MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FIRST QUARTER ENDED AUGUST 6, 2022

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 first quarter ended August 6, 2022 compared to the first quarter ended July 31, 2021. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the first quarter ended August 6, 2022 and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended May 7, 2022. Additional information about the Company can be found on SEDAR at www.sedar.com or on the Company's website at www.empireco.ca.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim financial reporting" as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 7, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The unaudited interim condensed 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 September 14, 2022 unless otherwise noted. There have been no material changes to disclosures as contained in the "Critical Accounting Estimates", "Contingencies" or "Risk Management" sections of the Company's MD&A for the fiscal year ended May 7, 2022 other than as noted in this MD&A.

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 expectations regarding the financial impact and benefits of Project Horizon and its underlying initiatives, which could be impacted by several factors, including the time required by the Company to complete the initiatives and the effects of inflationary pressures;
- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, the projected number of store openings, and the location, feasibility and timing of construction, all of which may be impacted by construction schedules and permits, the economic environment and labour relations;
- The Company's plans to further grow sales and profitability of its Own Brands, which may be impacted by future operating costs and customer response;
- The Company's expectations for net earnings dilution for the Voilà program for fiscal 2023, 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 of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macro-economic environment;

- The Company’s expectation that labour shortages will not have further significant impact on supply chain challenges, which may be impacted by labour force availability;
- The Company’s expectations regarding the amount and timing of expenses relating to the completion of any future Customer Fulfilment Centres (“CFC”), which may be impacted by supply of materials and equipment, construction schedules and capacity of construction contractors;
- The Company’s expectations that fiscal 2023 will achieve growth of same-store sales, which may be impacted by the effects of inflationary pressures on consumer buying behaviours;
- The Company’s estimates regarding future capital expenditures, which may be impacted by operating results and impacts of the 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, unutilized credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the economic environment; and
- The Company’s plans to purchase for cancellation Non-Voting Class A shares under the normal course issuer bid which may be impacted by market and economic conditions, availability of sellers, changes in laws and regulations, and the results of operations.

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 the fiscal 2022 annual 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 $30.5 billion in annual sales and $16.3 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 130,000 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, Grocery Gateway, IGA.net and ThriftyFoods.com, and operates more than 350 retail fuel locations.

Company Strategy

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year strategy focused on core business expansion and the acceleration of e-commerce. In its third and final year, the Company remains on track to achieve an incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by growing market share and building on cost and margin discipline. The Company expects to generate a compound average growth rate in earnings per share of at least 15% over Project Horizon's three-year timeframe.

In fiscal 2021, Project Horizon benefits were achieved from the expansion and renovation of the Company's store network, the addition of new stores, improvement in store operations and merchandising from data analytics along with continued efficiencies gained through strategic sourcing initiatives.

In fiscal 2022, benefits were achieved from promotional optimization and data analytics, the continued expansion and renovation of the store network, and strategic sourcing efficiencies. Benefits achieved in fiscal 2021 and fiscal 2022 were partially offset by the planned investment in the Company's e-commerce network.

These initiatives continue to deliver benefits in fiscal 2023. Additional benefits are expected from strategic initiatives launched more recently as part of Project Horizon, including *Scene+,* the Company's new loyalty program. *Scene+* was successfully launched in Atlantic Canada in August 2022. Additional regional launches are planned across Canada in calendar 2022 and into early calendar 2023. Project Horizon initiatives that are focused on loyalty, store optimization and customer experience will largely provide financial benefits in fiscal 2024 and beyond.

Growth in Market Share

Growth in market share is expected from supporting and investing further in the store network, improving store productivity, scaling grocery e-commerce, growing the Own Brands portfolio, providing best-in-class personalization, continuing the expansion of the discount business in Western Canada and increasing the Farm Boy footprint in Ontario. These initiatives are all part of the Project Horizon strategic plan. The acquisition of Longo's, which occurred in the first quarter of fiscal 2022, further added to the growth in market share.

Invest in the Company's Store Network

The Company has accelerated investments in renovations and conversions, store processes, communications, training, technology and tools. These continuing investments, coupled with refreshed brand marketing strategies and the expansion of the Farm Boy and FreshCo banners, are reflected in the Company's capital spending over the Project Horizon timeframe. See the "Capital Expenditures" section of this MD&A for further details.

Improve Store Productivity

The Company began building the foundation of its advanced analytics capabilities a few years ago. Analytics will continue to drive improvements in customer facing elements such as store layouts, customer promotions and availability of product on shelf. These new advanced analytics capabilities enable the Company to further improve customer experience by optimizing category and product adjacencies and to tailor its assortment for each store format.

Win Canadian Grocery E-Commerce

The first CFC in Toronto, Ontario has been operating for over two years and the second CFC, located in Montreal, began delivering to customers on March 7, 2022. The third and fourth CFCs located in Calgary and the Greater Vancouver Area ("Vancouver"), respectively, are in different stages of development. In September 2020, the Company introduced its store pick solution at select store locations and has expanded to 98 stores nationally in areas where CFCs will not deliver or are not yet operating. The Company has an e-commerce option available for customers in every province.

