EMPIRE
COMPANY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER AND YEAR-TO-DATE ENDED JANUARY 29, 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 third quarter and year-to-date ended January 29, 2022 compared to the third quarter and year-to-date ended January 30, 2021. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the third quarter and year-to-date ended January 29, 2022 and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended May 1, 2021. 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 1, 2021, 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 March 9, 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 1, 2021 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 impacts of the novel coronavirus ("COVID-19" or "pandemic"), including changes in customer behaviour;

- 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 COVID-19, 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 that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program, expectations which may be impacted by COVID-19, future operating and capital costs, customer response and the performance of its technology provider, Ocado Group plc ("Ocado");

- The Company's expectations of the duration and further impact of COVID-19 on the business, supply chain and consumer behaviour, including that for the remainder of fiscal 2022 it will incur selling and administrative expenses to respond to COVID-19 consistent with the third quarter, which may be impacted by the emergence of additional COVID-19 variants, future shutdowns or eased public health restrictions due to COVID-19 and safety precautions and transitions required;

- The Company's expectation that labour shortages will not have further significant impact on supply chain challenges in the fourth quarter, which may be impacted by the duration of the circumstances;

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

- The Company's expectations regarding the timing and amount 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 regarding the plans to expand its Voilà Curbside Pickup service, which may be impacted by COVID-19, future operating and capital costs, customer response to the service and the performance of its technology provider, Ocado;

- The Company's expectations that fiscal 2023 will achieve growth of same-store sales, which may be impacted by the effects of COVID-19, including changes in consumer buying behaviour;

- The Company's expectations that fiscal 2022 net earnings will be higher than prior year, which may be impacted by the effects of COVID-19, including changes in consumer buying behaviour;

- The Company's estimates regarding future capital expenditures, which may be impacted by operating results, impacts of the pandemic and the economic environment;

- The Company's expected contributions to its registered defined benefit plans, which could be impacted by fluctuations in capital markets; and

- The Company's expectation that its cash and cash equivalents on hand, unutilized credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the economic environment.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section of the fiscal 2021 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 $29.2 billion in annual sales and $16.4 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 134,000 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 1,500 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. 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 is on track to generate a compound average growth rate in earnings per share of 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. Benefits were partially offset by the planned investment in the Company's e-commerce network.

In the third quarter of fiscal 2022, earnings continued to be positively impacted by strategic initiatives, including the continued expansion and renovation of the store network, strategic sourcing efficiencies, promotional optimization and data analytics. Management expects these initiatives will continue to drive the majority of the benefits through the remainder of fiscal 2022.

While Project Horizon is on track to achieve its targets by the end of fiscal 2023, the benefits will not stop then. Certain initiatives launching in fiscal 2023 that are largely focused on store optimization and customer experience will primarily benefit fiscal 2024 and beyond. These benefits will be incremental to those realized from the ongoing program of store renovations, conversions and new builds.

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, continuing the Western discount business expansion, increasing the Farm Boy footprint in Ontario and the acquisition of Longo's which occurred in the first quarter of fiscal 2022.

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 footprints, customer promotions and availability of product on shelf. These new advanced analytics capabilities enable the Company to further improve the customer experience by optimizing category and product adjacencies to tailor its assortment for each store format.

Win Canadian Grocery E-Commerce

The first CFC in Vaughan, Ontario has been operating for almost two years. The CFC in Montreal began delivering to customers on March 7, 2022 and the CFC in Calgary is in development. The Company announced that its fourth CFC will be located in the Greater Vancouver Area ("Vancouver") and will service customers in British Columbia ("B.C.") starting in 2025. In September 2020, the Company introduced its store pick solution at select Sobeys store locations. It was expanded to Sobeys and Safeway stores nationally in areas where CFCs will not deliver or are not yet operating. The Company now 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 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.

Building on Cost and Margin Discipline

The Company has significantly improved its efficiency and cost competitiveness through Project Horizon. 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 and private brand suppliers to sustain gains made 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.

A national sourcing team was created at the end of fiscal 2021 to centralize sourcing responsibilities. This structure allows the Company to efficiently navigate inflationary pressure and supply chain disruptions, while merchants 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.

Advanced analytics tools are being leveraged nationally by category merchants across all formats to improve the Company's net cost of promotions, while improving value for customers. 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 are driving further improvements in fiscal 2022.

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 B.C. which consolidates three previous 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 back office and 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"). The Company opened two locations during the third quarter of fiscal 2022 (one new and one converted site) and opened one new location subsequent to the end of the quarter. Farm Boy is on track to expand its footprint by seven net new stores in fiscal 2022. As at March 9, 2022, Farm Boy has 43 stores open.

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 seven FreshCo locations in Alberta during the third quarter of fiscal 2022 and one location subsequent to the end of the quarter. The Company expects to open another two locations in the remainder of fiscal 2022, for a total of 40 locations open in Western Canada by the end of the fiscal year. This is in line with management's expectations of opening 10 to 15 FreshCo stores in Western Canada during fiscal 2022.

As at March 9, 2022:

- 38 stores are currently open and operating in the following provinces:
  - 16 in B.C.
  - 10 in Alberta
  - 6 in Manitoba
  - 5 in Saskatchewan
  - 1 in Northern Ontario
- 2 stores are expected to open in Alberta in the remainder of fiscal 2022
- 2 stores have been announced and are expected to open in Alberta in fiscal 2023

Business Acquisition

On March 16, 2021, the Company, through a wholly-owned subsidiary, signed an agreement to acquire 51% of the business 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. The acquisition closed effective May 10, 2021.

After the fifth anniversary of the transaction, the Longo's 49% non-controlling shareholders have an option to sell up to a 12.25% per annum interest in Longo's to Sobeys, 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.

