EMPIRE

COMPANY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED MAY 1, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) and its subsidiaries, including wholly-owned Sobeys Inc. ("Sobeys") for the fourth quarter and fiscal year ended May 1, 2021 compared to the fourth quarter and fiscal year ended May 2, 2020. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the fiscal year ended May 1, 2021, and the fiscal year ended May 2, 2020. Additional information about the Company, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.empireco.ca.

The audited consolidated financial statements and the accompanying notes are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars ("CAD"). These consolidated financial statements include the accounts of Empire and its subsidiaries and structured entities which the Company is required to consolidate. The information contained in this MD&A is current to June 22, 2021, unless otherwise noted.

FORWARD-LOOKING INFORMATION

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

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

- The Company's expectations regarding the financial impact of Project Horizon and its underlying initiatives, including expected growth in market share, cost and margin savings resulting from this strategy, and the expected timing of the realization of incremental benefits, 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 Company's expectations regarding the financial benefits of Project Horizon along with the continued expansion and renovation of the store network, promotional optimization, data analytics and strategic sourcing efficiencies, which could be impacted by several factors, including the time required by the Company to complete initiatives and impacts of COVID-19 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 expectations that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program, as the Toronto site is expected to begin to reflect positive results towards the end of the third year of operations, 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 Group plc ("Ocado");

- The Company's expectations regarding the implementation of its online grocery home delivery service, its plans to expand its Voilà Curbside Pickup service, and the expected dilutive effect on Empire's earnings per share of approximately $0.25 – $0.30 per share in fiscal 2022, 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 anticipation that a percentage of food consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores, which may be impacted by the duration of shutdowns due to COVID-19, the ability for restaurants and hospitality businesses to re-open and resume operations, and the ongoing demand for restaurants and hospitality services in the near term;

- The Company's expectation that it will incur approximately $15 million to $20 million in the first quarter in selling and administrative expenses to respond to COVID-19, which may be impacted by the duration of the shutdown due to COVID-19 and safety precautions required;

- The Company's plans to further grow sales and profitability of its private label brands, which may be impacted by future operating and capital costs, and customer response;

- 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 estimates regarding future capital expenditures which includes renovations and new stores, spending on advanced analytics technology and other technology systems, acquisitions of property, equipment and investment properties, and additions to intangibles, 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;

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

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

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

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

OVERVIEW OF THE BUSINESS

Empire's key businesses and financial results are segmented into two reportable segments: (i) Food retailing; and (ii) Investments and other operations. With approximately $28.3 billion in annual sales and $15.2 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 134,000 people.

Food Retailing

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

COVID-19

COVID-19 began to impact the Company in February 2020 and has resulted in restrictions by government authorities and the encouragement for Canadians to practice public health measures such as staying at home, social distancing, wearing masks and receiving vaccinations. This has led to increased safety protocols in stores and distribution centres, shifts in consumer demand and consumption, and volatile financial markets. The Company has taken a proactive approach throughout, mobilizing a cross-functional pandemic planning task force with a mandate to monitor and effectively mitigate risks posed to employees, customers and the business.

Management's top priorities remain the health and safety of employees, customers and communities while maintaining a resilient supply chain to meet the needs of Canadians and supporting charitable organizations. The Company continues to invest in increased safety and sanitization products and procedures to ensure customers and employees are protected while shopping and working in stores. Management is closely monitoring the impact of the pandemic on food retail around the world and continues to learn from best practices.

Management anticipates that as lockdowns ease, and consumers shift some spending back to restaurant and hospitality businesses, a percentage of the consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores. The future impact of COVID-19 and government restrictions is uncertain and dependent on the duration and spread of the virus and ultimately, the successful continued rollout of vaccinations across the country. The Company's balance sheet and cash flow remain strong. As of May 1, 2021, the Company had $891 million in cash and cash equivalents, and had access to approximately $694 million in unutilized, aggregate credit facilities that do not expire until fiscal 2023.

The pandemic has impacted how Canadians shop for food. Canadians are shopping less frequently and purchasing larger basket sizes. Many customers are gravitating to one-stop-shop grocery stores that meet all their household needs and to online grocery.

Beginning in the third quarter, certain provincial governments implemented lockdown restrictions. The Company introduced a temporary Lockdown Bonus for frontline employees in stores and distribution centres in the impacted regions. The Lockdown Bonus was introduced in additional geographies as government-mandated lockdowns were put in place. The cost of these bonuses will be dependent on how long the lockdowns last and how many regions are impacted.

During the fourth quarter, the cost of the Lockdown Bonus and maintaining sanitization and safety measures was approximately $24 million, including $9 million for the Lockdown Bonus. The Company's original estimate of up to $4 million for the Lockdown Bonus was based on the information available at the time; however, during the quarter a higher volume of government-mandated lockdowns occurred across the country resulting in actual costs exceeding the estimate. In the first quarter of fiscal 2022 it is expected the Company will incur approximately $15 million to $20 million (first quarter of fiscal 2021 – $67 million) in selling and administrative expenses related to the increased cost of maintaining sanitization and safety measures, the Lockdown Bonus and other COVID-19 related costs.

Strategic Focus

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year growth plan focused on core business expansion and the acceleration of e-commerce. The Company is targeting an incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by (i) growing market share and (ii) building on cost and margin discipline.

After the first year, Project Horizon is on track and benefits are in line with management's expectations. In fiscal 2021, Project Horizon benefits were achieved from the expansion and renovation of the Company's store network, improvement in store operations and merchandising from data analytics along with continued efficiencies gained through strategic sourcing initiatives. Benefits were partially offset by the investment in the Company's e-commerce network.

For fiscal 2022, management expects the majority of the benefits to be driven through the annualization of fiscal 2021 initiatives along with the continued expansion and renovation of the store network, promotional optimization, data analytics and strategic sourcing efficiencies. Benefits will be partially offset by the investment in the Company's e-commerce network.

Growth in Market Share

Growth in market share is expected from supporting and investing further in the store network, improving store productivity, scaling up grocery e-commerce, growing the private label portfolio, continuing the Western discount business expansion, increasing the Farm Boy footprint in Ontario, and the acquisition of Longo's in Ontario subsequent to year-end.

Invest in the Company's Store Network

The Company is accelerating investments in renovations and conversions, store processes, communications, training, technology and tools, enabling store teammates to better serve customers. These continuing re-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 "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 drive improvements in customer facing elements such as store footprints, customer promotions and availability of product on shelf. The new capabilities enable the Company to further improve the customer experience, by leveraging advanced analytics to optimize category and product adjacencies to tailor its assortment for each store format.

Win Canadian Grocery E-Commerce

The Company has accelerated its plans for e-commerce. In December 2020, the Company announced that its third CFC will be located in Calgary and will service the majority of Alberta. The Company also introduced its store pick solution which serves customers in areas where CFCs will not deliver or are not yet built. In September 2020, the Company launched its new curbside pickup service at select Sobeys store locations. At the end of fiscal 2021, 30 locations were providing this service. The Company continues to expand curbside pickup to stores nationally and by the end of fiscal 2022 expects to have up to 120 stores with this service providing an e-commerce option in every province.

Grow the Company's Private Label Portfolio

The Company has improved its private brands' positioning and branding. The Company reviews the specific role of private 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 private label brands through increased distribution, shelf placement and product innovation.

