UK) Limited ("RBSL"), cease publication of Canadian Dollar Offered Rate ("CDOR") settings, the benchmark interest rate for bankers' acceptances, immediately after June 28, 2024, using a transitional approach. On May 16, 2022, following public consultation, RBSL announced that it would cease the calculation and publication of all tenors of CDOR effective June 28, 2024, in line with CARR recommendations. On October 7, 2022, CARR announced the development of a Canadian Overnight Repo Rate Average ("CORRA") benchmark, called Term CORRA, that would be compliant with both the International Organization of Securities Commissions ("IOSCO") principles for financial benchmarks and Canadian benchmark regulations.

On September 5, 2023, Term CORRA reference rates were launched. As of November 1, 2023, new derivative contracts and securities that are not linked to CDOR exposures are required to use CORRA whereas loan agreements entered into before June 28, 2024, can use CORRA if the agreement permits, but are not required. The Company's amended and restated credit agreements for both Empire and Sobeys, dated November 3, 2022, included terms for using both CDOR and CORRA. The use of Term CORRA rates is not expected to result in a material difference in the Company's cost of borrowing under the Empire and Sobeys credit facilities versus CDOR.

For additional information on Empire's long-term debt, see note 15 of the Company's audited Consolidated Financial Statements for the fiscal year ended May 4, 2024,

Shareholders' Equity

The Company's share capital was comprised of the following:

	Number of Shares	
Authorized	**May 4, 2024**	May 6, 2023
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	**733,858,803**	745,160,121
Class B common shares, without par value, voting	**122,400,000**	122,400,000

	Number of Shares		Share Capital	
Issued and outstanding ($ in millions)	**May 4, 2024**	May 6, 2023	**May 4, 2024**	May 6, 2023
Non-Voting Class A shares	**143,932,071**	155,164,908	**$ 1,773.4**	$ 1,908.2
Class B common shares	**98,138,079**	98,138,079	**7.3**	7.3
Shares held in trust	**(39,042)**	(24,034)	**(1.4)**	(0.8)
Total			**$ 1,779.3**	$ 1,914.7

The Company's share capital is shown in the table below:

(Number of shares)	**52 Weeks Ended May 4, 2024**	53 Weeks Ended May 6, 2023
Non-Voting Class A shares		
Issued and outstanding, beginning of year	**155,164,908**	164,563,680
Issued during year	**68,481**	46,130
Purchased for cancellation	**(11,301,318)**	(9,444,902)
Issued and outstanding, end of year	**143,932,071**	155,164,908
Shares held in trust, beginning of year	**(24,034)**	(39,027)
Issued for future settlement of equity settled plans	**130,375**	45,396
Purchased for future settlement of equity settled plans	**(145,383)**	(30,403)
Shares held in trust, end of year	**(39,042)**	(24,034)
Issued and outstanding, net of shares held in trust, end of year	**143,893,029**	155,140,874
Class B common shares		
Issued and outstanding, beginning and end of year	**98,138,079**	98,138,079

The outstanding options at May 4, 2024 were granted at prices between $19.05 and $42.60 and expire between June 2024 and June 2031 with a weighted average remaining contractual life of 4.07 years. Stock option transactions during fiscal 2024 and 2023 were as follows:

	Fiscal 2024		Fiscal 2023	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**4,222,832**	**$ 32.44**	4,007,326	$ 31.33
Granted	**467,159**	**34.65**	471,847	40.39
Exercised	**(266,960)**	**27.12**	(161,334)	26.82
Expired	**(9,252)**	**37.36**	(6,046)	34.58
Forfeited	**(82,739)**	**39.80**	(88,961)	31.56
Balance, end of year	**4,331,040**	**$ 32.90**	4,222,832	$ 32.44
Stock options exercisable, end of year	**2,216,107**		1,731,502	

For the fiscal year ended May 4, 2024, the Company paid dividends of $180.4 million (2023 – $170.2 million) to its shareholders, representing $0.73 per share (2023 – $0.67 per share) for Non-Voting Class A shareholders and Class B common shareholders.

As at June 17, 2024, the Company had Non-Voting Class A and Class B common shares outstanding of 143,836,252 and 98,138,079, respectively. Options to acquire 4,758,189 Non-Voting Class A shares were outstanding as of May 4, 2024 (May 6, 2023 – 4,339,061). As at June 17, 2024, options to acquire 4,707,948 Non-Voting Class A shares were outstanding (June 19, 2023 – 4,324,496).