Grow the Company's Own Brands Portfolio

The Company has improved its Own Brands positioning and branding. The Company reviews the specific role of Own Brands in each category and determines which categories and banners to expand based on consumer needs. Working closely with its supplier partners, the Company plans to further grow sales and profitability of its Own Brands portfolio through increased distribution, shelf placement, product innovation and cost of goods sold reduction.

Provide Best-in-Class Customer Personalization

The Company is investing in analytics and technology to better identify customer preferences and to support direct, personalized communication – evolving from mass communications to personalized connections with its customers. The goal is to deploy world-class, personalized communications and offers to inspire customers and improve the experience and relevance of promotions.

The Company has developed a next generation recommendation engine for one-to-one, machine learning powered personalization at scale. This engine has been launched in select regions with positive early results, specifically improved customer engagement and an increase in customer spending. The targeting algorithms will continue to improve as the engine is rolled out across the country, driving progressively better performance and results.

In June 2022, the Company unveiled a new loyalty strategy through *Scene+*, one of Canada's leading loyalty programs. Along with Scotiabank and Cineplex, the Company is now a co-owner of *Scene+.* The new loyalty program was successfully launched in Atlantic Canada in August 2022. It will be launched in Western Canada in September 2022 marking the first time a loyalty program will be offered in FreshCo and Chalo stores. Additional regional launches in most of the Company's banners will occur by late fiscal 2023. AIR MILES® collectors will continue to earn and redeem in the Company's stores until the new *Scene+* program is available.

Building on Cost and Margin Discipline

The Company has significantly improved its efficiency and cost competitiveness through sourcing efficiencies, investing in analytics to improve the customer value proposition, optimizing supply chain productivity and improving systems and processes. Further opportunity still remains to remove non-value added costs and optimize margins.

Drive Non-Merchandising Sourcing Efficiencies

The strategic sourcing team continues to build additional efficiencies and cost reductions in indirect spend.

Continue to Build Merchandising Sourcing Efficiencies

The Company continues to invest in advanced data analytics to support its category planning process. Merchants work with both national brand and private brand suppliers to capture gains identified through category by category reviews, while continuing to partner with suppliers on new opportunities to ensure the Company brings the best value and offers to its customers. The Company's national sourcing team, with centralized sourcing responsibilities, continues to navigate inflationary pressures and supply chain disruptions, allowing merchants to focus on delivering value to the Company's customers.

Invest in Best-in-Class Analytics to Improve Customer Value Proposition

Advanced analytics tools are helping the Company shift investments to the products customers care most about, with the goal of improving value for customers. These tools are being leveraged nationally by category merchants across all formats to improve the Company's effectiveness of promotions. The promotional optimization initiative – a partnership between the advanced analytics team and category merchants – began to show benefits in margins during fiscal 2021. Additional investments in data analytics and technology drove further improvements in fiscal 2022 and continue to do so in fiscal 2023.

Optimize Supply Chain Productivity

The Company continues to optimize its supply chain and logistics networks and consolidate certain procurement processes. During fiscal 2021, the Company consolidated two distribution centres in Quebec into one facility and opened a new distribution centre in British Columbia ("B.C.") which consolidated three distribution centres into one facility. These consolidations increased capacity and efficiency in the network.

Improve System and Process

By leveraging technology to improve systems and process, the Company has further opportunities to generate efficiencies and cost reductions in its support functions and improve its service to stores.

Business Updates

Farm Boy

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the Company's Ontario store network with plans to double the store count in five years from the acquisition date, mainly in the Greater Toronto Area ("GTA"). As at September 14, 2022, Farm Boy has 44 stores and in fiscal 2023 the Company expects to open four additional Farm Boy stores.

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. The Company opened one FreshCo store in Alberta during the first quarter of fiscal 2023. The Company expects to have 44 FreshCo stores in Western Canada by the end of fiscal 2023. Three stores are expected to open in Alberta in fiscal 2023.

Voilà

In fiscal 2021, the Company introduced its new e-commerce platform, Voilà, which is the future of online grocery home delivery in Canada. Voilà is powered by industry-leading technology provided by Ocado, through its automated CFCs. Robots assemble orders efficiently and safely, resulting in minimal product handling, while Voilà teammates deliver orders directly to customers' homes.

The Company will operate four CFCs across Canada. With these four CFCs, the supporting spokes and curbside pickup, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians' projected e-commerce spend. The first CFC in Toronto, Ontario began deliveries on June 22, 2020 and has been successfully operating for over two years.

The second CFC in Montreal began deliveries to customers on March 7, 2022, beginning with a phased transition of customers to Voilà par IGA from IGA.net. The rollout was completed in the first quarter of fiscal 2023 and Voilà par IGA now services over 100 municipalities from Gatineau to Montreal to Quebec City. The Montreal CFC is progressing well with increasing weekly order volume and strong customer experience metrics, including on-time delivery and fulfilment.

Crombie Real Estate Investment Trust ("Crombie REIT") has completed the construction of the building for Voilà's third CFC in Calgary and has turned it over to Ocado to build the internal grid. The CFC will service the majority of Alberta, with deliveries expected to start in the first quarter of fiscal 2024.