Store Closure and Conversion Costs

During the third quarter and year-to-date ended January 29, 2022, the Company expensed $5.6 million and $17.9 million, respectively (2021 – $16.4 million and $30.6 million) in store closure and conversion costs related to Farm Boy and FreshCo conversions.

During the third quarter and year-to-date ended January 29, 2022, the Company engaged in lease termination transactions which resulted in $11.1 million and $22.7 million, respectively, of other income (2021 – $ nil and $ nil).

Ratification of New Collective Bargaining Agreement in Alberta

During the first quarter of fiscal 2021, the Company announced the ratification of a new Collective Bargaining Agreement ("CBA") for Alberta Safeway stores with UFCW 401, the Union representing the majority of Safeway teammates in Alberta. The CBA included a one-time retroactive lump sum payment to Safeway Alberta teammates for hours worked over the previous three years. The one-time retroactive lump sum payment of $15.6 million associated with this CBA was charged to operating earnings.

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 114 years ago. 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, embedding sustainable business mandates within the Company’s performance management goals, and completing an extensive assessment of the Company’s greenhouse gas emissions. The executive team reviewed a broad range of ESG issues that are important to stakeholders and long-term business success and creates shared value for the Company’s stakeholders, business and shareholders.

The publication of the Company’s 2021 Sustainable Business Report in August 2021 marks the next step in the Company’s sustainability journey. This is the first year the Company is reporting according to the Sustainable Accounting Standards Board (SASB) Food Retailers and Distributors Standard. This disclosure provides transparency and data on the Company’s progress in core ESG areas in the business and industry.

Voilà

On June 22, 2020, the Company introduced the future of online grocery home delivery to GTA customers through the Company's newest e-commerce platform, Voilà. Voilà is powered by Ocado's industry-leading technology and fills orders through its automated CFCs. Robots assemble orders efficiently and safely, resulting in minimal product handling, while Voilà teammates deliver orders directly to customers' homes. In February 2022, Ocado announced a range of innovations, including next generation robots and grids, which offer efficiencies and a lighter environmental and carbon footprint. These innovations will be available for the Company to consider in future CFC automation and efficiency opportunities.

The Company intends to operate four CFCs across Canada. The Vaughan CFC services the GTA, Barrie, Kitchener, Waterloo, Guelph, Hamilton, Niagara, St. Catharines and Brantford, and will expand to Ottawa in the fourth quarter of fiscal 2022. The platform is exceeding all internal operational metrics, with strong on-time delivery, fulfilment, and customer satisfaction and retention results. On March 7, 2022, the Company completed its employee testing stage for its second CFC in Montreal and began a phased transition of customers starting with smaller communities in Quebec to Voilà par IGA from IGA.net. The third CFC will be located in Calgary and will service the majority of Alberta. It is expected that deliveries from the CFC will start in the first quarter of fiscal 2024. On February 7, 2022, the Company announced that the fourth CFC will be located in Vancouver and will service customers in B.C. starting in 2025.

In March 2021, the Company opened its first spoke location in Etobicoke, Ontario. Spokes are cross dock facilities that improve efficiencies at CFCs. With four CFCs and their supporting spokes, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians' projected e-commerce spend.

In fiscal 2021, the Company launched Voilà Curbside Pickup service at 30 store locations across Atlantic Canada and Alberta, and the service has since expanded to B.C., Manitoba, Saskatchewan and Ontario. In the third quarter of fiscal 2022, the Company added 22 locations and expects to add up to 13 further locations in the remainder of fiscal 2022. The store pick solution is powered by Ocado's technology and will serve customers in areas where future CFCs will not, or are not yet, operating.

Voilà had a \$0.07 and \$0.20 dilutive impact on Empire's earnings per share in the third quarter and year-to-date, respectively (2021 – \$0.04 and \$0.14).

In Canada, online grocery sales have continued to grow compared to the prior year, although at a slower pace than when COVID-19 began. In the third quarter of fiscal 2022, the Company's four e-commerce platforms experienced combined sales growth of 17% versus prior year. The increase was primarily driven by the acquisition of Grocery Gateway and continued growth of Voilà, partially offset by declines in IGA.net and Thrifty's due to increased volume levels in the prior year during COVID-19 related lockdowns.

Other Business Update

Subsequent to the end of the quarter, teammates at a distribution centre in Quebec went on strike after negotiations between the union and the Company were unsuccessful in arriving at a new collective bargaining agreement. There are strong contingency plans in place to ensure Quebec stores have continuity of supply for customers. The Company is working towards a solution that is market competitive.

OUTLOOK

The Company and the industry continue to be affected by COVID-19. During the third quarter, certain COVID-19 restrictions by government agencies were reinstated due to the highly contagious and vaccine resistant Omicron variant. Given the unpredictability of COVID-19 and related variants, the Company does not expect grocery consumer behaviour to fully return to pre-pandemic levels for the foreseeable future.

During the third quarter, the cost of maintaining safety and sanitization measures was approximately $5.0 million (2021 – $19 million). For the remainder of fiscal 2022, it is expected the Company will continue to incur selling and administrative expenses related to maintaining safety and sanitization measures, and other COVID-19 related costs, consistent with the third quarter.

The Company continues to monitor the impact of new COVID-19 variants and invest in safety and sanitization procedures to ensure customers and employees are protected while shopping and working in stores. The Company expects that same-store sales will continue to be negative for the remainder of fiscal 2022 as industry volumes decrease compared to the unusually high COVID-19 driven sales levels in fiscal 2021. Margins will continue to benefit from Project Horizon initiatives, other operating improvements and the addition of Longo's. These benefits could be partially offset by the effect of sales mix changes between banners and the impact of increasing fuel sales.