The Company established a trust fund to facilitate the purchase of 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 Class A shares purchased are held by TSX Trust Company 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 4, 2024**	May 6, 2023
Balance, beginning of year	**24,034**	**39,027**	**$ 0.8**	$ 0.8
Purchased	**145,383**	**30,403**	**5.2**	1.1
Issued	**(130,375)**	**(45,396)**	**(4.6)**	(1.1)
Balance, end of year	**39,042**	**24,034**	**$ 1.4**	$ 0.8

Normal Course Issuer Bid

On June 19, 2024, the Company renewed its NCIB by filing a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 12,800,000 Class A shares representing approximately 9.9% of the public float of 129,904,937 Class A shares as of June 18, 2024, subject to regulatory approval. As of June 18, 2024, there were 143,472,652 Class A shares issued and outstanding.

The Company intends to repurchase approximately $400.0 million of Class A shares in fiscal 2025. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that Empire will pay for any shares will be the market price at the time of acquisition. The Company believes that repurchasing 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. Purchases under the renewed NCIB may commence on July 2, 2024 and shall terminate not later than July 1, 2025.

Based on the average daily trading volume ("ADTV") of 379,939 shares over the last six months, daily purchases will be limited to 94,984 Class A shares (25% of the ADTV of the Class A shares), other than block purchase exemptions.

The Company has also renewed its automatic share purchase plan with its designated broker allowing the purchase of Class A shares for cancellation under its NCIB during trading black-out periods, subject to regulatory approval.

Under the Company's current NCIB, that commenced on July 2, 2023 and expires on July 1, 2024, the Company received approval from the TSX to purchase up to 12,600,000 Class A shares representing approximately 9.0% of the public float of Class A shares outstanding as of June 19, 2023. As of June 18, 2024, the Company has purchased 9,495,893 shares through the facilities of the TSX at a weighted average price of $35.37 for a total consideration of approximately $335.8 million under the NCIB that commenced July 2, 2023 and expires on July 1, 2024.

Shares purchased are shown in the table below:

($ in millions, except per share amounts)	**13 Weeks Ended May 4, 2024**	13 Weeks Ended May 6, 2023	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023
Number of shares	**3,010,237**	3,110,280	**11,301,318**	9,444,902
Weighted average price per share	**$ 33.31**	$ 35.91	**$ 35.40**	$ 37.06
Cash consideration paid	**$ 100.3**	$ 111.7	**$ 400.1**	$ 350.0

ACCOUNTING STANDARDS AND POLICIES

Changes to Accounting Standards Adopted During Fiscal 2024

Amendments to IAS 12 Income taxes (“IAS 12”)
In May 2021, the International Accounting Standards Board (“IASB”) issued narrow-scope amendments to IAS 12. The amendments require deferred tax assets and liabilities to be recognized for transactions that result in both deductible and taxable temporary differences of the same amount at initial recognition. These amendments became effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. There was no impact on the Company’s audited Consolidated Financial Statements.

Amendments to IAS 1 Presentation of financial statements (“IAS 1”)
In February 2021, the IASB issued narrow-scope amendments to IAS 1. The amendments require disclosure of ‘material’ accounting policy information rather than ‘significant’ accounting policies and provides clarity on how to determine if accounting policy information is material. These amendments became effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The adoption of these amendments did not have a material impact on the Company’s audited Consolidated Financial Statements.

Standards, Amendments and Interpretations Issued but not yet Adopted

IFRS 18 Presentation and disclosure in financial statements (“IFRS 18”)
In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- three defined categories for income and expenses (operating, investing and financing) and requiring companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of earnings; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard.

Amendments to IAS 1 Presentation of financial statements
In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) to clarify that covenants to be complied with after the reporting date for an entity’s right to defer settlement of a liability does not affect the classification of the liability as current or non-current at the reporting date. These narrow-scope amendments aim to improve information an entity provides with regards to the covenants through additional disclosures. These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The adoption of these amendments is not expected to have a material impact on the Company’s audited Consolidated Financial Statements.

In January 2020, the IASB issued Classification of Liabilities as Current or Non-Current (Amendments to IAS 1). The narrow-scope amendment affects only the presentation of liabilities on the balance sheet and not the amount or timing of recognition. Specifically, it clarifies:

- classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- that “settlement” refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

These amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early adoption permitted. The adoption of these amendments is not expected to have a material impact on the Company's audited Consolidated Financial Statements.

Amendments to IFRS 16 Leases ("IFRS 16")
In September 2022, the IASB issued narrow-scope amendments to IFRS 16. These amendments clarify how a seller-lessee subsequently measures the lease liability that arises from a sale and leaseback transaction, the seller-lessee determines "lease payments" and "revised lease payments" in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains. These amendments only apply to sale and leaseback transactions for which the lease payments include variable lease payments that do not depend on an index or a rate. The amendment is effective for annual reporting periods beginning on or after January 1, 2024 with early adoption permitted. The adoption of these amendments is not expected to have a material impact on the Company's audited Consolidated Financial Statements.