On February 7, 2022, the Company announced that its fourth CFC will be located in Vancouver and will service customers in B.C. starting in calendar 2025.

In fiscal 2021, the Company launched Voilà curbside pickup, which currently services 98 stores in locations across Atlantic Canada, Ontario, Manitoba, Saskatchewan, Alberta and B.C. The curbside pickup solution is powered by Ocado technology and serves customers in areas where future CFCs will not, or are not yet, operating.

Voilà's future earnings will primarily be impacted by the rate of sales growth. Voilà's sales capture of the market continues to be strong. However, in the first quarter of fiscal 2023, overall e-commerce industry sales were lower than anticipated as restrictions eased and lockdowns were lifted compared to the prior year. Management expects that Voilà's net earnings dilution for fiscal 2023 to be approximately the same as fiscal 2022.

In the first quarter of fiscal 2023, the Company's four e-commerce platforms experienced combined sales decline of 21%. The decrease was primarily due to elevated sales levels in the prior year during COVID-19 related lockdowns.

Longo's

On May 10, 2021, the Company, through a wholly-owned subsidiary, acquired 51% of Longo's, a long-standing, family-built network of specialty grocery stores in the GTA, and its Grocery Gateway e-commerce business. The purchase price of the transaction was $660.6 million. The Company acquired the business through the issuance of 3,187,348 Non-Voting Class A shares with a transaction date price of $129.6 million, cash of $196.6 million and a contingent note payable of $10.7 million.

After the fifth anniversary of the transaction, the Longo's 49% non-controlling shareholders have an option to sell up to a 12.25% interest in Longo's to Sobeys per annum, at a multiple applied to the last 12 months earnings before interest, taxes, depreciation and amortization. The multiple will vary depending on achievement of certain business results. If Longo's non-controlling shareholders exercise an option to sell, Sobeys will have a corresponding call option for the same percentage in the following year. After the tenth anniversary of the transaction, both Sobeys and Longo's have mutual put and call options for any remaining minority shares outstanding. A financial liability of $239.7 million was recognized at the date of acquisition which is remeasured at the end of each quarter.

Store Closure, Conversion and Lease Terminations

During the first quarter of fiscal 2023, the Company expensed $1.0 million in store closure and conversion costs related to FreshCo conversions (2022 – $6.3 million).

During the first quarter of fiscal 2022, the Company engaged in lease termination transactions which resulted in other income of $11.6 million.

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 115 years ago.

The Company published its 2022 Sustainable Business Report in July 2022 which set bold, science-based emissions reduction targets in support of Canada's transition to a low-carbon economy. This is a significant step forward in the Company's plan to help combat climate change and is the latest step in the journey to commit and invest in sustainability. As part of the Company's sustainability commitments and corporate governance practices, the Company will launch a newly established Sustainable Business Council ("Council") in fiscal 2023. In conjunction with the Company's science-based targets (which are being validated by the Science-Based Targets initiative), the Council will ensure accurate reporting of carbon emissions for internal monitoring and external reporting.

The Company is focused on several initiatives as part of a continuing ESG journey such as working to remove plastics from the business, focusing on 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.

OUTLOOK

The Company continues to be well positioned to pursue growth and deliver on its Project Horizon targets despite the impacts of higher than normal inflation and supply chain challenges.

The industry continues to experience inflationary pressures, particularly related to cost of goods sold and fuel. Although it is difficult to estimate how long these pressures will last, the Company is focused on supplier relationships and negotiations to ensure competitive pricing for consumers.

The industry continues to experience supply chain challenges primarily due to labour shortages. Although it is difficult to estimate the duration of these challenges, management remains focused on utilizing alternative sourcing options where necessary and does not expect significant adverse impacts to its supply chain.

The Company expects same-store sales will grow in fiscal 2023. For the first quarter of fiscal 2023, same-store sales growth excluding fuel was 0.4% compared to a decline of 2.2% in the same quarter last year and a decline of 2.4% in the fourth quarter of fiscal 2022. Margins will continue to benefit from Project Horizon initiatives and other operating improvements. These benefits could be partially offset by the effect of sales mix changes between banners and the impact of increasing fuel sales.

The Company expects continued improvements in the results of Voilà's Toronto CFC as volumes increase and efficiencies improve. At the same time, Voilà will also incur additional costs as the Montreal CFC continues to ramp up and the Calgary and Vancouver CFCs are commissioned. The ramp up of the Montreal CFC is expected to have higher costs in the first half of fiscal 2023 with improving results in the remainder of the year. Future earnings will be primarily impacted by the rate of sales growth. The Company expects Voilà's fiscal 2023 net earnings dilution to be approximately the same as fiscal 2022.

The Company continues to expand its discount business in Western Canada with 41 stores now operating. Newer stores are improving efficiency at a faster rate than the early conversion stores as the business gains critical mass across each province. The Company expects to open an additional three stores in Alberta in the remainder of fiscal 2023 for a total of 44 stores.