The industry is experiencing supply chain challenges primarily related to labour shortages caused by COVID-19. Although it is difficult to estimate the duration of these challenges, management remains focused on, where necessary, utilizing alternative sourcing options and does not expect significant adverse impacts to its supply chain.

The industry is experiencing cost inflationary pressures, particularly related to cost of goods sold. 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 Company expects continued improvements in the results of Voilà's Toronto based e-commerce site as volumes increase and efficiencies improve. At the same time, Voilà will also incur additional costs as the Montreal facility begins operations and the Calgary and Vancouver facilities are commissioned. The combination of improving results in Toronto, increasing costs in Montreal, Calgary and Vancouver, and additional store pick e-commerce locations is expected to reduce Empire's fiscal 2022 net earnings by approximately $0.25 to $0.30 per share (fiscal 2021 – $0.18). Future earnings will be impacted primarily by the rate of sales growth. The Company expects that fiscal 2022 will represent the highest net earnings dilution for the Voilà program as the Toronto site is expected to begin to reflect positive EBITDA towards the end of its third year of operations.

Management continues to expect the Company will achieve its three-year Project Horizon strategy targets. The Company expects that due to significant positive impacts on sales related to COVID-19 in fiscal 2021, same-store sales growth rates in fiscal 2022 are expected to be negative. Management believes that net earnings for fiscal 2022 will be higher than the prior year.

SUMMARY RESULTS – THIRD QUARTER

($ in millions, except per share amounts)	13 Weeks Ended **Jan. 29, 2022**	Jan. 30, 2021	$ Change	% Change	39 Weeks Ended **Jan. 29, 2022**	Jan. 30, 2021	$ Change	% Change
Sales	**$ 7,377.3**	$ 7,018.7	$ 358.6	5.1%	**$ 22,321.6**	$ 21,348.3	$ 973.3	4.6%
Gross profit[1]	**1,892.7**	1,803.9	88.8	4.9%	**5,655.7**	5,403.6	252.1	4.7%
Operating income	**354.8**	320.4	34.4	10.7%	**1,030.1**	1,004.5	25.6	2.5%
EBITDA[1]	**597.5**	533.5	64.0	12.0%	**1,744.6**	1,629.4	115.2	7.1%
Finance costs, net	**66.0**	65.9	0.1	0.2%	**200.1**	202.7	(2.6)	(1.3)%
Income tax expense	**75.1**	67.2	7.9	11.8%	**212.1**	220.9	(8.8)	(4.0)%
Non-controlling interest	**10.3**	11.0	(0.7)	(6.4)%	**50.6**	51.3	(0.7)	(1.4)%
Net earnings[2]	**203.4**	176.3	27.1	15.4%	**567.3**	529.6	37.7	7.1%
Basic earnings per share								
Net earnings[2]	**$ 0.77**	$ 0.66			**$ 2.14**	$ 1.97		
Basic weighted average number of shares outstanding (in millions)	**264.1**	268.1			**265.7**	268.7		
Diluted earnings per share								
Net earnings[2]	**$ 0.77**	$ 0.66			**$ 2.13**	$ 1.96		
Diluted weighted average number of shares outstanding (in millions)	**264.9**	269.1			**266.6**	269.7		
Dividend per share	**$ 0.15**	$ 0.13			**$ 0.45**	$ 0.39		

	13 Weeks Ended **Jan. 29, 2022**	Jan. 30, 2021	39 Weeks Ended **Jan. 29, 2022**	Jan. 30, 2021
Gross margin[1]	**25.7%**	25.7%	**25.3%**	25.3%
EBITDA margin[1]	**8.1%**	7.6%	**7.8%**	7.6%
Same-store sales[1] growth	**0.2%**	8.9%	**0.0%**	8.2%
Same-store sales (decline) growth, excluding fuel	**(1.7)%**	10.7%	**(1.8)%**	10.1%
Effective income tax rate	**26.0%**	26.4%	**25.6%**	27.6%

Food Retailing

The following is a review of Empire's Food retailing segment's financial performance for the third quarter and year-to-date.

($ in millions)	13 Weeks Ended **Jan. 29, 2022**	Jan. 30, 2021	$ Change	% Change	39 Weeks Ended **Jan. 29, 2022**	Jan. 30, 2021	$ Change	% Change
Sales	**$ 7,377.3**	$ 7,018.7	$ 358.6	5.1%	**$ 22,321.6**	$ 21,348.3	$ 973.3	4.6%
Gross profit	**1,892.7**	1,803.9	88.8	4.9%	**5,655.7**	5,403.6	252.1	4.7%
Operating income	**313.1**	300.4	12.7	4.2%	**955.8**	971.5	(15.7)	(1.6)%
EBITDA	**555.7**	512.8	42.9	8.4%	**1,669.9**	1,595.6	74.3	4.7%
Net earnings[2]	**173.7**	163.5	10.2	6.2%	**512.7**	515.6	(2.9)	(0.6)%

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

Empire Company Limited Consolidated Operating Results

Sales

Sales for the quarter ended January 29, 2022 increased by 5.1% primarily as a result of the acquisition of Longo's, higher fuel sales, increased food inflation and benefits from Project Horizon initiatives, including the expansion of FreshCo in Western Canada and Farm Boy in Ontario. The increase is partially offset by changes in consumer buying behaviours related to varying COVID-19 measures.

Year-to-date sales increased by 4.6% primarily driven by the acquisition of Longo's, higher fuel sales, benefits from Project Horizon initiatives, including the expansion of Farm Boy and Voilà in Ontario and FreshCo in Western Canada, and higher food inflation. The increase is partially offset by the sales mix effect due to changes in consumer buying behaviours related to varying COVID-19 measures.