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 further efficiencies and cost reductions in all indirect spend.

Continue to Build Merchandising Sourcing Efficiencies

The Company continues to invest in advanced data analytics to support its category planning process. Merchants will continue to 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.

Invest in Best in Class Analytics to Improve Customer Value Proposition

Advanced analytics tools will help the Company shift the investment to products customers care most about with the goal of improving value for customers.

Advanced analytics tools will be 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 margin during fiscal 2021. Additional investments in data analytics and technology are expected to drive 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. In fiscal 2021 five distribution centres in British Columbia ("B.C.") and Quebec were consolidated into two facilities which increased capacity and efficiency in the network.

Improve System and Process

By leveraging technology to improve systems and process, the Company is driving efficiencies and cost reductions in its back office and support functions.

Business Update

Farm Boy

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the store network throughout Ontario with plans to double the store count in five years from the acquisition date, mainly in the Greater Toronto Area ("GTA"). During the fourth quarter, the Company opened one new location for a total of seven new stores and one relocation in fiscal 2021. The eighth store originally expected to open in fiscal 2021, opened during the first week of fiscal 2022 due to COVID-19 construction delays. As of May 17, 2021, the Company has reached the halfway mark in its expansion goal of the Farm Boy banner in Ontario.

Since the acquisition, the Company now has 44 confirmed Farm Boy locations in Ontario:

- 39 Farm Boy stores currently open and operating as at June 22, 2021
- 5 Farm Boy stores expected to open in the remainder of fiscal 2022, net of one closure

In fiscal 2022, the Company has opened two stores to date and expects to open five additional Farm Boy stores in Ontario, net of one closure, aligned with its plans to open approximately 20 new locations throughout the three years of Project Horizon.

FreshCo

In fiscal 2018, the Company announced plans to expand the 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 discount format.

The Company expects to have 40 locations open in Western Canada by the end of fiscal 2022 – over half of the original estimate. The Company opened 15 FreshCo stores this fiscal year, achieving the fiscal 2021 Project Horizon target.

Of the 40 confirmed FreshCo locations:

- 28 stores currently open and operating at June 22, 2021:
    - 16 in B.C.
    - 6 in Manitoba
    - 4 in Saskatchewan
    - 2 in Alberta
- 12 stores expected to open in fiscal 2022:
    - 10 in Alberta
    - 1 in Saskatchewan
    - 1 in Northern Ontario

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 the Grocery Gateway e-commerce business, for a total purchase price of $357.0 million.

Subsequent to the fiscal year ended May 1, 2021, on May 4, 2021, Sobeys received a no-action letter from the Canadian Competition Bureau in relation to the Longo's transaction. The transaction subsequently closed on May 10, 2021. The transaction was financed through the issuance of 3,187,348 Non-Voting Class A shares to the vendors at a price of $39.22 per share, representing $125.0 million, cash of $193.6 million and acquired debt of $38.4 million. The purchase price is subject to final closing adjustments.

Store Closure, Conversion and Labour Buyout Costs

In the fourth quarter ended May 1, 2021, the Company reversed $1.1 million in accrued store closure and conversion costs primarily related to Farm Boy and FreshCo conversions (2020 – $4.2 million related to store conversions and labour buyouts).

As a result of these reversals, the net fiscal 2021 expense was $29.5 million (2020 – $7.0 million).

Ratification of New Collective Bargaining Agreement in Alberta

During the first quarter, 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 five-year CBA is competitive within the Alberta market, placing the Company on a level playing field and providing flexibility and stability to better manage operational and labour costs in the province. The CBA also provides a pathway to advance the Company's plans to expand the FreshCo discount banner in Alberta.

The CBA included a one-time retroactive lump sum payment to Safeway Alberta teammates for hours worked over the past three years. The one-time retroactive lump sum payment of $14.8 million associated with this CBA was fully paid in the second quarter.

Supply Chain

During the fourth quarter, the Company consolidated two distribution centres in Quebec. All frozen items for the province of Quebec are now located in one distribution centre which creates a more effective supply chain.

During the first quarter, the Company opened a new distribution centre in B.C., which consolidates three previous distribution centres into one facility, securing a centralized location which increases capacity and efficiency in the network.

Voilà

On June 22, 2020, the Company introduced the future of online grocery home delivery to the GTA through the Company's newest e-commerce platform, *Voilà by Sobeys*. Voilà is powered by Ocado's industry-leading technology and fills orders through its automated CFC in Vaughan, Ontario. Robots assemble orders efficiently and safely, resulting in minimal product handling, while Voilà teammates deliver orders directly to the customer's home.

The Vaughan CFC, which is already servicing the GTA, Barrie, Kitchener, Waterloo, Guelph, and Hamilton, has recently extended its service area to include Niagara, St. Catharines and Brantford. The format is exceeding all Food retailing targets, with strong on-time delivery, fulfilment, and customer satisfaction and retention results.

In the third quarter of fiscal 2021, Crombie Real Estate Investment Trust ("Crombie REIT") completed the construction of the building for Voilà's second CFC in Montreal and turned it over to Ocado to build the internal technology. The CFC is expected to be ready to deliver to customers in early calendar 2022. This second CFC will support the launch of *Voilà par IGA* which will serve major cities in the province of Quebec.

The Company has accelerated its plans for e-commerce and intends to have four CFCs across Canada. The third CFC will be located in Calgary and will service the majority of Alberta. It is expected to deliver to customers in the first half of calendar 2023. With only four CFCs, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians' e-commerce spend.

In fiscal 2021, the Company launched Voilà Curbside Pickup service at 30 store locations across Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island and Alberta, and expects to add up to 90 new store locations in fiscal 2022. The Company plans to expand to hundreds of stores across the country over the next few years. The store pick solution is powered by Ocado's technology and will serve customers in areas where future CFCs will not deliver or are not yet built.

Voilà had a $0.04 and $0.18 dilutive impact after tax on earnings per share in the fourth quarter and fiscal year ended May 1, 2021, respectively (2020 – $0.01 and $0.04). In Canada, online grocery sales have continued to grow, although at a slower pace than when COVID-19 began. The Company's three e-commerce formats experienced combined sales growth of 15% in the fourth quarter compared to prior year.

Investments and Other Operations

Empire's Investments and other operations segment, as of May 1, 2021, included:

1. A 41.5% (41.5% fully diluted) equity accounted interest in Crombie REIT (TSX: CRR.UN), an Ontario registered, unincorporated, open-ended real estate investment trust. Crombie REIT is one of the country's leading national retail property landlords with a strategy to own, operate and develop a portfolio of high-quality grocery and pharmacy-anchored shopping centres, freestanding stores and mixed-use developments primarily in Canada's top urban and suburban markets; and

2. A 40.7% equity accounted interest in Genstar Development Partnership, a 48.6% equity accounted interest in Genstar Development Partnership II, a 39.0% equity accounted interest in GDC Investments 4, L.P., a 39.0% equity accounted interest in GDC Investments 6, L.P., a 39.0% equity accounted interest in GDC Investments 7, L.P., a 37.1% equity accounted interest in GDC Investments 8, L.P., and a 49.0% equity accounted interest in The Fraipont Partnership (collectively referred to as "Genstar"). Genstar is a residential property developer with operations in select markets in Ontario, Western Canada and the United States.