Management continues to expect to achieve its Project Horizon targets and that associated benefits will continue into fiscal 2024 and beyond, including initiatives launching in fiscal 2023 that are focused on loyalty, store optimization and customer experience.

SUMMARY RESULTS – FIRST QUARTER

($ in millions, except per share amounts)	13 Weeks Ended August 6, 2022	July 31, 2021	$ Change	% Change
Sales	**$ 7,937.6**	$ 7,626.0	$ 311.6	4.1%
Gross profit[1]	**1,977.9**	1,912.2	65.7	3.4%
Operating income	**344.1**	347.4	(3.3)	(0.9)%
EBITDA[1]	**594.0**	581.9	12.1	2.1%
Finance costs, net	**64.0**	66.8	(2.8)	(4.2)%
Income tax expense	**71.8**	68.7	3.1	4.5%
Non-controlling interest	**20.8**	23.4	(2.6)	(11.1)%
Net earnings[2]	**187.5**	188.5	(1.0)	(0.5)%
Basic earnings per share				
Net earnings[2]	**$ 0.72**	$ 0.71		
Basic weighted average number of shares outstanding (in millions)	**262.2**	267.0		
Diluted earnings per share				
Net earnings[2]	**$ 0.71**	$ 0.70		
Diluted weighted average number of shares outstanding (in millions)	**263.0**	268.1		
Dividend per share	**$ 0.165**	$ 0.150		

	13 Weeks Ended August 6, 2022	July 31, 2021
Gross margin[1]	**24.9%**	25.1%
EBITDA margin[1]	**7.5%**	7.6%
Same-store sales[1] growth (decline)	**3.3%**	(0.5)%
Same-store sales growth (decline), excluding fuel	**0.4%**	(2.2)%
Effective income tax rate	**25.6%**	24.5%

Food Retailing

The following is a review of Empire’s Food retailing segment’s financial performance for the first quarter.

($ in millions)	13 Weeks Ended August 6, 2022	July 31, 2021	$ Change	% Change
Sales	**$ 7,937.6**	$ 7,626.0	$ 311.6	4.1%
Gross profit	**1,977.9**	1,912.2	65.7	3.4%
Operating income	**330.9**	337.3	(6.4)	(1.9)%
EBITDA	**580.7**	571.7	9.0	1.6%
Net earnings[2]	**178.3**	179.5	(1.2)	(0.7)%

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

Empire Company Limited Operating Results

Sales

Sales for the quarter ended August 6, 2022 increased by 4.1% primarily driven by increased fuel sales, higher food inflation and benefits from Project Horizon initiatives, including the expansion of FreshCo in Western Canada, partially offset by the impact of COVID-19 restrictions being in place for a portion of the first quarter of the prior year.

Gross Profit

Gross profit for the quarter ended August 6, 2022 increased by 3.4% primarily as a result of benefits from Project Horizon initiatives (including the use of advanced analytical promotional optimization tools, Own Brands and the expansion of FreshCo, Voilà and Farm Boy), partially offset by sales mix changes as a result of consumer buying behaviour.

Gross margin for the quarter decreased slightly to 24.9% from 25.1% in the prior year. Gross margin decreased due to the effect of increased fuel sales and higher supply chain costs, partially offset by benefits from Project Horizon initiatives and sales mix changes between non-fuel banners. Excluding the mix effect of increased fuel sales, gross margin was 63 basis points higher than the prior year.

Operating Income

	13 Weeks Ended		$
($ in millions)	**August 6, 2022**	July 31, 2021	Change
Food retailing	**$ 330.9**	$ 337.3	$ (6.4)
Investments and other operations:			
Crombie REIT	**12.7**	7.4	5.3
Genstar	**1.1**	5.9	(4.8)
Other operations, net of corporate expenses	**(0.6)**	(3.2)	2.6
	13.2	10.1	3.1
Operating income	**$ 344.1**	$ 347.4	$ (3.3)

For the quarter ended August 6, 2022, operating income from the Food retailing segment decreased mainly due to an increase in selling and administrative expenses and a decrease in other income, partially offset by higher sales and gross profit. The decrease in other income was driven by lease termination income in the prior year. Selling and administrative expenses increased primarily as a result of investments in Project Horizon initiatives (including the expansion of FreshCo, Voilà and Farm Boy), higher depreciation and amortization and increased costs related to the timing of marketing spend in the current year versus the prior year.

For the quarter ended August 6, 2022, operating income from the Investments and other operations segment increased primarily as a result of higher equity earnings from Crombie REIT due to operational improvements, partially offset by lower equity earnings from Genstar as a result of higher property sales in the prior year.

EBITDA

For the quarter ended August 6, 2022, EBITDA increased to $594.0 million from $581.9 million in the prior year, mainly as a result of the factors affecting operating income (which excludes the increase in depreciation and amortization). EBITDA margin decreased slightly to 7.5% from 7.6%.

Finance Costs

For the quarter ended August 6, 2022, net finance costs decreased 4.2% from the prior year as a result of lower debt levels due to the repayment of the $500.0 million Series 2013-2 Notes.