Gross Profit

Gross profit for the quarter and year-to-date ended January 29, 2022 increased by 4.9% and 4.7%, respectively, primarily as a result of the inclusion of Longo's and benefits from Project Horizon initiatives, including the expansion of Farm Boy and Voilà in Ontario and FreshCo in Western Canada and the use of advanced analytical promotional optimization tools. The increase is partially offset by reduced sales volume as a result of changes in consumer buying behaviour impacted by varying COVID-19 restrictions year over year.

Gross margin for the quarter of 25.7% remained consistent with the prior year. Gross margin was positively impacted by the inclusion of Longo's and benefits from Project Horizon initiatives, partially offset by the effect of higher fuel sales and sales mix changes between non-fuel banners. Excluding the effect of fuel mix, gross margin was 41 basis points higher than prior year.

Year-to-date, gross margin of 25.3% remained consistent with the prior year. Gross margin was positively impacted by the inclusion of Longo's and benefits from Project Horizon initiatives, offset by the effect of higher fuel sales and sales mix changes between non-fuel banners. Excluding the effect of fuel mix, gross margin was 50 basis points higher than prior year.

Operating Income

	13 Weeks Ended		$	39 Weeks Ended		$
($ in millions)	**Jan. 29, 2022**	Jan. 30, 2021	Change	**Jan. 29, 2022**	Jan. 30, 2021	Change
Consolidated operating income:						
Food retailing	**$ 313.1**	$ 300.4	$ 12.7	**$ 955.8**	$ 971.5	$ (15.7)
Investments and other operations:						
Crombie REIT	**32.7**	9.1	23.6	**50.3**	20.9	29.4
Genstar	**10.7**	11.7	(1.0)	**29.1**	16.9	12.2
Other operations, net of corporate expenses	**(1.7)**	(0.8)	(0.9)	**(5.1)**	(4.8)	(0.3)
	41.7	20.0	21.7	**74.3**	33.0	41.3
Operating income	**$ 354.8**	$ 320.4	$ 34.4	**$ 1,030.1**	$ 1,004.5	$ 25.6

Operating income from the Investments and other operations segment for the quarter and year-to-date ended January 29, 2022 increased primarily as a result of improved equity earnings from Crombie Real Estate Investment Trust ("Crombie REIT"), as discussed in the "Investments and Other Operations" section.

For the quarter ended January 29, 2022, operating income from the Food retailing segment increased mainly due to improved earnings as a result of higher sales and gross profit, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of the inclusion of Longo's, investment in Project Horizon initiatives, including the expansion of Farm Boy in Ontario, FreshCo in Western Canada and Voilà nationally, and increased right-of-use asset depreciation. The increase was partially offset by lower COVID-19 costs.

Year-to-date, operating income from the Food retailing segment decreased mainly due to a $30.3 million gain on the sale of property in the first quarter of fiscal 2021 and higher selling and administrative expenses, partially offset by higher sales and gross profit. Selling and administrative expenses increased primarily as a result of the inclusion of Longo's, investment in Project Horizon initiatives, including the expansion of Farm Boy in Ontario, Voilà nationally and FreshCo in Western Canada, and increased right-of-use asset depreciation. The increase was partially offset by lower COVID-19 costs.

EBITDA

For the quarter ended January 29, 2022, EBITDA increased to $597.5 million from $533.5 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin increased versus prior year to 8.1% from 7.6%.

Year-to-date, EBITDA increased to $1,744.6 million from $1,629.4 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin increased versus prior year to 7.8% from 7.6%.

Finance Costs

For the quarter ended January 29, 2022, net finance costs remained consistent with the prior year.

Year-to-date, net finance costs decreased primarily due to lower interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities due to lower interest rates and debt levels. The decrease is partially offset by a decrease in interest income from cash and cash equivalents and lease receivables.

Income Taxes

The effective income tax rate for the quarter ended January 29, 2022 was 26.0% compared to 26.4% in the same quarter last year. The effective tax rate for the quarter was lower than the statutory rate primarily due to consolidated structured entities and capital gains, both of which are taxed at lower rates, partially offset by adjustments for book and tax differences. The prior year effective tax rate was in line with the statutory rate.

Year-to-date, the effective income tax rate was 25.6% compared to 27.6% last year. The effective tax rate for the year is lower than the statutory rate primarily due to consolidated structured entities and capital gains, both of which are taxed at lower rates, offset by adjustments for book and tax differences. For the prior year, the effective tax rate was higher than the statutory rate primarily due to the revaluation of deferred tax assets and changes in estimated book and tax differences, partially offset by non-taxable capital items.

Net Earnings

	13 Weeks Ended		$	39 Weeks Ended		$
($ in millions, except per share amounts)	**Jan. 29, 2022**	Jan. 30, 2021	Change	**Jan. 29, 2022**	Jan. 30, 2021	Change
Net earnings[1]	**$ 203.4**	$ 176.3	$ 27.1	**$ 567.3**	$ 529.6	$ 37.7
EPS[2] (fully diluted)	**$ 0.77**	$ 0.66		**$ 2.13**	$ 1.96	
Diluted weighted average number of shares outstanding (in millions)	**264.9**	269.1		**266.6**	269.7	

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

Investments and Other Operations

($ in millions)	13 Weeks Ended Jan. 29, 2022	Jan. 30, 2021	$ Change	39 Weeks Ended Jan. 29, 2022	Jan. 30, 2021	$ Change
Crombie REIT	**$ 32.7**	$ 9.1	$ 23.6	**$ 50.3**	$ 20.9	$ 29.4
Genstar	**10.7**	11.7	(1.0)	**29.1**	16.9	12.2
Other operations, net of corporate expenses	**(1.7)**	(0.8)	(0.9)	**(5.1)**	(4.8)	(0.3)
	$ 41.7	$ 20.0	$ 21.7	**$ 74.3**	$ 33.0	$ 41.3

For the quarter and year-to-date ended January 29, 2022, income from Investments and other operations increased primarily due to higher equity earnings in the quarter from Crombie REIT. This includes the Company's portion of Crombie REIT's gain on the sale of properties of $17.7 million (2021 – $1.7 million) and gain from investments of $6.4 million (2021 – $ nil).