OUTLOOK

Management expects that fiscal 2022 will continue to be affected by the COVID-19 pandemic in the early part of the fiscal year, with some normalization of business throughout the year as vaccination rates increase and COVID-19 restrictions are relaxed. Although difficult to predict given the uniqueness of the situation, this is expected to result in increased levels of food consumption outside of the home and related reductions in grocery industry volumes. In addition, consumers are likely to begin shopping more frequently and from a greater number of grocery stores than they have over the past 19 months. Grocery formats that experienced lower relative growth during the pandemic lockdowns, such as discount, should experience higher relative sales. Management does not expect grocery customer behaviour to return fully to pre-pandemic levels for the foreseeable future. Fuel volumes are expected to increase as economic activity increases and travel restrictions reduce.

Empire expects that during fiscal 2022, same-store sales will reduce, as industry volumes decrease compared to the unusually high industry sales in fiscal 2021. Margins will continue to benefit from Project Horizon initiatives, including private label and promotions optimization, along with the addition of Longo's which has a higher margin rate than Empire as a whole, partially offset by effects of sales mix changes between banners, due to the expected easing of COVID-19 restrictions.

Empire expects improvements in the profitability of its Toronto based e-commerce site as volumes continue to increase and costs reduce due to improved operational efficiencies. At the same time, Voilà total costs will increase as the Montreal facility begins operations and store pick e-commerce is implemented in up to 90 additional stores. In total, the combination of improving results in Toronto, increasing costs in Montreal 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 by the rate of sales growth that is difficult to predict, but management expects that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program, as the Toronto site is expected to begin to reflect positive EBITDA results towards the end of the third year of operations, partially offsetting the impacts of opening new CFCs.

The expansion of the Company's discount business in the West began 26 months ago, and there are now 28 discount stores operating in Western Canada. All stores opened in the first year have improved their results since opening and in aggregate are performing better than the full-service store that they replaced. FreshCo stores opened in the second year are performing better than those opened in the first year. Newer stores are improving efficiencies at a faster rate than the early conversion stores as the business gains critical mass. The Company continues to expand its discount presence in the West with 12 stores in different stages of development and expects to have 40 stores open by the end of fiscal 2022. The net impact of building the discount presence in Western Canada has been relatively immaterial to total earnings, but EBITDA has improved compared to the full-service stores that were converted.

When announcing the Project Horizon strategy, management estimated an increase over the three-year period of $500 million in EBITDA, excluding COVID-19 impacts. At that time, based on the last twelve months ended, February 1, 2020, management further indicated that they expected earnings per share to generate a compound average growth rate of at least 15% over the Project Horizon timeframe. For fiscal 2022, the net impact of lower results related to COVID-19 and the positive effect of Project Horizon initiatives are difficult to estimate. Management still expects the Company will achieve the Project Horizon strategy targets, but growth comparisons in fiscal 2022 for same-store sales and earnings per share in particular, will be affected by a full year of COVID-19 results in fiscal 2021.

SUMMARY RESULTS – FOURTH QUARTER

In the fourth quarter of fiscal 2020, the beginning of the pandemic led to high levels of consumer stock up activity resulting in unusual and significant favourable impacts in sales, gross profit and net earnings compared to the extent of the impacts in the fourth quarter of fiscal 2021.

($ in millions, except per share amounts)	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020	$ Change	% Change
Sales	**$ 6,920.0**	$ 7,012.4	$ (92.4)	(1.3)%
Gross profit[1]	**1,795.7**	1,819.5	(23.8)	(1.3)%
Operating income	**295.0**	324.3	(29.3)	(9.0)%
EBITDA[1]	**514.4**	527.8	(13.4)	(2.5)%
Finance costs, net	**66.7**	69.0	(2.3)	(3.3)%
Income tax expense	**45.0**	66.5	(21.5)	(32.3)%
Non-controlling interest	**11.4**	11.0	0.4	3.6%
Net earnings[2]	**171.9**	177.8	(5.9)	(3.3)%
Basic earnings per share				
Net earnings[2]	**$ 0.65**	$ 0.66		
Basic weighted average number of shares outstanding (in millions)	**266.5**	269.0		
Diluted earnings per share				
Net earnings[2]	**$ 0.64**	$ 0.66		
Diluted weighted average number of shares outstanding (in millions)	**267.6**	269.7		
Dividend per share	**$ 0.13**	$ 0.12		

	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020
Gross margin[1]	**25.9%**	25.9%
EBITDA margin[1]	**7.4%**	7.5%
Same-store sales[1] growth	**(4.5)%**	15.0%
Same-store sales growth, excluding fuel	**(6.1)%**	18.0%
Effective income tax rate	**19.7%**	26.0%

(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

Effective the first quarter of fiscal 2021 and for comparative purposes, adjusted operating income, adjusted EBITDA, adjusted net earnings and related metrics within this document have been removed due to their immaterial nature.

Sales

In the prior year, sales increased significantly as there was a shift in consumer buying behaviour and significant stock up activity leading to higher sales in the fourth quarter. While sales continue to trend higher than pre-pandemic levels, consumer behaviour has begun to stabilize causing sales for the quarter ended May 1, 2021 to decrease by 1.3%. The decrease in sales was partially offset by higher fuel sales as a result of increased fuel prices, the expansion of FreshCo in Western Canada and Farm Boy in Ontario, and an increase in e-commerce sales primarily driven by Voilà.

Gross Profit

Gross profit for the quarter ended May 1, 2021 decreased by 1.3% primarily as a result of a decrease in sales. In the prior year, gross margin grew to 25.9% primarily as a result of category reset benefits, the effect of COVID-19 sales mix changes between banners and a less promotional environment. The full extent of these favourable impacts in the prior year was not replicated in the current quarter, however gross margin remained consistent at 25.9% through the use of advanced analytics promotional optimization tools and service department recoveries resulting from closures in the prior year due to COVID-19, offset by the effect of fuel sales and sales mix changes between non-fuel banners.

Operating Income

($ in millions)		13 Weeks Ended May 1, 2021		May 2, 2020		$ Change
Consolidated operating income:						
Food retailing	**$**	**279.8**	$	316.7	$	(36.9)
Investments and other operations:						
Crombie REIT		**11.8**		6.3		5.5
Genstar		**4.4**		2.3		2.1
Other operations, net of corporate expenses		**(1.0)**		(1.0)		-
		15.2		7.6		7.6
Operating income	**$**	**295.0**	$	324.3	$	(29.3)

For the quarter ended May 1, 2021, operating income decreased mainly due to lower earnings from the Food retailing segment as a result of lower sales driven by the shift in consumer shopping behaviour in the fourth quarter of the prior year. Although lockdowns have continued to occur during the quarter, the extreme level of stock up activity that occurred when COVID-19 impacts began did not occur during the current year. In addition to lower sales, the decrease in operating income was partially due to a prior year gain on the surrender of a lease. The decrease is partially offset by lower selling and administrative expenses. Selling and administrative expenses decreased as a result of decreased labour costs, resulting from a decrease in the temporary Lockdown Bonus compared to the temporary Hero Pay program in the prior year, partially offset by higher store, distribution centre and backstage teammate compensation accruals, increased Voilà costs and an increase in right-of-use asset depreciation expense.