Critical Accounting Estimates

The preparation of Consolidated Financial Statements, in conformity with 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 are used in the measurement of lease liabilities and right-of-use assets, with key assumptions related to the determination of discount rates and lease term expectations.

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 and judgment is required in the determination of (i) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (ii) 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 Non-Financial 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. 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 17 of the Company’s audited Consolidated Financial Statements for the year ended May 4, 2024.

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.

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.

Vendor Allowances

The Company has supply agreements with varying terms for purchase of goods for resale, some of which include volume related allowances, purchase discounts, listing fees and other discounts and allowances. Estimates and judgment are required when the receipt of allowances is conditional on the Company achieving specified performance conditions associated with the purchase of product and determining if these have been met. These include estimates of achieving agreed volume targets based on historical and forecast performance.

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 4, 2024 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 4, 2024 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 3, 2024 and ended May 4, 2024 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. As at May 4, 2024, the Company holds a 41.5% (2023 – 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 totalled approximately $277.4 million (2023 – $261.3 million).

Crombie REIT provides administrative and property management services to the Company on a fee for service basis pursuant to a Management Agreement.

During the fiscal year ended May 4, 2024, Sobeys entered into an agreement with Crombie REIT to reassign certain subleases with third parties directly to Crombie REIT in exchange for a fee. This transaction resulted in pre-tax income of $16.4 million and has been recognized in other income on the audited Consolidated Statement of Earnings.

During the fiscal year ended May 4, 2024, Crombie REIT disposed of one property to a third party (2023 - two properties). These transactions resulted in the reversal of previously deferred pre-tax gains of $1.0 million (2023 - $6.1 million) which has been recognized in other income on the audited Consolidated Statements of Earnings.

During the fiscal year ended May 4, 2024, Sobeys, through a wholly-owned subsidiary, received $20.2 million (2023 - $16.5 million) for reimbursements of lessor improvements from Crombie REIT. These payments are related to modernization and efficiency improvements of existing properties, and construction allowances and are recorded within property and equipment on the audited Consolidated Balance Sheets.

Sobeys, through wholly-owned subsidiaries, engages in property sales and sale leaseback transactions and lease modifications and terminations with Crombie REIT, based on fair market values. These transactions consist of the following:

	52 Weeks Ended May 4, 2024			52 Weeks Ended May 6, 2023		
($ in millions)	**Number of properties**	**Cash consideration**	**Pre-tax gains**	Number of properties	Cash consideration	Pre-tax gains
Lease modifications and terminations	**2**	**$ 34.3**	**$ 34.3**	-	$ -	$ -
Properties sold and leased back	**-**	**-**	**-**	2	17.4	-
Properties sold	**-**	**-**	**-**	1	2.1	0.2
Total	**2**	**$ 34.3**	**$ 34.3**	3	$ 19.5	$ 0.2

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:

($ in millions)		**52 Weeks Ended May 4, 2024**		52 Weeks Ended May 6, 2023
Salaries, bonus and other short-term employment benefits	**$**	**16.9**	$	14.0
Post-employment benefits		**2.1**		1.5
Share-based payments		**15.2**		14.6
Total	**$**	**34.2**	$	30.1

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 provide coverage against certain claims.

CONTINGENCIES

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 eligible Indigenous peoples. CRA asserts that Sobeys was obliged to collect GST on sales of tobacco products to eligible Indigenous peoples. The total tax, interest and penalties in the reassessment was $13.6 million (2023 - $13.6 million). 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 accordingly, Sobeys has not recorded on its Consolidated 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. Final arguments of the Appeal hearing were held in July 2021. During the year ended May 4, 2024, the court ruled in favour of Sobeys, however, the Crown has filed Notice of Appeal and the hearing was held in May 2024. The court has not yet released its judgement.

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.

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 established within the Company.

As part of the ERM program, the Company identifies, assesses, manages and reports key risks to the organization. Risks are evaluated and 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. Key risks have been, and continue to be, embedded in the business and strategy discussions at the Board and/or Audit Committee meetings. Annually, the Board of the Company conducts an assessment of the Company's effectiveness in managing existing/known risks along with an identification and discussion of new and emerging risks.

Competitive Environment

Empire's Food retailing business, Sobeys, operates in a dynamic and competitive market. Other national and regional food retail 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.