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	**Fiscal 2022** Q3 (13 Weeks) Jan. 29, 2022	Q2 (13 Weeks) Oct. 30, 2021	Q1 (13 Weeks) Jul. 31, 2021	Fiscal 2021 Q4 (13 Weeks) May 1, 2021	Q3 (13 Weeks) Jan. 30, 2021	Q2 (13 Weeks) Oct. 31, 2020	Q1 (13 Weeks) Aug. 1, 2020	Fiscal 2020 Q4 (13 Weeks) May 2, 2020
Sales	**$ 7,377.3**	$ 7,318.3	$ 7,626.0	$ 6,920.0	$ 7,018.7	$ 6,975.4	$ 7,354.2	$ 7,012.4
Operating income	**354.8**	327.9	347.4	295.0	320.4	306.5	377.6	324.3
EBITDA(1)	**597.5**	565.2	581.9	514.4	533.5	513.4	582.5	527.8
Net earnings(2)	**203.4**	175.4	188.5	171.9	176.3	161.4	191.9	177.8
Per share information, basic								
Net earnings(2)	**$ 0.77**	$ 0.66	$ 0.71	$ 0.65	$ 0.66	$ 0.60	$ 0.71	$ 0.66
Basic weighted average number of shares outstanding (in millions)	**264.1**	265.4	267.0	266.5	268.1	269.0	269.0	269.0
Per share information, diluted								
Net earnings(2)	**$ 0.77**	$ 0.66	$ 0.70	$ 0.64	$ 0.66	$ 0.60	$ 0.71	$ 0.66
Diluted weighted average number of shares outstanding (in millions)	**264.9**	266.3	268.1	267.6	269.1	270.1	269.8	269.7

(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. This shift led to higher sales starting in the fourth quarter of fiscal 2020. Sales began to stabilize in the fourth quarter of fiscal 2021 with the easing of restrictions but continue to trend high and compare favourably to pre-pandemic levels. This trend will continue to affect results throughout fiscal 2022. 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 been influenced by the Company's strategic investment activities, the competitive environment, cost management initiatives, food price and general industry trends as well as other risk factors as outlined in the "Risk Management" section of the fiscal 2021 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 January 29, 2022.

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**Jan. 29, 2022**	Jan. 30, 2021	**Jan. 29, 2022**	Jan. 30, 2021
Cash flows from operating activities	**$ 753.9**	$ 579.1	**$ 1,637.6**	$ 1,297.3
Cash flows used in investing activities	**(12.6)**	(102.4)	**(664.4)**	(349.5)
Cash flows used in financing activities	**(321.7)**	(448.0)	**(998.1)**	(1,171.9)
Increase (decrease) in cash and cash equivalents	**$ 419.6**	$ 28.7	**$ (24.9)**	$ (224.1)

Operating Activities

Cash flows from operating activities for the quarter increased versus prior year primarily as a result of favourable working capital changes, income tax recoveries and higher net earnings.

Year-to-date, cash flows from operating activities increased versus prior year primarily as a result of favourable working capital changes, lower income taxes paid and higher net earnings.

Investing Activities

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

	13 Weeks Ended		39 Weeks Ended	
($ in millions)	**Jan. 29, 2022**	Jan. 30, 2021	**Jan. 29, 2022**	Jan. 30, 2021
Increase in investments	**$ -**	$ -	**$ (41.5)**	$ -
Acquisitions of property, equipment, investment property and intangibles	**(180.8)**	(143.7)	**(574.4)**	(448.5)
Proceeds on disposal of assets[1] and lease terminations	**135.3**	24.0	**150.1**	64.0
Leases and other receivables, net	**17.4**	1.3	**9.7**	(11.4)
Other assets and other long-term liabilities	**(0.1)**	(2.2)	**(26.8)**	(0.4)
Business acquisitions	**(5.1)**	(2.2)	**(236.0)**	(10.4)
Payments received for finance subleases	**19.3**	19.7	**52.1**	52.7
Interest received	**1.4**	0.7	**2.4**	4.5
Cash flows used in investing activities	**$ (12.6)**	$ (102.4)	**$ (664.4)**	$ (349.5)

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

Cash used in investing activities for the quarter decreased versus prior year primarily due to increased proceeds on disposal of assets and lease terminations, partially offset by higher capital investments in FreshCo and Farm Boy store conversions and store network renovations, in addition to investments in advanced analytics technology and other technology systems.

Year-to-date, cash used in investing activities increased versus prior year as a result of business acquisitions, including Longo's, higher capital investments and the purchase of $41.5 million of Crombie REIT Class B Limited Partnership units ("Class B LP units"). The increase is partially offset by higher proceeds on disposal of assets and lease terminations.

Capital Expenditures

The Company invested $159.5 million and $493.8 million in capital expenditures(1) for the quarter and year-to-date ended January 29, 2022, respectively (2021 – $207.1 million and $447.6 million) including renovations and construction of new stores, investments in e-commerce fulfilment centres, FreshCo locations in Western Canada, and investments in advanced analytics technology and other technology systems.