Operating income from the Investments and other operations segment for the quarter increased primarily as a result of improved equity earnings from Crombie REIT.

EBITDA

For the quarter ended May 1, 2021, EBITDA decreased to $514.4 million from $527.8 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin decreased to 7.4% compared to 7.5% in the prior year.

Finance Costs

For the quarter ended May 1, 2021, net finance costs decreased primarily as a result of a decrease in interest expense on financial liabilities measured at amortized cost due to lower interest rates and debt levels.

Income Taxes

The effective income tax rate for the fourth quarter ended May 1, 2021 was 19.7% compared to 26.0% last year. The current quarter effective tax rate was lower than the statutory rate primarily due to the revaluation of tax estimates, not all of which are recurring, and non-taxable capital items. The effective rate in the prior year was lower than the statutory rate due to non-taxable capital items and differing tax rates of various entities.

Net Earnings

($ in millions, except per share amounts)		13 Weeks Ended May 1, 2021		May 2, 2020		$ Change
Net earnings[1]	**$**	**171.9**	$	177.8	$	(5.9)
EPS[2] (fully diluted)	**$**	**0.64**	$	0.66		
Diluted weighted average number of shares outstanding (in millions)		**267.6**		269.7		

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

OPERATING RESULTS – FULL YEAR

($ in millions, except per share amounts)	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	2021 Compared to 2020 $ Change	2021 Compared to 2020 % Change
Sales	**$ 28,268.3**	$ 26,588.2	$ 25,142.0	$ 1,680.1	6.3%
Gross profit	**7,199.3**	6,633.3	6,083.6	566.0	8.5%
Operating income	**1,299.5**	1,111.8	652.3	187.7	16.9%
EBITDA	**2,143.8**	1,892.4	1,069.5	251.4	13.3%
Finance costs, net	**269.4**	279.1	91.6	(9.7)	(3.5)%
Income tax expense	**265.9**	219.9	144.3	46.0	20.9%
Non-controlling interest	**62.7**	29.3	29.1	33.4	114.0%
Net earnings(1)	**701.5**	583.5	387.3	118.0	20.2%
Basic earnings per share					
Net earnings(1)	**$ 2.61**	$ 2.16	$ 1.42		
Basic weighted average number of shares outstanding (in millions)	**268.3**	270.4	271.9		
Diluted earnings per share					
Net earnings(1)	**$ 2.60**	$ 2.15	$ 1.42		
Diluted weighted average number of shares outstanding (in millions)	**269.3**	271.4	272.6		
Dividend per share	**$ 0.52**	$ 0.48	$ 0.44		

	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019
Gross margin	**25.5%**	24.9%	24.2%
EBITDA margin	**7.6%**	7.1%	4.3%
Same-store sales growth	**4.7%**	4.6%	2.8%
Same-store sales growth, excluding fuel	**5.6%**	5.7%	2.7%
Effective income tax rate	**25.8%**	26.4%	25.7%

(1) Attributable to owners of the Company.

Empire Company Limited Consolidated Operating Results

Effective the first quarter of fiscal 2021 and for comparative purposes, adjusted operating income, adjusted EBITDA, adjusted net earnings and related metrics within this document have been removed due to their immaterial nature.

Sales

Sales for the fiscal year ended May 1, 2021 increased by 6.3% primarily driven by the impact of COVID-19, market share gains in the Food retailing segment, and the expansion of FreshCo in Western Canada and Farm Boy in Ontario.

Gross Profit

Gross profit for the fiscal year ended May 1, 2021 increased by 8.5% primarily as a result of increases in sales. Gross margin for the fiscal year increased to 25.5% from 24.9% last year primarily resulting from the use of advanced analytic promotional optimization tools and sales mix changes between banners.

Operating Income

($ in millions)	52 Weeks Ended May 1, 2021		May 2, 2020		$ Change
Consolidated operating income:					
Food retailing	**$**	**1,251.3**	$ 1,040.2	$	211.1
Investments and other operations:					
Crombie REIT		**32.7**	50.7		(18.0)
Genstar		**21.3**	20.1		1.2
Other operations, net of corporate expenses		**(5.8)**	0.8		(6.6)
		48.2	71.6		(23.4)
Operating income	**$**	**1,299.5**	$ 1,111.8	$	187.7

For the fiscal year ended May 1, 2021, operating income increased mainly due to improved earnings from the Food retailing segment as a result of higher sales driven by the impact of COVID-19, higher gross profit and a $30.3 million gain on a significant sale of property recorded in other income in the first quarter, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of higher labour costs, higher compensation accruals for store, distribution centre and backstage teammates, spending on sanitization and safety measures, increased costs for Voilà and an increase in right-of-use asset depreciation expense. The increased labour costs substantially relate to the Company's temporary Hero Pay program and the related one-time bonus costs in the first quarter for frontline employees in stores and distribution centres, and the temporary Lockdown Bonus introduced in the third quarter.

For the fiscal year, operating income from the Investments and other operations segment decreased primarily as a result of a sale in the prior year of a 15-property portfolio by Crombie REIT, as discussed in the "Investments and Other Operations" section.

EBITDA

For the fiscal year ended May 1, 2021, EBITDA increased to $2,143.8 million from $1,892.4 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin increased to 7.6% from 7.1%.

Finance Costs

For the fiscal year ended May 1, 2021, net finance costs decreased primarily due to the decrease of interest expense on other financial liabilities at amortized cost due to lower interest rates and debt levels, partially offset by an increase in interest expense on lease liabilities.

Income Taxes

The effective income tax rate for the fiscal year ended May 1, 2021 was 25.8% compared to 26.4% last year. The current year effective rate was lower than the statutory rate primarily due to the revaluation of tax estimates and non-taxable capital items offset by differing tax rates of various entities. The prior year's effective rate was lower than the statutory rate primarily due to non-taxable capital items and differing tax rates of various entities.

Net Earnings

($ in millions, except per share amounts)	52 Weeks Ended May 1, 2021		May 2, 2020		$ Change
Net earnings[1]	**$**	**701.5**	$ 583.5	$	118.0
EPS (fully diluted)	**$**	**2.60**	$ 2.15		
Diluted weighted average number of shares outstanding (in millions)		**269.3**	271.4		

(1) Attributable to owners of the Company.

FINANCIAL PERFORMANCE BY SEGMENT

Food Retailing

The following is a review of Empire's Food retailing segment's financial performance, comprising the consolidated results of Sobeys for the fiscal years ended May 1, 2021, May 2, 2020 and May 4, 2019.

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

($ in millions)	**52 Weeks Ended May 1, 2021**	52 Weeks Ended May 2, 2020	52 Weeks Ended May 4, 2019	2021 Compared to 2020 $ Change	2021 Compared to 2020 % Change
Sales	**$ 28,268.3**	$ 26,588.2	$ 25,142.0	$ 1,680.1	6.3%
Gross profit	**7,199.3**	6,633.3	6,083.6	566.0	8.5%
Operating income	**1,251.3**	1,040.2	561.8	211.1	20.3%
EBITDA	**2,094.7**	1,820.7	978.7	274.0	15.0%
Net earnings(1)	**673.9**	528.1	316.5	145.8	27.6%

(1) Attributable to owners of the Company.