Sobeys maintains a strong national presence in the Canadian retail food industry, operating in over 900 communities. While significant competition already exists at a national, regional and local level, the entry of additional grocery retailers into the marketplace could pose a significant risk to Sobeys due to the potential for reduced revenues and profit. 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 must be customer and market-driven, be focused on superior execution and have efficient, cost-effective operations. It also must invest in its existing store and e-commerce network as well as its merchandising, marketing and operational execution to evolve its strategic platform to better meet the needs of consumers. Sobeys 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 Sobeys. New entrants, foreign or domestic, into the market place or the consolidation of existing 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 Investment and other operations segment, 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 Empire'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 Empire.

Cybersecurity

IT systems are an integral part of the Company's business and are relied on to complete daily and strategic operations. The Company uses various technologies, some of which are managed by third parties, to process, transmit and store electronic information. In addition, the Company facilitates a variety of business processes and activities, including reporting on business and interacting with customers, vendors and employees. These IT systems are subject to cyber threats, (including cyberattacks, data breaches, employee error or malfeasance). As the cyber threats evolve, they become sophisticated and increasingly challenging to detect and successfully defend against. In addition, cyber-security-related vulnerabilities by their very nature may remain undetected for an extended period of time.

The Company actively monitors, manages, and continues to enhance the ability to mitigate cyber risk through a multi-layered security approach. However, there is no assurance that these measures will be successful. If the Company does not effectively manage a reliable IT infrastructure or fails to timely identify or appropriately respond to cybersecurity incidents, then the Company's IT systems could be interrupted, destroyed or shut down completely, which in turn could result in operational disruptions or the misappropriation of sensitive data. Depending on the nature and scope of a cybersecurity incident, it could lead to the compromise of confidential information, improper access to company systems and networks, manipulation or destruction of data, operational disruptions and exposure to liability.

The Company has implemented security measures with respect to systems protection, employee training, and business continuity and contingency planning. A disruption to the Company's systems or a breach of sensitive information may negatively impact the Company's operations and financial position, damage its reputation and reduce the ability to achieve its strategic objectives and/or the trading price of the Non-Voting Class A shares.

Data Protection and Information Management

The integrity, reliability, and security of information in all its forms is critical to the Company's daily 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, 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, personal health information is collected to provide pharmacy, benefits administration, and home health care services to customers. Any failure to maintain privacy of customer and/or Company information or to comply with applicable privacy laws or regulations could adversely affect the Company's reputation, competitive position, and operations.

The Company recognizes that information is a critical enterprise asset. Currently, data and information management risk are managed through a multi-layered security approach involving software tools based controls, policies, standards and procedures pertaining to security access, system development, change management and problem and incident management.

Technology

The Company operates extensive and complex IT 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 continues to improve its operating systems, tools and procedures on an ongoing basis in order to become more efficient and effective.

The implementation of major IT projects carries with it various risks, including the risk of realization of functionality, the capacity and capability of key resources to both execute and deliver key strategic initiatives while also sustaining and supporting the on-going business operations.

Economic Environment

Management continues to closely monitor economic conditions, including inflation, foreign exchange rates, interest rates, employment rates and capital markets. Uncertainty in the economic environment could adversely impact demand for the Company's products and services which in turn could adversely affect operations and financial performance. Management believes that although a volatile 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.

Product Costs

Sobeys is a significant purchaser of food products which may be at risk of cost inflation due to a variety of factors including geopolitical events, extreme weather, higher energy costs, supply chain disruptions, a weaker Canadian dollar, labour shortages and wage growth. While the Company has worked with its suppliers to mitigate the impacts of these cost increases and expects such increases to return to historically normal levels, should rising costs of product materialize in excess of the Company's expectations and should the Company 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.

Business Continuity

The Company may be subject to unexpected or critical 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 leverages an integrated business continuity management framework, including a comprehensive crisis management plan. 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.

Supply Chain Disruptions Including Impacts of Climate Change

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 and e-commerce network. The Company's distribution and supply chain could be negatively impacted by over reliance on key vendors, consolidation of facilities, disruptions due to severe weather conditions, natural disasters, climate change driven disruptions or other catastrophic events, failure to manage costs and inventories, and geopolitical disruptions. 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. A failure to maintain an efficient supply and logistics chain may adversely affect Sobeys' ability to sustain and meet growth objectives and maintain margins.

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 a smaller portion from pharmaceutical products. 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 teammates and consumers and ensure that potentially harmful products are removed from sale immediately.

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 to quickly manage and contain any incidents. On a monthly basis the Executive team is updated on food safety and pharmacy risks. However, there can be no assurance that such measures will prevent the occurrence of any such product contamination or safety incident.