Income Taxes

The effective income tax rate for the quarter ended August 6, 2022 was 25.6% compared to 24.5% in the same quarter last year. The effective tax rate was lower than the statutory rate primarily due to the differing tax rates of various entities. The effective tax rate in the same quarter last year was lower than the statutory rate primarily due to non-taxable capital items and the differing tax rates of various entities.

Net Earnings

	13 Weeks Ended		$
($ in millions, except per share amounts)	**August 6, 2022**	July 31, 2021	Change
Net earnings(1)	**$ 187.5**	$ 188.5	$ (1.0)
EPS(2) (fully diluted)	**$ 0.71**	$ 0.70	
Diluted weighted average number of shares outstanding (in millions)	**263.0**	268.1	

(1) Attributable to owners of the Company.
(2) Earnings per share ("EPS").

Investments and Other Operations

	13 Weeks Ended		$
($ in millions)	**August 6, 2022**	July 31, 2021	Change
Crombie REIT	**$ 12.7**	$ 7.4	$ 5.3
Genstar	**1.1**	5.9	(4.8)
Other operations, net of corporate expenses	**(0.6)**	(3.2)	2.6
	$ 13.2	$ 10.1	$ 3.1

For the quarter ended August 6, 2022, income from Investments and other operations increased primarily as a result of higher equity earnings from Crombie REIT due to operational improvements, partially offset by lower equity earnings from Genstar as a result of higher property sales in the prior year.

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	**Fiscal 2023**	Fiscal 2022				Fiscal 2021		
	Q1 (13 Weeks) Aug. 6, 2022	Q4 (14 Weeks) May 7, 2022	Q3 (13 Weeks) Jan. 29, 2022	Q2 (13 Weeks) Oct. 30, 2021	Q1 (13 Weeks) Jul. 31, 2021	Q4 (13 Weeks) May 1, 2021	Q3 (13 Weeks) Jan. 30, 2021	Q2 (13 Weeks) Oct. 31, 2020
Sales	**$ 7,937.6**	$ 7,840.8	$ 7,377.3	$ 7,318.3	$ 7,626.0	$ 6,920.0	$ 7,018.7	$ 6,975.4
Operating income	**344.1**	333.6	354.8	327.9	347.4	295.0	320.4	306.5
EBITDA(1)	**594.0**	586.2	597.5	565.2	581.9	514.4	533.5	513.4
Net earnings(2)	**187.5**	178.5	203.4	175.4	188.5	171.9	176.3	161.4
Per share information, basic								
Net earnings(2)	**$ 0.72**	$ 0.68	$ 0.77	$ 0.66	$ 0.71	$ 0.65	$ 0.66	$ 0.60
Basic weighted average number of shares outstanding (in millions)	**262.2**	263.0	264.1	265.4	267.0	266.5	268.1	269.0
Per share information, diluted								
Net earnings(2)	**$ 0.71**	$ 0.68	$ 0.77	$ 0.66	$ 0.70	$ 0.64	$ 0.66	$ 0.60
Diluted weighted average number of shares outstanding (in millions)	**263.0**	264.0	264.9	266.3	268.1	267.6	269.1	270.1

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

For the last eight quarters, results have fluctuated due to the impacts of COVID-19 and the related shift in consumer shopping behaviour which led to fluctuations in sales during fiscal 2021 and fiscal 2022. With the easing of restrictions, sales began to stabilize in the fourth quarter of fiscal 2021 but continued to trend high and compare favourably to pre-pandemic levels. Results in the fourth quarter of fiscal 2022 were impacted by an additional week of operations. Beginning on May 10, 2021, the Company's results incorporate the results of Longo's.

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 as well as other risk factors as outlined in the "Risk Management" section of the fiscal 2022 annual 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 condensed consolidated statements of cash flows in the Company's unaudited interim condensed consolidated financial statements for the quarter ended August 6, 2022.

	13 Weeks Ended	
($ in millions)	**August 6, 2022**	July 31, 2021
Cash flows from operating activities	**$ 386.7**	$ 424.6
Cash flows used in investing activities	**(174.0)**	(469.2)
Cash flows used in financing activities	**(653.5)**	(340.8)
Decrease in cash and cash equivalents	**$ (440.8)**	$ (385.4)

Operating Activities

Cash flows from operating activities for the first quarter of fiscal 2023 decreased primarily as a result of higher income taxes paid, partially offset by favourable working capital changes compared to the prior year.

Investing Activities

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

	13 Weeks Ended	
($ in millions)	**August 6, 2022**	July 31, 2021
Increase in investments	**$ -**	$ (41.5)
Acquisitions of property, equipment, investment property and intangibles	**(169.6)**	(215.0)
Proceeds on disposal of assets(1) and lease terminations	**2.7**	10.4
Leases and other receivables, net	**(12.0)**	(8.5)
Other assets and other long-term liabilities	**(4.6)**	(25.8)
Business acquisitions	**(12.4)**	(202.4)
Payments received for finance subleases	**20.9**	12.9
Interest received	**1.0**	0.7
Cash flows used in investing activities	**$ (174.0)**	$ (469.2)

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

Cash used in investing activities for the first quarter of fiscal 2023 decreased versus prior year primarily due to the acquisition of Longo's in the prior year, lower capital investments in the current year and the prior year purchase of $41.5 million of Crombie REIT Class B Limited Partnership units ("Class B LP units").