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

($ in millions)	**52 Weeks Ended May 1, 2021(1)**	52 Weeks Ended May 2, 2020(1)	52 Weeks Ended May 4, 2019
Sales growth	**6.3%**	5.8%	3.8%
Same-store sales growth	**4.7%**	4.6%	2.8%
Same-store sales growth, excluding fuel	**5.6%**	5.7%	2.7%
Return on equity(2)	**20.8%**	18.3%	11.6%
Net funded debt to net total capital(2)	**63.5%**	66.3%	32.8%
Funded debt to EBITDA(2)	**3.3x**	3.8x	2.1x
Acquisitions of property, equipment, investment property and intangibles	**$ 659.1**	$ 574.8	$ 434.6

(1) Key Financial Condition Measures are impacted by the implementation of IFRS 16, "Leases" ("IFRS 16").
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

Investments and Other Operations

($ in millions)	**52 Weeks Ended May 1, 2021**	52 Weeks Ended May 2, 2020	$ Change
Crombie REIT	**$ 32.7**	$ 50.7	$ (18.0)
Genstar	**21.3**	20.1	1.2
Other operations, net of corporate expenses	**(5.8)**	0.8	(6.6)
	$ 48.2	$ 71.6	$ (23.4)

For the fiscal year ended May 1, 2021, income from Investments and other operations decreased principally due to a sale in the prior year of a 15-property portfolio by Crombie REIT that contributed an additional $15.1 million to the Company's equity earnings and a $6.9 million deferred gain recognition, increased bad debt expense resulting from the impact of COVID-19 on collection of outstanding receivable balances and the impact of the federal government's Canada Emergency Commercial Rent Assistance program. The $6.9 million deferred gain recognition was included in other operations, net of corporate expenses.

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	**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	Q3 (13 Weeks) Feb. 1, 2020	Q2 (13 Weeks) Nov. 2, 2019	Q1 (13 Weeks) Aug. 3, 2019
Sales	**$ 6,920.0**	$ 7,018.7	$ 6,975.4	$ 7,354.2	$ 7,012.4	$ 6,395.2	$ 6,436.5	$ 6,744.1
Operating income	**295.0**	320.4	306.5	377.6	324.3	235.0	286.4	266.1
EBITDA(1)	**514.4**	533.5	513.4	582.5	527.8	426.9	477.7	460.0
Net earnings(2)	**171.9**	176.3	161.4	191.9	177.8	120.5	154.6	130.6
Per share information, basic								
Net earnings(2)	**$ 0.65**	$ 0.66	$ 0.60	$ 0.71	$ 0.66	$ 0.45	$ 0.57	$ 0.48
Basic weighted average number of shares outstanding (in millions)	**266.5**	268.1	269.0	269.0	269.0	269.7	271.3	271.8
Per share information, diluted								
Net earnings(2)	**$ 0.64**	$ 0.66	$ 0.60	$ 0.71	$ 0.66	$ 0.45	$ 0.57	$ 0.48
Diluted weighted average number of shares outstanding (in millions)	**267.6**	269.1	270.1	269.8	269.7	270.6	272.4	272.9

(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 seven quarters, results have consistently improved compared to the same period in the prior year. In the current quarter there was a decrease in results compared to last year driven by the impacts of COVID-19 and the shift in consumer shopping behaviour. This shift led to higher sales in the fourth quarter of fiscal 2020 which continue to trend high but have begun to stabilize since the start of the pandemic. Additionally, the Company experienced a significant increase in sales, gross profit, and selling and administrative expenses largely due to impacts from COVID-19 in the first three quarters of fiscal 2021.

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.

LIQUIDITY AND CAPITAL RESOURCES

The table below highlights significant cash flow components for the relevant periods. For additional detail, please refer to the consolidated statements of cash flows in the Company's audited consolidated financial statements for the fiscal year ended May 1, 2021.

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	**May 1, 2021**	May 2, 2020	**May 1, 2021**	May 2, 2020
Cash flows from operating activities	**$ 562.3**	$ 887.6	**$ 1,859.6**	$ 2,089.4
Cash flows used in investing activities	**(152.8)**	(186.4)	**(502.3)**	(376.3)
Cash flows used in financing activities	**(303.3)**	(230.0)	**(1,475.2)**	(1,258.0)
Increase (decrease) in cash and cash equivalents	**$ 106.2**	$ 471.2	**$ (117.9)**	$ 455.1

Operating Activities

Cash flows from operating activities for the quarter ended May 1, 2021 decreased as a result of an increase in non-cash working capital, increased income taxes paid and lower cash earnings. The increase in working capital is primarily a result of the reversal of favourable working capital impacts in the fourth quarter of fiscal 2020 when COVID-19 volume activity increased accounts payable.

For the fiscal year ended May 1, 2021, cash flows from operating activities decreased as a result of increased income taxes paid and an increase in non-cash working capital. The increase in working capital is primarily a result of the reversal of favourable working capital impacts in the fourth quarter of fiscal 2020 when COVID-19 volume activity increased accounts payable.

Investing Activities

The table below outlines details of investing activities of the Company for the quarter and fiscal year ended May 1, 2021 compared to the quarter and fiscal year ended May 2, 2020:

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	**May 1, 2021**	May 2, 2020	**May 1, 2021**	May 2, 2020
Acquisitions of property, equipment, investment property and intangibles	**$ (210.6)**	$ (181.3)	**$ (659.1)**	$ (617.8)
Proceeds on disposal of assets[(1)] and lease terminations	**49.7**	26.8	**113.7**	193.1
Leases and other receivables, net	**(18.8)**	18.1	**(30.2)**	20.6
Other assets and other long-term liabilities	**5.0**	(17.6)	**4.6**	4.1
Business acquisitions	**(5.5)**	(13.4)	**(15.9)**	(19.2)
Payments received for finance subleases	**26.4**	19.9	**79.1**	76.4
Interest received	**1.0**	2.6	**5.5**	8.0
Increase in equity investments	**-**	(41.5)	**-**	(41.5)
Cash flows used in investing activities	**$ (152.8)**	$ (186.4)	**$ (502.3)**	$ (376.3)

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

Cash used in investing activities for the quarter ended May 1, 2021 decreased primarily as a result of the purchase of $41.5 million of Crombie REIT Class B limited partnership units ("Class B LP units") in the prior year which did not recur in the current year and an increase in proceeds on disposal of assets and a decrease in other long-term liabilities. These impacts were partially offset by higher capital investments and a net change in leases and other receivables.

For the fiscal year ended May 1, 2021, cash used in investing activities increased as a result of a decrease in proceeds on disposal of assets, a net change in leases and other receivables, and higher capital investments. These impacts were partially offset by the purchase of $41.5 million of Crombie REIT Class B LP units in the prior year which did not recur in the current year.

Capital Expenditures

The Company invested $231.6 million and $679.2 million in capital expenditures[(1)] for the quarter and fiscal year ended May 1, 2021, respectively (2020 – $226.6 million and $574.8 million) including renovations, construction of new stores, construction of an e-commerce fulfilment centre, construction of FreshCo locations in Western Canada and investments in advanced analytics technology and other technology systems. This is in line with management's previously disclosed expectations that capital spending in fiscal 2021 would be between $650 million and $675 million.