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. 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.

Environmental Regulation

Environmental legislation has evolved in a manner that has resulted in stricter standards and enforcement, larger potential fines and increased capital expenditures and operating costs required to comply with these regulations. The environmental issues affecting the Company's operations include extended producer responsibility on plastics and packaging, electricity consumption, fossil fuel use in the transport of goods, air pollution laws and regulations, regulations relating to climate change, hazardous waste regulation and restrictions against greenhouse gas emissions. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production activities that could adversely affect the Company's financial condition, results of operations or prospects. The Company may also be subject to clean-up costs and liability for toxic or hazardous substances that may exist on or under or near any of its properties or that may be produced as a result of its operations. Changes in legislation, including carbon taxes and the implementation of other greenhouse gas reduction initiatives and regulations related to transitioning to a low-carbon and more climate resilient future, could result in additional costs which could have a negative impact on the Company's financial performance.

Talent, Attraction and Retention

Effective leadership is important to the growth and continued success of the Company, and requires the Company to properly attract, build talent and retain teammates with the appropriate skill set. The failure to successfully attract and retain teammates including those with specialized skills and failure to manage and monitor teammates' performance could result in lack of requisite knowledge, skill and experience, and result in poor teammate morale. This could negatively impact the overall reputation of the Company, operations and future financial performance. The Company develops and delivers training programs at all levels across its various operating regions to improve teammate knowledge and to better serve its customers. The Company also provides various reward and recognition programs, monitors engagement of teammates on a regular basis and creates plans to address gaps.

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.

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 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.

Labour Union Relationships

A significant percentage of the Company's store and distribution centre workforce, particularly in Western Canada, is unionized. While the Company works to maintain good relationships with its teammates and unions, the renegotiation of collective agreements presents the risk of labour disruption, including strikes or work stoppages. Failure to successfully negotiate collective agreements could result in labour disruptions, and any prolonged or widespread disruption could result in significant business interruption and adversely impact the Company's reputation and financial performance.

Drug Regulation, Legislation and Health Care Reform

The Company currently operates more than 400 in-store and 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, and distribution allowances. In some provinces, legislation requires the selling price for prescription drugs to third-party insurance plans and cash customers to 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.

Provincial governments and private plans continue to implement measures to manage the cost of their drug plans, the impact of which varies by province and by plan. 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.

Bill C-64, the Act respecting pharmacare ("the Act") was introduced to parliament on February 29, 2024. The Act describes government intent and a financial pathway to provide single payor, first-dollar coverage for some products to be administered by the provinces and territories. It also supports development of a national formulary of essential medications and a bulk purchasing strategy to be led by the Canada Drug Agency. While national pharmacare is still in its infancy with many unknown details, there is a potential for expansion of the Act to have an impact on product costs, markups, and allowances.

While timing and impact are uncertain at this time, pharmaceutical price compression may put pressure on pharmacy funding and pharmacy operating models, and it is anticipated that healthcare 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 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 teammates of the Company are required to acknowledge and agree to on an annual basis and the Company maintains an anonymous, confidential whistle blowing Ethics and Diversity, Equity and Inclusion hotline. There can be no assurance that these measures will be effective to prevent violations of law or unethical business practices.

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 teammates 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. The Company recognizes that ensuring a healthy and safe workplace minimizes illness, injuries and other risks teammates may face in carrying out their duties, improves productivity and helps to minimize any liability which could be incurred in connection with workplace injuries. Failure to comply with appropriate and established workplace health and safety policies and procedures or applicable legislative requirements could result in increased illness and/or increased workplace injury-related liability, which in turn could adversely affect the reputation or financial performance of the Company.

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. While the Company develops certain retail store locations on owned sites, 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 partially 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 co-owns *Scene+* which operates a loyalty program designed to add value for customers through promotional activity and rewards. Promotional and other activities related to the operation of the program must be effectively managed and coordinated to ensure a positive customer perception. Failure by *Scene+* to effectively manage, communicate and promote the loyalty program may negatively impact the Company's reputation and financial results.

Interest Rate Risk

The Company's long-term debt strategy 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. The Company monitors the respective mix of fixed and variable interest rates to maintain an appropriate level considering economic conditions. To manage the risk from exposure to interest rates, the Company may use financial instruments such as interest rate swap contracts. There can be no assurance that these strategies 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 can be 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.