In fiscal 2022, capital spending is expected to be approximately $765 million, with approximately half of this investment allocated to renovations and new stores. The Company will open 10 to 15 FreshCo stores in Western Canada and expand the Farm Boy footprint by seven net new stores in Ontario. The Company's total investment in Voilà for fiscal 2022 is expected to be approximately $80 million, including its share of the investment in the Montreal, Calgary and Vancouver CFCs, up to 70 new store pickup locations, additional spokes and the associated investments in technology.

(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 during the quarter and year-to-date ended January 29, 2022 compared to the prior year.

	13 Weeks Ended		39 Weeks Ended	
# of stores	**Jan. 29, 2022**	Jan. 30, 2021	**Jan. 29, 2022**	Jan. 30, 2021
Opened/relocated/acquired(1)(2)	**5**	6	**52**	19
Expanded	**1**	1	**1**	1
Rebannered/redeveloped	**-**	1	**7**	4
Closed - pending conversion	**1**	-	**1**	-
Closed(1)	**14**	7	**28**	19
Opened - FreshCo(3)	**7**	-	**9**	9
Closed - pending conversion to FreshCo(3)	**1**	-	**2**	1
Opened - Farm Boy	**2**	2	**6**	5
Closed - pending conversion to Farm Boy	**-**	-	**-**	3

(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 Sobeys' square footage changes for the 13 and 52 weeks ended January 29, 2022:

Square feet (in thousands)	**13 Weeks Ended Jan. 29, 2022**	**52 Weeks Ended Jan. 29, 2022**
Opened	**52**	**258**
Rebannered/redeveloped	**2**	**59**
Acquired(1)	**-**	**1,311**
Expanded	**20**	**30**
Closed - pending conversion	**(49)**	**(49)**
Closed	**(79)**	**(253)**
Net change before the impact of the expansion of Farm Boy and FreshCo	**(54)**	**1,356**
Opened - FreshCo(2)	**291**	**509**
Closed - pending conversion to FreshCo(2)	**(43)**	**(102)**
Opened - Farm Boy	**52**	**188**
Closed - pending conversion to Farm Boy	**-**	**(50)**
Net change	**246**	**1,901**

(1) Related to the acquisition of Longo's.
(2) Specific to converted Western Canada FreshCo stores, net of Safeway and Sobeys closures.

At January 29, 2022, Sobeys' retail space totalled 42.1 million square feet, a 4.7% increase compared to 40.2 million square feet at January 30, 2021.

Financing Activities

Cash used in financing activities for the quarter decreased versus prior year due to the prior year repayment of credit facilities, partially offset by increased payments of lease liabilities.

Year-to-date, cash used in financing activities decreased versus prior year due to the prior year repayment of credit facilities, partially offset by the repurchase of Non-Voting Class A shares.

Free Cash Flow

Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities.

($ in millions)	13 Weeks Ended **Jan. 29, 2022**	13 Weeks Ended Jan. 30, 2021	$ Change	39 Weeks Ended **Jan. 29, 2022**	39 Weeks Ended Jan. 30, 2021	$ Change
Cash flows from operating activities	**$ 753.9**	$ 579.1	$ 174.8	**$ 1,637.6**	$ 1,297.3	$ 340.3
Add: proceeds on disposal of assets[1] and lease terminations	**135.3**	24.0	111.3	**150.1**	64.0	86.1
Less: payments of lease liabilities, net of payments received for finance subleases	**(156.9)**	(143.7)	(13.2)	**(416.8)**	(376.8)	(40.0)
Less: acquisitions of property, equipment, investment property and intangibles	**(180.8)**	(143.7)	(37.1)	**(574.4)**	(448.5)	(125.9)
Free cash flow[2]	**$ 551.5**	$ 315.7	$ 235.8	**$ 796.5**	$ 536.0	$ 260.5

(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 increased versus prior year primarily as a result of higher operating activities driven by favourable working capital changes, income tax recoveries, higher net earnings, and an increase in proceeds on disposal of assets and lease terminations. The increase is partially offset by higher capital investments.

Year-to-date, free cash flow increased versus prior year primarily as a result of higher operating activities driven by favourable working capital changes, lower income taxes paid and higher net earnings, partially offset by higher capital investments.

Employee Future Benefit Obligations

For the quarter and year-to-date ended January 29, 2022, the Company contributed $4.9 million and $15.4 million, respectively (2021 – $4.9 million and $12.1 million) to its registered defined benefit plans. The Company expects to contribute approximately $18.9 million to these plans in fiscal 2022.

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		Jan. 29, 2022		May 1, 2021		Jan. 30, 2021
Shareholders' equity, net of non-controlling interest	**$**	**4,789.9**	$	4,372.7	$	4,280.7
Book value per common share[1]	**$**	**18.14**	$	16.30	$	15.97
Long-term debt, including current portion	**$**	**1,144.1**	$	1,225.3	$	1,171.3
Long-term lease liabilities, including current portion	**$**	**6,349.5**	$	5,908.1	$	5,889.0
Net funded debt to net total capital[1]		**58.0%**		58.8%		59.5%
Funded debt to EBITDA[1][2]		**3.3x**		3.3x		3.3x
EBITDA to interest expense[1][3]		**8.6x**		8.0x		7.9x
Trailing four-quarter EBITDA	**$**	**2,259.0**	$	2,143.8	$	2,157.2
Trailing four-quarter interest expense	**$**	**263.3**	$	268.8	$	273.2
Current assets to current liabilities		**0.9x**		0.9x		0.9x
Total assets	**$**	**16,433.8**	$	15,173.9	$	14,962.4
Total non-current financial liabilities	**$**	**7,831.1**	$	7,187.7	$	7,169.9

(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.