Capital Expenditures

The Company invested $155.5 million in capital expenditures(1) for the quarter ended August 6, 2022 (2022 – $147.0 million), including renovations and construction of new stores, investments in advanced analytics technology and other technology systems, expansion of FreshCo stores in Western Canada and the construction of Voilà CFCs.

In fiscal 2023, capital expenditures are expected to be approximately $800 million, with approximately half of this investment allocated to renovations and new stores. The Company expects to open four FreshCo stores in Western Canada and expand the Farm Boy and Longo's footprint in Ontario by four and two stores, respectively. The Company will invest approximately 25% of its estimated capital expenditures on advanced analytics technology and other technology systems.

(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:

	13 Weeks Ended	
# of stores	**August 6, 2022**	July 31, 2021
Opened/relocated/acquired[1][2]	**5**	41
Rebannered/redeveloped	**1**	5
Closed[1]	**1**	5
Opened - FreshCo[3]	**1**	1
Closed - pending conversion to FreshCo[3]	**-**	1
Opened - Farm Boy	**-**	3
Closed - pending conversion to Farm Boy	**-**	-

(1) Total impact excluding the expansion of Farm Boy and FreshCo.
(2) Includes 36 Longo's stores that were acquired in the first quarter of fiscal 2022.
(3) Specific to converted Western Canada FreshCo stores.

The following table shows changes in Sobeys' square footage:

	13 Weeks Ended	
Square feet (in thousands)	**August 6, 2022**	July 31, 2021
Opened	**108**	57
Rebannered/redeveloped	**-**	35
Acquired[2]	**-**	1,311
Expanded	**-**	-
Closed - pending conversion	**(3)**	-
Closed	**-**	(70)
Net change before the impact of the expansion of Farm Boy and FreshCo	**105**	1,333
Opened - FreshCo[1]	**39**	33
Closed - pending conversion to FreshCo[1]	**-**	(26)
Opened - Farm Boy	**-**	84
Closed - pending conversion to Farm Boy	**-**	-
Net change	**144**	1,424

(1) Specific to converted Western Canada FreshCo stores, net of Safeway and Sobeys closures.
(2) Includes 36 Longo's stores that were acquired in the first quarter of fiscal 2022.

At August 6, 2022, Sobeys' retail space totalled 42.4 million square feet, a 1.7% increase compared to 41.7 million square feet at July 31, 2021.

Financing Activities

Cash used in financing activities for the quarter ended August 6, 2022 increased versus prior year due to the repayment of the $500.0 million Series 2013-2 Notes and increased payments of lease liabilities in the current year, partially offset by advances on credit facilities, net.

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 August 6, 2022	July 31, 2021	$ Change
Cash flows from operating activities	**$ 386.7**	$ 424.6	$ (37.9)
Add: proceeds on disposal of assets[1] and lease terminations	**2.7**	10.4	(7.7)
Less: interest paid	**(24.6)**	(6.9)	(17.7)
payments of lease liabilities, net of payments received for finance subleases	**(163.9)**	(104.5)	(59.4)
acquisitions of property, equipment, investment property and intangibles	**(169.6)**	(215.0)	45.4
Free cash flow[2]	**$ 31.3**	$ 108.6	$ (77.3)

(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 August 6, 2022 decreased versus prior year primarily as a result of an increase in payments of lease liabilities, net of payments received for finance subleases, and a decrease in cash flows from operating activities, partially offset by lower cash flows of capital investments.

Employee Future Benefit Obligations

For the quarter ended August 6, 2022, the Company contributed $4.6 million (2022 – $4.2 million) to its registered defined benefit plans. The Company expects to contribute approximately $14.4 million to these plans in fiscal 2023.

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		**August 6, 2022**		May 7, 2022		July 31, 2021
Shareholders' equity, net of non-controlling interest	**$**	**5,049.0**	$	4,991.5	$	4,587.5
Book value per common share[1]	**$**	**19.26**	$	18.82	$	17.18
Long-term debt, including current portion	**$**	**866.5**	$	1,176.7	$	1,228.1
Long-term lease liabilities, including current portion	**$**	**6,286.9**	$	6,285.4	$	6,168.2
Funded debt to total capital[1]		**58.6%**		59.9%		61.7%
Funded debt to EBITDA[1][2]		**3.1x**		3.2x		3.5x
EBITDA to interest expense[1][3]		**8.5x**		8.3x		8.1x
Trailing four-quarter EBITDA	**$**	**2,342.9**	$	2,330.8	$	2,143.2
Trailing four-quarter interest expense	**$**	**276.9**	$	279.7	$	263.9
Current assets to current liabilities		**0.7x**		0.8x		0.8x
Total assets	**$**	**16,302.0**	$	16,593.6	$	15,922.6
Total non-current financial liabilities	**$**	**7,223.3**	$	7,220.0	$	7,651.4

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Calculation uses trailing four-quarter EBITDA.
(3) Calculation uses trailing four-quarter EBITDA and interest expense.