Free Trade

The Company is susceptible to risks associated with trade relationships between Canada and other countries. 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 alter the Company's growth or ability to satisfy financial obligations as they come due. The Company maintains committed credit facilities to ensure that it has sufficient funds available to meet current and 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 in order to minimize risk and optimize debt pricing. However, there can be no assurance that adequate capital resources will be available in the future on acceptable terms or at all.

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, 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

A credit rating assigned by a rating agency provides an opinion on the risk that an issuer will fail to satisfy its financial obligations. 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. 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. Receipt of a credit rating provides no guarantee of Sobeys' future creditworthiness.

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 3.9% of Sobeys' total annual purchases. Euro and GBP purchases are primarily limited to specific contracts for capital expenditures. To manage the risk from exposure to foreign currency, the Company may use financial instruments such as foreign exchange forward contracts or cross currency interest rate swaps. 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, 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 teammates pursuant to provisions in collective bargaining agreements. Approximately 11% of the teammates 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. Poor performance of these plans could have a negative effect on the participating teammates 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.

Insurance

To mitigate property and liability financial risk, the Company and its subsidiaries purchase insurance coverage from financially stable third-party insurance companies. Management is satisfied that effective controls and procedures are in place to mitigate potential losses for areas of self-insured risk. 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 presents adjusted measures and metrics, including operating income, EBITDA and net earnings in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

Financial Measures

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

- The Western Canada Fuel Sale adjustment includes the impact of the gain on sale which is comprised of the purchase price less the write off of tangible assets and goodwill, legal and professional fees as well as lease modification and termination impacts.

- The Cybersecurity Event adjustment includes the impact of incremental direct costs such as inventory shrink, hardware and software restoration costs, legal and professional fees, labour costs and insurance recoveries. Management believes that the Cybersecurity Event adjustment results in a useful economic representation of the underlying business on a comparative basis. The adjustment does not include management's estimate of the full financial impact of the Cybersecurity Event, as it excludes the net earnings impacts related to the estimated decline in sales and operational effectiveness from impacts such as the temporary loss of advanced planning, promotion and fresh item management tools, the temporary closure of pharmacies, and customers' temporary inability to redeem gift cards and loyalty points.

- The Restructuring adjustment includes costs incurred to plan and implement strategies to optimize the organization and improve efficiencies, including severance, professional fees and voluntary labour buyouts.

- The Grocery Gateway Integration adjustment includes the impact of the asset write-off related to the Grocery Gateway name and facility assets, severance, IT project costs and other costs.

- 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 items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted operating income is reconciled to operating income in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections.

- 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 tables reconcile net earnings to EBITDA on a consolidated basis and for the Food retailing segment:

	13 Weeks Ended						14 Weeks Ended		
	May 4, 2024			May 6, 2023			May 7, 2022		
($ in millions)	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total
Net earnings	$ 150.6	$ 5.0	$ 155.6	$ 168.5	$ 19.4	$ 187.9	$ 180.3	$ 13.1	$ 193.4
Income tax expense	57.5	3.9	61.4	67.9	(4.4)	63.5	59.2	(1.0)	58.2
Finance costs, net	72.5	1.8	74.3	68.1	2.1	70.2	81.7	0.3	82.0
Operating income	280.6	10.7	291.3	304.5	17.1	321.6	321.2	12.4	333.6
Depreciation	235.4	(0.1)	235.3	237.2	(0.2)	237.0	227.8	-	227.8
Amortization	30.0	-	30.0	33.7	-	33.7	24.8	-	24.8
EBITDA	$ 546.0	$ 10.6	$ 556.6	$ 575.4	$ 16.9	$ 592.3	$ 573.8	$ 12.4	$ 586.2

	52 Weeks Ended						53 Weeks Ended		
	May 4, 2024			May 6, 2023			May 7, 2022		
($ in millions)	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total	Food retailing	Investment and other operations	Total
Net earnings	$ 749.7	$ 12.9	$ 762.6	$ 651.7	$ 76.0	$ 727.7	$ 743.4	$ 67.9	$ 811.3
Income tax expense	240.0	25.8	265.8	225.4	12.3	237.7	252.9	17.4	270.3
Finance costs, net	275.3	7.1	282.4	263.0	4.0	267.0	280.7	1.4	282.1
Operating income	1,265.0	45.8	1,310.8	1,140.1	92.3	1,232.4	1,277.0	86.7	1,363.7
Depreciation	949.5	0.3	949.8	915.8	0.2	916.0	872.3	-	872.3
Amortization	120.9	-	120.9	114.6	-	114.6	94.8	-	94.8
EBITDA	$ 2,335.4	$ 46.1	$ 2,381.5	$ 2,170.5	$ 92.5	$ 2,263.0	$ 2,244.1	$ 86.7	$ 2,330.8

- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the “Summary Results – Fourth Quarter” and “Operating Results – Full Year” sections.