Subsequent to the quarter ended January 29, 2022, on February 10, 2022, Dominion Bond Rating Service ("DBRS") confirmed Sobeys' credit rating at BBB (low) and changed the trend from stable to positive. Standard & Poor's ("S&P") remained unchanged from the prior quarter. The following table shows Sobeys' credit ratings as at March 9, 2022:

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

Empire has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of January 29, 2022, the outstanding amount of the credit facility was $10.2 million (2021 – $73.3 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 January 29, 2022, the outstanding amount of the facility was $ nil (2021 – $ nil) and Sobeys has issued $65.1 million in letters of credit against the facility (2021 – $84.8 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

Through the acquisition of Longo's on May 10, 2021, Sobeys acquired their existing $75.0 million demand operating line of credit. As of January 29, 2022, the outstanding amount of the facility was $21.7 million (2021 – $ nil). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0 million. During the second quarter of fiscal 2021, this facility, originally scheduled to mature on November 4, 2020, was fully repaid.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0 million. The facility was fully utilized on December 10, 2018, with the proceeds used to fund part of the Farm Boy acquisition. During the third quarter of fiscal 2021, this facility, originally scheduled to mature on December 10, 2020, was fully repaid.

The Company believes its cash and cash equivalents on hand as of January 29, 2022, together with approximately $878 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 January 29, 2022:

	Number of Shares	
Authorized	**Jan. 29, 2022**	Jan. 30, 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	**755,018,123**	763,063,449
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	**Number of Shares**	**Jan. 29, 2022**	Jan. 30, 2021
Non-Voting Class A shares	**164,744,813**	**$ 2,022.3**	$ 1,986.2
Class B common shares	**98,138,079**	**7.3**	7.3
Shares held in trust	**(38,837)**	**(0.8)**	(0.9)
Total		**$ 2,028.8**	$ 1,992.6

The Company's share capital on January 29, 2022 compared to the same period in the last fiscal year is shown in the table below:

	13 Weeks Ended	
(Number of Shares)	**Jan. 29, 2022**	Jan. 30, 2021
Non-Voting Class A shares		
Issued and outstanding, beginning of period	**166,858,697**	171,098,794
Issued during period	**1,650**	3,214
Purchased for cancellation	**(2,115,534)**	(1,989,317)
Issued and outstanding, end of period	**164,744,813**	169,112,691
Shares held in trust, beginning of period	**(40,772)**	(52,046)
Issued for future settlement of equity settled plans	**1,937**	5,687
Purchased for future settlement of equity settled plans	**(2)**	(119)
Shares held in trust, end of period	**(38,837)**	(46,478)
Issued and outstanding, net of shares held in trust, end of period	**164,705,976**	169,066,213
Class B common shares		
Issued and outstanding, beginning and end of period	**98,138,079**	98,138,079

During the third quarter and year-to-date ended January 29, 2022, the Company paid common dividends of $39.5 million and $119.2 million, respectively, (January 30, 2021 – $34.8 million and $104.8 million) to its common shareholders. This represents a payment of $0.15 and $0.45 per share (January 30, 2021 – $0.13 and $0.39 per share) for common shareholders.

As at March 8, 2022, the Company had Non-Voting Class A and Class B common shares outstanding of 164,404,047 and 98,138,079, respectively. Options to acquire 4,467,422 Non-Voting Class A shares were outstanding as of January 29, 2022 (January 30, 2021 – 5,027,219). As at March 8, 2022, options to acquire 4,447,249 Non-Voting Class A shares were outstanding (March 8, 2021– 5,016,071).

Normal Course Issuer Bid ("NCIB")

On June 18, 2020, the Company filed a notice of intent with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 5,000,000 Non-Voting Class A shares ("Class A shares") representing approximately 3.0% of Class A shares outstanding. The NCIB was amended on April 19, 2021 to purchase up to 8,548,551 Class A shares representing approximately 5.0% of the Class A shares outstanding and expired on July 1, 2021. As of July 1, 2021, under this filing, the Company purchased 6,063,806 Class A shares at a weighted average price of $38.00 for a total consideration of $230.4 million.

On June 22, 2021, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 8,468,408 Class A shares representing 5.0% of the 169,368,174 Class A shares outstanding as of June 18, 2021. The purchases will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and is in the best interests of Empire and its shareholders. The NCIB expires on July 1, 2022.

Shares purchased under the Company's NCIB for the quarter and year-to-date ended January 29, 2022 are shown in the table below:

	13 Weeks Ended		39 Weeks Ended	
($ in millions, except per share amounts)	**Jan. 29, 2022**	Jan. 30, 2021	**Jan. 29, 2022**	Jan. 30, 2021
Number of shares	**2,115,534**	1,989,317	**5,965,883**	2,044,817
Weighted average price per share	**$ 37.91**	$ 35.64	**$ 38.98**	$ 35.69
Cash consideration paid	**$ 80.1**	$ 70.9	**$ 232.4**	$ 73.0

Including purchases made subsequent to the end of the quarter, as at March 8, 2022, the Company has purchased 6,378,983 Class A shares (March 8, 2021 – 2,777,760) at a weighted average price of $39.00 (March 8, 2021 – $36.00) for a total consideration of $248.8 million (March 8, 2021 – $100.0 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 1, 2021.

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

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

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

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

Critical Accounting Estimates

Critical accounting estimates used by the Company's management are discussed in detail in the fiscal 2021 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 October 31, 2021 and ended January 29, 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 January 29, 2022, the Company holds a 41.5% (January 30, 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 and year-to-date ended January 29, 2022, Sobeys, through wholly-owned subsidiaries, engaged in lease modification termination transactions with Crombie REIT. These transactions resulted in pre-tax gains of $11.2 million and $22.8 million, respectively (2021 – $ nil and $ nil) and have been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

During the quarter ended January 29, 2022, Sobeys, through a wholly-owned subsidiary, sold and leased back six properties and sold a property to Crombie REIT for a combined total cash consideration of $38.0 million resulting in pre-tax gains of $1.6 million.