On July 11, 2022, DBRS Morningstar ("DBRS") upgraded Sobeys' credit rating from BBB (low) with a positive trend to BBB with a stable trend. The following table shows Sobeys' credit ratings as at September 14, 2022:

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

Empire has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of August 6, 2022, the outstanding amount of the credit facility was $44.7 million (2022 – $75.3 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

Sobeys has a $650.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of August 6, 2022, the outstanding amount of the facility was $200.0 million (2022 – $ nil) and Sobeys has issued $71.7 million in letters of credit against the facility (2022 – $85.8 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

The redemption of the 4.70% Series 2013-2 Notes due August 8, 2023, which was announced in the fourth quarter of fiscal 2022, was completed on June 2, 2022. The total redemption payment of $516.5 million included the remaining aggregate principal balance of $500.0 million and $16.5 million in accrued interest and prepayment costs.

Through the acquisition of Longo's on May 10, 2021, Sobeys acquired their existing $75.0 million demand operating line of credit. As of August 6, 2022, the outstanding amount of the facility was $19.7 million (2022 – $48.8 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 August 6, 2022, together with approximately $638.9 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.

Shareholders' Equity

The Company's share capital was comprised of the following on August 6, 2022:

Authorized	Number of Shares August 6, 2022	July 31, 2021
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	**752,801,776**	757,712,924
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	Number of Shares	August 6, 2022	July 31, 2021
Non-Voting Class A shares	**162,781,815**	**$ 1,998.4**	$ 2,054.4
Class B common shares	**98,138,079**	**7.3**	7.3
Shares held in trust	**(39,211)**	**(0.8)**	(0.9)
Total		**$ 2,004.9**	$ 2,060.8

The Company's share capital on August 6, 2022 compared to the same period in the previous fiscal year is shown in the table below:

	13 Weeks Ended	
(Number of shares)	**August 6, 2022**	July 31, 2021
Non-Voting Class A shares		
Issued and outstanding, beginning of period	**164,563,680**	167,323,301
Issued during period	**21,382**	3,263,686
Purchased for cancellation	**(1,803,247)**	(3,271,082)
Issued and outstanding, end of period	**162,781,815**	167,315,905
Shares held in trust, beginning of period	**(39,027)**	(46,512)
Issued for future settlement of equity settled plans	**-**	-
Purchased for future settlement of equity settled plans	**(184)**	(64)
Shares held in trust, end of period	**(39,211)**	(46,576)
Issued and outstanding, net of shares held in trust, end of period	**162,742,604**	167,269,329
Class B common shares		
Issued and outstanding, beginning and end of period	**98,138,079**	98,138,079

During the first quarter of fiscal 2023, the Company paid common dividends of $43.1 million (2022 – $39.9 million) to its common shareholders. This represents a payment of $0.165 per share (2022 – $0.150 per share) for common shareholders.

As at September 13, 2022, the Company had Non-Voting Class A and Class B common shares outstanding of 162,257,227 and 98,138,079, respectively. Options to acquire 4,386,510 Non-Voting Class A shares were outstanding as of August 6, 2022 (July 31, 2022 – 5,379,714). As at September 13, 2022, options to acquire 4,489,490 Non-Voting Class A shares were outstanding (September 7, 2021 – 4,504,933).

Normal Course Issuer Bid ("NCIB")

On June 22, 2021, the Company renewed its NCIB by filing a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 8,468,408 Non-Voting Class A shares ("Class A shares") representing 5.0% of the 169,368,174 Class A shares outstanding. As at July 1, 2022, under this filing, the Company purchased 5,659,764 (July 1, 2021 – 6,063,806) Class A shares at a weighted average price of $39.11 (July 1, 2021 – $38.00) for a total consideration of $221.3 million (July 1, 2021 – $230.4 million). The NCIB expired on July 1, 2022.

On June 21, 2022, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 10,500,000 Class A shares representing 7.0% of the public float of 150,258,764 Class A shares outstanding as of June 17, 2022. 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 such 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 interest of Empire and its shareholders. The NCIB expires on July 1, 2023.

Shares purchased during the quarter ended August 6, 2022 compared to the same period in the previous fiscal year are shown in the table below:

	13 Weeks Ended			
($ in millions, except per share amounts)		**August 6, 2022**		July 31, 2021
Number of shares		**1,803,247**		3,271,082
Weighted average price per share	**$**	**40.26**	$	39.74
Cash consideration paid	**$**	**72.6**	$	130.0

The Company engages in an automatic share purchase plan with its designated broker allowing the purchases of Class A shares for cancellation under its NCIB program during trading black-out periods.

Including purchases made subsequent to the end of the quarter, as at September 13, 2022, the Company has purchased 3,143,281 Class A shares (September 7, 2021 – 3,349,282) at a weighted average price of $39.42 (September 7, 2021 – $39.75) for a total consideration of $123.9 million (September 7, 2021 – $133.1 million).