- 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 tables reconcile finance costs, net to interest expense:

($ in millions)	13 Weeks Ended May 4, 2024	13 Weeks Ended May 6, 2023	14 Weeks Ended May 7, 2022
Finance costs, net	$ 74.3	$ 70.2	$ 82.0
Plus: finance income, excluding interest income on lease receivables	2.3	1.7	2.3
Less: pension finance costs, net	(1.9)	(2.7)	(2.0)
Less: accretion expense on provisions	(0.7)	(0.3)	(0.1)
Interest expense	$ 74.0	$ 68.9	$ 82.2

($ in millions)	52 Weeks Ended May 4, 2024	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022
Finance costs, net	$ 282.4	$ 267.0	$ 282.1
Plus: finance income, excluding interest income on lease receivables	8.1	5.3	7.3
Less: pension finance costs, net	(7.5)	(7.8)	(7.8)
Less: accretion expense on provisions	(1.8)	(1.4)	(1.9)
Interest expense	$ 281.2	$ 263.1	$ 279.7

- Adjusted net earnings is net earnings, net of non-controlling interest, excluding certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results. Adjusted net earnings is reconciled in its respective subsection of the “Summary Results – Fourth Quarter” and “Operating Results – Full Year” sections.

- Adjusted EPS (fully diluted) is calculated as adjusted net earnings divided by diluted weighted average number of shares outstanding.

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property and lease terminations, less acquisitions of property, equipment, investment property and intangibles, interest paid and payments of lease liabilities, net of payments received from finance subleases. 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.

- Total capital is calculated as funded debt plus shareholders’ equity, net of non-controlling interest.

The following table reconciles the Company’s funded debt and total capital to GAAP measures as reported on the Balance Sheets:

($ in millions)		**May 4, 2024**		May 6, 2023		May 7, 2022
Long-term debt due within one year	**$**	**113.5**	$	101.0	$	581.0
Long-term debt		**981.9**		911.3		595.7
Lease liabilities due within one year		**585.4**		563.7		509.5
Long-term lease liabilities		**5,679.1**		5,620.9		5,775.9
Funded debt		**7,359.9**		7,196.9		7,462.1
Total shareholders’ equity, net of non-controlling interest		**5,341.1**		5,200.4		4,991.5
Total capital	**$**	**12,701.0**	$	12,397.3	$	12,453.6

Food Retailing Segment Adjustments Reconciliation

The following tables adjust Empire's Food retailing segment operating income, EBITDA, and net earnings of non-controlling interest, for certain items to assist in analyzing trends in performance. These items are excluded to allow for useful period over period comparison of ongoing operating results.

($ in millions)	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022	2024 Compared to 2023 $ Change
Operating income	**$ 1,265.0**	$ 1,140.1	$ 1,277.0	$ 124.9
Adjustments:				
Western Canada Fuel Sale	**(90.8)**	-	-	(90.8)
Cybersecurity Event	**(35.1)**	45.8	-	(80.9)
Grocery Gateway Integration	**-**	13.3	-	(13.3)
Restructuring	**72.2**	-	-	72.2
	(53.7)	59.1	**-**	(112.8)
Adjusted operating income	**$ 1,211.3**	$ 1,199.2	$ 1,277.0	$ 12.1

($ in millions)	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022	2024 Compared to 2023 $ Change
EBITDA	**$ 2,335.4**	$ 2,170.6	$ 2,243.9	$ 164.8
Adjustments:				
Western Canada Fuel Sale	**(90.8)**	-	-	(90.8)
Cybersecurity Event	**(35.1)**	45.8	-	(80.9)
Grocery Gateway Integration	**-**	13.3	-	(13.3)
Restructuring	**72.2**	-	-	72.2
	(53.7)	59.1	**-**	(112.8)
Adjusted EBITDA	**$ 2,281.7**	$ 2,229.7	$ 2,243.9	$ 52.0

($ in millions)	**52 Weeks Ended May 4, 2024**	52 Weeks Ended May 6, 2023	53 Weeks Ended May 7, 2022	2024 Compared to 2023 $ Change
Net earnings	**$ 712.3**	$ 610.1	$ 677.9	$ 102.2
Adjustments:				
Western Canada Fuel Sale	**(71.5)**	-	-	(71.5)
Cybersecurity Event	**(25.9)**	34.1	-	(60.0)
Grocery Gateway Integration	**-**	7.0	-	(7.0)
Restructuring	**53.8**	-	-	53.8
	(43.6)	41.1	**-**	(84.7)
Adjusted net earnings	**$ 668.7**	$ 651.2	$ 677.9	$ 17.5

Quarterly Results of Operations Adjustments Reconciliation

The following tables adjust Empire's operating income, EBITDA, and net earnings, net of non-controlling interest, for certain items to better analyze trends in performance. These items are excluded to allow for better period over period comparison of ongoing operating results.