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 will also continue to invest approximately 15% of its estimated spending on advanced analytics technology and other technology systems. 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 and Calgary CFCs, up to 90 new store pickup locations, additional spokes and the associated investments in technology.

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

Store Network Activity and Square Footage

The table below outlines details of investments by Sobeys in its store network during the quarter and fiscal year ended May 1, 2021 compared to the prior year.

	13 Weeks Ended		52 Weeks Ended	
# of stores	**May 1, 2021**	May 2, 2020	**May 1, 2021**	May 2, 2020
Opened/relocated/acquired[(2)]	**3**	11	**22**	28
Expanded	**1**	-	**2**	3
Rebannered/redeveloped	**3**	-	**7**	1
Closed[(2)]	**7**	5	**26**	25
Opened - FreshCo[(3)]	**6**	2	**15**	10
Closed - pending conversion to FreshCo[(3)]	**1**	4	**1**	9
Opened - Farm Boy	**1**	1	**6**	3
Closed - pending conversion to Farm Boy	**1**	-	**4**	2

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

The following table shows Sobeys' square footage changes for the 13 and 52 weeks ended May 1, 2021:

Square feet (in thousands)	**13 Weeks Ended May 1, 2021**	**52 Weeks Ended May 1, 2021**
Opened	**48**	**249**
Rebannered/redeveloped	**22**	**44**
Expanded	**10**	**11**
Closed	**(26)**	**(269)**
Net change before the impact of the acquisition of Farm Boy & expansion of FreshCo	**54**	**35**
Opened - FreshCo[(4)]	**104**	**420**
Closed - pending conversion to FreshCo[(4)]	**(33)**	**(33)**
Opened - Farm Boy	**27**	**164**
Closed - pending conversion to Farm Boy	**(50)**	**(135)**
Opened - Farm Boy relocation, net	**-**	**19**
Net change	**102**	**470**

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

At May 1, 2021, Sobeys' retail space totalled 40.3 million square feet, a 0.3% increase compared to 39.8 million square feet at May 2, 2020.

Financing Activities

Cash used in financing activities for the quarter ended May 1, 2021 increased due to the purchase of Non-Voting Class A shares and the timing of lease payments due to the reporting quarter end date. These increases were partially offset by advances on credit facilities.

For the fiscal year ended May 1, 2021, cash used in financing activities increased due to repayment of credit facilities and an increase in purchases of Non-Voting Class A shares in the prior year.

Free Cash Flow

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

($ in millions)	13 Weeks Ended **May 1, 2021**	13 Weeks Ended May 2, 2020	$ Change	52 Weeks Ended **May 1, 2021**	52 Weeks Ended May 2, 2020	$ Change
Cash flows from operating activities	**$ 562.3**	$ 887.6	$ (325.3)	**$ 1,859.6**	$ 2,089.4	$ (229.8)
Add: proceeds on disposal of assets[1] and lease terminations	**49.7**	26.8	22.9	**113.7**	193.1	(79.4)
Less: payments of lease liabilities, net of payments received for finance subleases	**(192.5)**	(138.3)	(54.2)	**(569.3)**	(533.9)	(35.4)
Less: acquisitions of property, equipment, investment property and intangibles	**(210.6)**	(181.3)	(29.3)	**(659.1)**	(617.8)	(41.3)
Free cash flow[2]	**$ 208.9**	$ 594.8	$ (385.9)	**$ 744.9**	$ 1,130.8	$ (385.9)

(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 decreased for the quarter ended May 1, 2021 primarily as a result of a decrease in cash flow from operating activities, as discussed in the "Operating Activities" section above, and the timing of lease payments due to the reporting quarter end date.

Free cash flow for the fiscal year ended May 1, 2021 decreased primarily as a result of a decrease in cash flow from operating activities, as discussed in the "Operating Activities" section above, a decrease in proceeds on disposals of assets and an increase in capital investments.

Employee Future Benefit Obligations

For the fiscal year ended May 1, 2021, the Company contributed $17.4 million (2020 – $18.3 million) to its registered defined benefit plans. The Company expects to contribute approximately $22.3 million to these plans in fiscal 2022.

Guarantees and Commitments

The following table presents the Company's commitments and other obligations that will come due over the next five fiscal years as at May 1, 2021:

($ in millions)	2022	2023	2024	2025	2026	Thereafter	**Total**
Commitments							
Long-term debt[1]	$ 138.5	$ 10.5	$ 510.3	$ 7.9	$ 5.8	$ 556.1	**$ 1,229.1**
Third party finance leases, as lessee	514.1	513.3	492.6	462.3	420.3	2,929.0	**5,331.6**
Related party finance leases, as lessee	171.3	172.8	174.7	174.6	171.4	1,604.3	**2,469.1**
Contractual obligations	823.9	696.6	1,177.6	644.8	597.5	5,089.4	**9,029.8**
Third party finance subleases, as lessor	(77.9)	(75.3)	(69.9)	(64.6)	(58.3)	(328.1)	**(674.1)**
Owned properties operating leases, as lessor	(8.1)	(7.5)	(6.6)	(5.3)	(3.7)	(10.7)	**(41.9)**
Subleased properties operating leases, as lessor	(67.8)	(61.2)	(52.2)	(41.0)	(34.5)	(169.4)	**(426.1)**
Contractual obligations, net	**$ 670.1**	**$ 552.6**	**$ 1,048.9**	**$ 533.9**	**$ 501.0**	**$ 4,581.2**	**$ 7,887.7**

(1) Principal debt repayments.

For further information on guarantees and commitments, please see Notes 10 and 16 of the Company's audited annual consolidated financial statements for the fiscal year ended May 1, 2021.

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		**May 1, 2021[(1)]**		May 2, 2020[(1)]		May 4, 2019
Shareholders' equity, net of non-controlling interest	**$**	**4,372.7**	$	3,924.6	$	4,003.3
Book value per common share[(2)]	**$**	**16.30**	$	14.51	$	14.72
Long-term debt, including current portion	**$**	**1,225.3**	$	1,675.2	$	2,020.9
Long-term lease liabilities, including current portion	**$**	**5,908.1**	$	5,266.2	$	-
Net funded debt to net total capital[(2)]		**58.8%**		60.2%		26.8%
Funded debt to EBITDA[(2)]		**3.3x**		3.7x		1.9x
EBITDA to interest expense[(2)]		**8.0x**		6.8x		12.4x
Current assets to current liabilities		**0.9x**		0.8x		1.0x
Total assets	**$**	**15,173.9**	$	14,632.9	$	9,602.4
Total non-current financial liabilities	**$**	**7,187.7**	$	6,559.0	$	2,838.1

(1) Key Financial Condition Measures are impacted by the implementation of IFRS 16.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

During fiscal 2021, Standard & Poor's ("S&P") upgraded Sobey's credit rating from BB+ with a positive outlook to BBB- with a stable outlook. Dominion Bond Rating Service ("DBRS") confirmed Sobeys' rating at BBB (low) with a stable trend. The following table shows Sobeys' credit ratings as at May 1, 2021:

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

The Company has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 1, 2021, the outstanding amount of the credit facility was $119.8 million (2020 – $62.6 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 May 1, 2021, the outstanding amount of the facility was $ nil (2020 – $ nil) and Sobeys has issued $86.1 million in letters of credit against the facility (2020 – $76.4 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0 million. During the second quarter, 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, this facility, originally scheduled to mature on December 10, 2020, was fully repaid.