ACCOUNTING STANDARDS AND POLICIES

The unaudited interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 7, 2022, with the exception of the following:

Changes to Accounting Standards Adopted During Fiscal 2023

In May 2020, the IASB issued a package of narrow-scope amendments to three standards (IFRS 3, "Business Combinations"; IAS 16, "Property, Plant and Equipment"; and IAS 37, "Provisions, Contingent Liabilities and Contingent Assets") as well as the IASB's Annual Improvements to IFRS Standards 2018 – 2020. These amendments to existing IFRS standards are to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. These amendments became effective for annual periods beginning on or after January 1, 2022. There was no material impact on the Company's financial statements.

Standards, Amendments and Interpretations Issued but not yet Adopted

In May 2021, the IASB issued amendments to IAS 12, "Income Taxes". 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 are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company is assessing the potential impact of these targeted amendments.

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

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

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

Critical Accounting Estimates

Critical accounting estimates used by the Company's management are discussed in detail in the fiscal 2022 annual MD&A.

Internal Control Over Financial Reporting

Management of the Company, which includes the President & Chief Executive Officer and Chief Financial Officer, 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.

There have been no changes in the Company's ICFR during the period beginning May 8, 2022 and ended August 6, 2022 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 August 6, 2022, the Company holds a 41.5% (July 31, 2021 – 41.5%) ownership interest in Crombie REIT and accounts for its investment using the equity method.

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

During the quarter ended July 31, 2021, Sobeys, through a wholly-owned subsidiary, sold and leased back a property to Crombie REIT for cash consideration of $4.7 million resulting in a pre-tax gain of $0.3 million.

During the quarter ended July 31, 2021, Sobeys, through wholly-owned subsidiaries, engaged in lease modification termination transactions with Crombie REIT. These transactions resulted in pre-tax other income of $11.6 million and have been recognized within other income on the unaudited interim condensed consolidated statements of earnings.

On May 19, 2021, Crombie REIT announced it had closed a bought-deal public offering of units at a price of $16.60 per unit for aggregate proceeds of $100.0 million. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $41.5 million of Class B LP units to maintain a 41.5% ownership interest in Crombie REIT.

CONTINGENCIES

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

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

RISK MANAGEMENT

Risk and uncertainties related to economic and industry factors and the Company's management of risk are discussed in detail in the fiscal 2022 annual MD&A.

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 generally accepted accounting principles ("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.

Financial Measures

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

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

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as net earnings before finance costs (net of finance income), income tax expense, depreciation and amortization of intangibles. Management believes EBITDA represents a supplementary metric to assess profitability and measure the Company's underlying ability to generate liquidity through operating cash flows.

The following table reconciles net earnings to EBITDA:

	13 Weeks Ended	
($ in millions)	**August 6, 2022**	July 31, 2021
Net earnings	**$ 208.3**	$ 211.9
Income tax expense	**71.8**	68.7
Finance costs, net	**64.0**	66.8
Operating income	**344.1**	347.4
Depreciation	**224.9**	213.5
Amortization of intangibles	**25.0**	21.0
EBITDA	**$ 594.0**	$ 581.9

- Management calculates interest expense as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities. Management believes that interest expense represents a true measure of the Company's debt service expense, without the offsetting finance income.

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

	13 Weeks Ended	
($ in millions)	**August 6, 2022**	July 31, 2021
Finance costs, net	**$ 64.0**	$ 66.8
Plus: finance income, excluding interest income on lease receivables	**1.3**	1.9
Less: pension finance costs, net	**(1.7)**	(1.9)
Less: accretion expense on provisions	**(0.4)**	(0.8)
Interest expense	**$ 63.2**	$ 66.0

- 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 as at August 6, 2022, May 7, 2022 and July 31, 2021, respectively:

($ in millions)	**August 6, 2022**	May 7, 2022	July 31, 2021
Long-term debt due within one year	**$ 283.0**	$ 581.0	$ 101.1
Long-term debt	**583.5**	595.7	1,127.0
Lease liabilities due within one year	**519.6**	509.5	560.6
Long-term lease liabilities	**5,767.3**	5,775.9	5,607.6
Funded debt	**7,153.4**	7,462.1	7,396.3
Total shareholders' equity, net of non-controlling interest	**5,049.0**	4,991.5	4,587.5
Total capital	**$ 12,202.4**	$ 12,453.6	$ 11,983.8

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.

- 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 EBITDA ratio is funded debt divided by trailing four-quarter 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 EBITDA generated.

- EBITDA to interest expense ratio is trailing four-quarter 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 EBITDA per dollar of interest expense, resulting in greater interest coverage.

- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.

The following table shows the calculation of Empire's book value per common share as at August 6, 2022, May 7, 2022 and July 31, 2021:

($ in millions, except per share information)		**August 6, 2022**		May 7, 2022		July 31, 2021
Shareholders' equity, net of non-controlling interest	**$**	**5,049.0**	$	4,991.5	$	4,587.5
Shares outstanding (basic)		**262.2**		265.2		267.0
Book value per common share	**$**	**19.26**	$	18.82	$	17.18

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

Approved by Board of Directors: September 14, 2022
Stellarton, Nova Scotia, Canada