	Fiscal 2024				Fiscal 2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(13 Weeks)	(13 Weeks)	(13 Weeks)	(13 Weeks)	(13 Weeks)	(13 Weeks)	(13 Weeks)	(13 Weeks)
(in millions)	**May 4, 2024**	Feb. 3, 2024	Nov. 4, 2023	Aug. 5, 2023	May 6, 2023	Feb. 4, 2023	Nov. 5, 2022	Aug. 6, 2022
Operating income	**$ 291.3**	$ 250.6	$ 312.4	$ 456.5	$ 321.6	$ 232.8	$ 333.9	$ 344.1
Adjustments:								
Western Canada Fuel Sale	**-**	-	-	(90.8)	-	-	-	-
Cybersecurity Event	**(14.1)**	0.1	(20.6)	(0.5)	(6.8)	52.6	-	-
Grocery Gateway Integration	**-**	-	-	-	13.3	-	-	-
Restructuring	**20.5**	25.2	16.8	9.7	-	-	-	-
	6.4	25.3	(3.8)	(81.6)	6.5	52.6	-	-
Adjusted operating income	**$ 297.7**	$ 275.9	$ 308.6	$ 374.9	$ 328.1	$ 285.4	$ 333.9	$ 344.1

Operating income	**$ 291.3**	$ 250.6	$ 312.4	$ 456.5	$ 321.6	$ 232.8	$ 333.9	$ 344.1
Depreciation	**235.3**	240.4	238.3	235.8	237.0	229.6	224.5	224.9
Amortization of intangibles	**30.0**	30.5	29.7	30.7	33.7	30.1	25.8	25.0
EBITDA	**$ 556.6**	$ 521.5	$ 580.4	$ 723.0	$ 592.3	$ 492.5	$ 584.2	$ 594.0
Adjustments:								
Western Canada Fuel Sale	**-**	-	-	(90.8)	-	-	-	-
Cybersecurity Event	**(14.1)**	0.1	(20.6)	(0.5)	(6.8)	52.6	-	-
Grocery Gateway Integration	**-**	-	-	-	13.3	-	-	-
Restructuring	**20.5**	25.2	16.8	9.7	-	-	-	-
	6.4	25.3	(3.8)	(81.6)	6.5	52.6	-	-
Adjusted EBITDA	**$ 563.0**	$ 546.8	$ 576.6	$ 641.4	$ 598.8	$ 545.1	$ 584.2	$ 594.0

Net earnings	**$ 148.9**	$ 134.2	$ 181.1	$ 261.0	$ 182.9	$ 125.7	$ 189.9	$ 187.5
Adjustments:								
Western Canada Fuel Sale	**-**	-	-	(71.5)	-	-	-	-
Cybersecurity Event	**(10.4)**	0.1	(15.2)	(0.4)	(5.0)	39.1	-	-
Grocery Gateway Integration	**-**	-	-	-	7.0	-	-	-
Restructuring	**15.5**	18.8	12.4	7.1	-	-	-	-
	5.1	18.9	(2.8)	(64.8)	2.0	39.1	-	-
Adjusted net earnings	**$ 154.0**	$ 153.1	$ 178.3	$ 196.2	$ 184.9	$ 164.8	$ 189.9	$ 187.5

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.
- Same-store sales, excluding fuel are sales from stores in the same location in both reporting periods excluding the fuel sales from stores in the same location in both reporting periods. Management believes same-store sales, excluding fuel represents a supplementary metric to assess sales trends as it removes the effect of the opening and closure of stores and the volatility of fuel prices.
- 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.
- Funded debt to total capital ratio is funded debt divided by total capital. Management believes that the funded debt to 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.
- Return on equity 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 the Company’s profitability.

The following table shows the calculation of Empire's book value per common share:

($ in millions, except per share information)		May 4, 2024		May 6, 2023		May 7, 2022
Shareholders' equity, net of non-controlling interest	**$**	**5,341.1**	$	5,200.4	$	4,991.5
Shares outstanding (basic)		**248.0**		258.8		265.2
Book value per common share	**$**	**21.54**	$	20.09	$	18.82

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.sedarplus.ca.

Approved by Board of Directors: June 19, 2024
Stellarton, Nova Scotia, Canada