The Company believes its cash and cash equivalents on hand, approximately $694 million in unutilized, aggregate credit facilities as of May 1, 2021, 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, such as the acquisition of Longo's. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

For additional information on Empire's long-term debt, see Note 16 of the Company's audited annual consolidated financial statements for the fiscal year ended May 1, 2021.

Shareholders' Equity

The Company's share capital was comprised of the following on May 1, 2021:

Authorized	Number of Shares May 1, 2021	May 2, 2020
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	**760,984,006**	765,108,266
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	Number of Shares		May 1, 2021		May 2, 2020
Non-Voting Class A shares	**167,323,301**	**$**	**1,963.4**	$	2,009.1
Class B common shares	**98,138,079**		**7.3**		7.3
Shares held in trust	**(46,512)**		**(0.9)**		(3.2)
Total		**$**	**1,969.8**	$	2,013.2

The Company's share capital on May 1, 2021 compared to the same period in the last fiscal year is shown in the table below:

(Number of shares)	52 Weeks Ended May 1, 2021	May 2, 2020
Non-Voting Class A shares		
Issued and outstanding, beginning of year	**170,971,038**	173,661,495
Issued during year	**476,523**	307,126
Purchased for cancellation	**(4,124,260)**	(2,997,583)
Issued and outstanding, end of year	**167,323,301**	170,971,038
Shares held in trust, beginning of year	**(163,497)**	(271,968)
Issued for future settlement of equity settled plans	**117,809**	109,620
Purchased for future settlement of equity settled plans	**(824)**	(1,149)
Shares held in trust, end of year	**(46,512)**	(163,497)
Issued and outstanding, net of shares held in trust, end of year	**167,276,789**	170,807,541
Class B common shares		
Issued and outstanding, beginning and end of year	**98,138,079**	98,138,079

The outstanding options at May 1, 2021 were granted at prices between $18.70 and $36.86 and expire between June 2021 and June 2028 with a weighted average remaining contractual life of 5.51 years. Stock option transactions during fiscal 2021 and 2020 were as follows:

	Fiscal 2021			Fiscal 2020		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	**4,685,664**	**$**	**26.03**	4,293,888	$	23.31
Granted	**926,108**		**30.90**	1,730,178		31.38
Exercised	**(1,196,129)**		**22.67**	(1,115,115)		24.57
Expired	**(5,216)**		**25.44**	(3,525)		30.23
Forfeited	**(49,395)**		**31.32**	(219,762)		22.40
Balance, end of year	**4,361,032**	**$**	**27.96**	4,685,664	$	26.03
Stock options exercisable, end of year	**1,346,483**			1,732,433		

For the fiscal year ended May 1, 2021, the Company paid common dividends of $139.4 million (2020 – $129.7 million) to its common shareholders, representing $0.52 per share (2020 – $0.48 per share) for common shareholders.

As at June 21, 2021, the Company had Non-Voting Class A and Class B common shares outstanding of 169,368,174 and 98,138,079, respectively. Options to acquire 4,361,032 Non-Voting Class A shares were outstanding as of May 1, 2021 (May 2, 2020 – 4,685,644). As at June 21, 2021, options to acquire 4,342,660 Non-Voting Class A shares were outstanding (June 16, 2020 – 4,681,690).

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

Shares held in trust	Number of Shares		May 1, 2021		May 2, 2020
Balance, beginning of year	**163,497**	**$**	**3.2**	$	5.3
Purchased	**824**		**-**		-
Issued	**(117,809)**		**(2.3)**		(2.1)
Balance, end of year	**46,512**	**$**	**0.9**	$	3.2

Normal Course Issuer Bid

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

On April 19, 2021, the Company increased the size of its current NCIB by filing an amended notice of intention with the TSX. The amendment increases the number of Class A shares the Company intends to purchase for cancellation to 8,548,551 representing 5.0% of Class A shares outstanding.

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, subject to regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of Empire and its shareholders. Purchases could commence on July 2, 2021 and shall terminate not later than July 1, 2022.

Based on average daily trading volume ("ADTV") of 493,273 over the last six months, daily purchases will be limited to 123,318 Class A shares (25% of the ADTV of the Class A shares), other than block purchase exemptions.

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

Under the Company's current NCIB, as of June 21, 2021 the Company has purchased 5,272,860 shares at a weighted average price of $37.83 for a total consideration of $199.5 million.

Shares purchased under the Company's NCIB for the fourth quarter and fiscal year ended May 1, 2021 is shown in the table below:

	13 Weeks Ended				52 Weeks Ended			
($ in millions, except per share amounts)		**May 1, 2021**		May 2, 2020		**May 1, 2021**		May 2, 2020
Number of shares		**2,079,443**		-		**4,124,260**		2,997,583
Weighted average price per share	**$**	**38.76**	$	-	**$**	**37.24**	$	33.36
Cash consideration paid	**$**	**80.6**	$	-	**$**	**153.6**	$	100.0

ACCOUNTING STANDARDS AND POLICIES

Standards, Amendments and Interpretations Issued but not yet Adopted

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

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

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

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

Critical Accounting Estimates

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

Leases

Estimates and judgments are used in the measurement of lease liabilities and right-of-use assets, with key assumptions related to the determination of discount rates and lease term expectations.

Non-Controlling Interest Put and Call Options

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

Valuation of Inventories

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

Impairments of Non-Financial Assets

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

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

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

Pension Benefit Plans and Other Benefit Plans

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

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

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

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

Income Taxes

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

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

Business Acquisitions

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

Provisions

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

Vendor Allowances

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

Disclosure Controls and Procedures

Management of the Company, which includes the President & Chief Executive Officer ("CEO") and Executive Vice President & Chief Financial Officer ("CFO"), is responsible for establishing and maintaining Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that material information relating to the Company is made known to management by others, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Company and its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO have evaluated the effectiveness of the Company's DC&P and, based on that evaluation, the CEO and CFO have concluded that the Company's DC&P was effective as at May 1, 2021 and that there were no material weaknesses relating to the design or operation of the DC&P.

Internal Control Over Financial Reporting

Management of the Company, which includes the CEO and CFO, is responsible for establishing and maintaining Internal Control over Financial Reporting ("ICFR"), as that term is defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings". The control framework management used to design and assess the effectiveness of ICFR is *"Internal Control Integrated Framework (2013)"* published by the Committee of Sponsoring Organizations of the Treadway Commission. The CEO and CFO have evaluated the effectiveness of the Company's ICFR and, based on that evaluation, the CEO and CFO have concluded that the Company's ICFR was effective as at May 1, 2021 and that there were no material weaknesses relating to the design or operation of the ICFR.

There have been no changes in the Company's ICFR during the period beginning January 31, 2021 and ended May 1, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

RELATED PARTY TRANSACTIONS

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

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

The Company leased certain real property from Crombie REIT during the year at amounts which in management's opinion approximate fair market value that would be incurred if leased from a third party. Management has determined these amounts to be fair value based on the significant number of leases negotiated with third parties in each market it operates. The aggregate net payments under these leases totalled approximately $209.1 million (2020 – $188.8 million).