During the quarter ended January 29, 2022, Crombie REIT disposed of two properties to third parties. These transactions resulted in the reversal of previously deferred pre-tax gains of $1.7 million which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

On January 25, 2022, Sobeys, through a wholly-owned subsidiary, sold and leased back 50% of a distribution centre to Crombie REIT for cash consideration of $38.1 million. This resulted in a pre-tax gain of $3.7 million which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings. Crombie REIT now owns 100% of the property.

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.

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.

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

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

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 2021 annual MD&A.

In addition, the Company is monitoring the geopolitical risk related to the rapidly evolving situation in Ukraine, however the impacts associated with the crisis are not currently considered significant to the Company's supply chain or access to capital.

SUBSEQUENT EVENT

Subsequent to the quarter ended January 29, 2022, on January 31, 2022, Crombie REIT announced it had closed a bought-deal public offering of units at a price of $17.45 per unit for aggregate proceeds of $200.0 million. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased, on a private placement basis, $83.0 million of Class B LP units to maintain a 41.5% ownership interest in Crombie REIT.

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		39 Weeks Ended	
($ in millions)	**Jan. 29, 2022**	Jan. 30, 2021	**Jan. 29, 2022**	Jan. 30, 2021
Net earnings	**$ 213.7**	$ 187.3	**$ 617.9**	$ 580.9
Income tax expense	**75.1**	67.2	**212.1**	220.9
Finance costs, net	**66.0**	65.9	**200.1**	202.7
Operating income	**354.8**	320.4	**1,030.1**	1,004.5
Depreciation	**215.4**	195.0	**644.5**	568.5
Amortization of intangibles	**27.3**	18.1	**70.0**	56.4
EBITDA	**$ 597.5**	$ 533.5	**$ 1,744.6**	$ 1,629.4

- 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		39 Weeks Ended	
($ in millions)	**Jan. 29, 2022**	Jan. 30, 2021	**Jan. 29, 2022**	Jan. 30, 2021
Finance costs, net	**$ 66.0**	$ 65.9	**$ 200.1**	$ 202.7
Plus: finance income, excluding interest income on lease receivables	**2.2**	1.9	**5.0**	8.1
Less: pension finance costs, net	**(1.9)**	(1.9)	**(5.8)**	(6.0)
Less: accretion expense on provisions	**(0.5)**	(0.6)	**(1.8)**	(1.8)
Interest expense	**$ 65.8**	$ 65.3	**$ 197.5**	$ 203.0

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less acquisitions of property, equipment, investment property and intangibles. Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. Free cash flow is reconciled to GAAP measures as reported on the consolidated statements of cash flows, and is presented in the "Free Cash Flow" section of this MD&A.

- Funded debt is all interest-bearing debt, which includes bank loans, bankers' acceptances, long-term debt and long-term lease liabilities. Management believes that funded debt represents the most relevant indicator of the Company's total financial obligations on which interest payments are made.

- Net funded debt is calculated as funded debt less cash and cash equivalents. Management believes that the deduction of cash and cash equivalents from funded debt represents a more accurate measure of the Company's net financial obligations.

- Net total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest, less cash and cash equivalents.

The following table reconciles the Company's funded debt, net funded debt and net total capital to GAAP measures as reported on the balance sheets as at January 29, 2022, May 1, 2021 and January 30, 2021, respectively:

($ in millions)	**Jan. 29, 2022**	May 1, 2021	Jan. 30, 2021
Long-term debt due within one year	**$ 53.8**	$ 46.5	$ 47.2
Long-term debt	**1,090.3**	1,178.8	1,124.1
Lease liabilities due within one year	**556.2**	490.5	484.3
Long-term lease liabilities	**5,793.3**	5,417.6	5,404.7
Funded debt	**7,493.6**	7,133.4	7,060.3
Less: cash and cash equivalents	**(865.6)**	(890.5)	(784.3)
Net funded debt	**6,628.0**	6,242.9	6,276.0
Total shareholders' equity, net of non-controlling interest	**4,789.9**	4,372.7	4,280.7
Net total capital	**$ 11,417.9**	$ 10,615.6	$ 10,556.7

Financial Metrics

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

- Same-store sales are sales from stores in the same location in both reporting periods. Management believes same-store sales represents a supplementary metric to assess sales trends as it removes the effect of the opening and closure of stores.

- Gross margin is gross profit divided by sales. Management believes that gross margin is an important indicator of profitability and can help management, analysts and investors assess the competitive landscape and promotional environment of the industry in which the Company operates. An increasing percentage indicates lower cost of sales as a percentage of sales.

- EBITDA margin is EBITDA divided by sales. Management believes that EBITDA margin is an important indicator of performance and can help management, analysts and investors assess the competitive landscape, promotional environment and cost structure of the industry in which the Company operates. An increasing percentage indicates higher EBITDA as a percentage of sales.

- Net funded debt to net total capital ratio is net funded debt divided by net total capital. Management believes that the net funded debt to net total capital ratio represents a measure upon which the Company's changing capital structure can be analyzed over time. An increasing ratio would indicate that the Company is using an increasing amount of debt in its capital structure.

- Funded debt to 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 January 29, 2022, May 1, 2021 and January 30, 2021:

($ in millions, except per share information)		**Jan. 29, 2022**		May 1, 2021		Jan. 30, 2021
Shareholders' equity, net of non-controlling interest	**$**	**4,789.9**	$	4,372.7	$	4,280.7
Shares outstanding (basic)		**264.1**		268.3		268.1
Book value per common share	**$**	**18.14**	$	16.30	$	15.97

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: March 9, 2022
Stellarton, Nova Scotia, Canada