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

During the year ended May 1, 2021, Sobeys, through a wholly-owned subsidiary, sold and leased back six properties to Crombie REIT for cash consideration of $45.3 million resulting in a per-tax gain of $1.5 million.

During the year ended May 1, 2021, Sobeys, through a wholly-owned subsidiary, received $25.4 million (2020 – $61.8 million) for reimbursements of lessor improvements from Crombie REIT. These payments are related to modernization and efficiency improvements of existing properties, and construction allowances. As of May 1, 2021, an additional $3.8 million is currently receivable from Crombie REIT for these reimbursements.

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

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

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

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

On May 28, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 15-property portfolio to a third-party purchaser which closed on October 7, 2019. Sobeys and Crombie REIT entered into lease amending agreements on properties disposed where Sobeys was a lessee to secure longer contractual terms, as well as additional option terms on the sites. As consideration for these amendments, Crombie REIT agreed to pay an aggregate amount to Sobeys over a period of three years. As of May 1, 2021, Sobeys has accrued a total of $2.2 million in current receivables related to these amounts.

Key Management Personnel Compensation

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

Key management personnel compensation is comprised of:

	52 Weeks Ended	
($ in millions)	**May 1, 2021**	May 2, 2020
Salaries, bonus and other short-term employment benefits	**$ 20.0**	$ 14.1
Post-employment benefits	**1.6**	2.7
Share-based payments	**9.4**	9.9
	$ 31.0	$ 26.7

Indemnities

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

CONTINGENCIES

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

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

RISK MANAGEMENT

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

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

COVID-19 Pandemic

The Company has an established task force with a mandate to monitor, assess and recommend mitigation strategies for impacts of the COVID-19 pandemic. The task force implemented a governance structure and protocols at the onset of the pandemic, which has been maintained throughout fiscal 2021 to ensure the business can continue to operate within the guidelines set forth by local, provincial and/or federal governments. Management's top priority continues to be the health and well-being of teammates, customers, and community health by preventing outbreaks in stores, warehouses and offices. Additional strategic risks, including labour availability due to pandemic absenteeism, as well as continuity of supply of goods for resale and pandemic supplies, such as personal protective equipment and sanitation supplies, have been mitigated to allow for continuous operation of the business. The Company continues to monitor these evolving risks. As the pandemic continues, there is still uncertainty related to the long-term impacts on the price of commodities and possible inflation of retail prices.

Competition

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

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

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

Information Management, Cyber Security and Data Protection

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

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

Technology

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

Product Safety and Security

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

A large majority of Sobeys' sales are generated from food and pharmaceutical products and Sobeys could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food or pharmaceutical products. Such an event could materially affect Sobeys' financial performance. Procedures are in place to manage food and pharmaceutical crises, should they occur. These procedures are intended to identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from sale immediately.

Sobeys has food safety procedures and programs which address safe food handling and preparation standards. Similarly, provincial pharmacy standards and regulations are strictly followed, supported by robust internal policies and procedures to help mitigate risk along with a comprehensive reporting and follow up system is in place to quickly manage and contain any incidents. However, there can be no assurance that such measures will prevent the occurrence of any such product contamination or safety incident.

Supply Chain Disruptions Including Impacts of Climate Change

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

Business Continuity

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

Talent, Attraction and Retention

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

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

Franchisee and Affiliates Relationships

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

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

Labour Union Relationships

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

Environmental

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

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

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

Economic Environment

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

Drug Regulation, Legislation and Health Care Reform

The Company currently operates 350 in-store pharmacies and 73 freestanding pharmacies which are subject to federal, provincial, territorial and local legislation as well as regulations governing the sale of prescription drugs. Changes to reimbursement models used to fund prescription drugs, including the potential implementation of a national pharmacare model, or failure to comply with these laws and regulations could have a negative impact on financial performance, operations and reputation. These laws and regulations typically regulate prescription drug coverage for public plans including patient and product eligibility as well as elements of drug pricing and reimbursements including product cost, markup, dispensing fee, distribution allowances and in some provinces the ability to negotiate manufacturer allowances. In some provinces, legislation requires the selling price for prescription drugs to third-party insurance plans and cash customers to not be higher than the price established for the provincial drug plan. In addition to reimbursement, these laws and regulations govern drug approval and distribution, allowable packaging and labeling, marketing, handling, storage and disposal.

Provincial governments and private plans continue to implement measures to manage the cost of their drug plans, the impact of which varies by province and by plan. The Council of the Federation, a joint collaboration created by the provincial premiers, continues to work on cost reduction initiatives within the pharmaceutical sector many of which are extended to the private sector. The Patented Medicines Prices Review Board ("PMPRB") protects and informs Canadian consumers by regulating the prices of patented medicines sold in Canada, and by reporting on pharmaceutical trends. PMPRB is a quasi-judicial body that is part of the Health Portfolio and operates at arm's-length from the Minister of Health. The effective date of the amended Patented Medicines Regulations has been delayed and the updated PMPRB Guidelines will take effect July 1, 2021. In view of the evolving state of the Covid-19 pandemic, the operative date for assessing compliance with the Maximum List Price for Grandfathered and Gap medicines will be July 1, 2022. This pharmaceutical price compression will put pressure on pharmacy funding and pharmacy operating models, and it is anticipated that healthcare reform and regulation will continue to put pressure on pharmacy reimbursement through changes to patient and drug eligibility, prescription drug pricing including cost, dispensing fee, allowable markup, manufacturer allowance funding, distribution as well as potential restriction around customer inducements and expanded use of preferred providers. The Company has and will continue to identify opportunities to mitigate the negative impact these changes have on financial performance.

Ethical Business Conduct

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

Social

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

Occupational Health and Safety

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

Real Estate

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

Loyalty Program

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

Product Costs

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

Free Trade

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

Liquidity Risk

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

Interest Rate Fluctuation

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

Utility and Fuel Prices

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

Legal, Taxation and Accounting

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

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

Credit Rating

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

Capital Allocation

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

Foreign Currency

The Company conducts the majority of its operating business in CAD and its foreign exchange risk is mainly limited to currency fluctuations between the CAD, the euro, the Great British pound ("GBP") and the United States dollar ("USD"). USD purchases of products represent approximately 4.2% of Sobeys' total annual purchases. Euro and GBP purchases are primarily limited to specific contracts for capital expenditures. A failure to adequately manage the risk of exchange rate changes could adversely affect the Company's financial results.

Pension Plans

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

The Company participates in various multi-employer pension plans, providing pension benefits to unionized employees pursuant to provisions in collective bargaining agreements. Approximately 12% of the employees of Sobeys and its franchisees and affiliates participate in these plans. The responsibility of Sobeys, its franchisees, and affiliates to make contributions to these plans is limited to the amounts established in the collective bargaining agreements and other associated agreements, however poor performance of these plans could have a negative effect on the participating employees or could result in changes to the terms and conditions of participation in these plans, which in turn could negatively affect the financial performance of the Company.

Leverage Risk

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

Insurance

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

SUBSEQUENT EVENT

Subsequent to the fiscal year ended, May 1, 2021, 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% interest in Crombie REIT.

Subsequent to the fiscal year ended, May 1, 2021, on May 10, 2021, the Company, through a wholly-owned subsidiary closed the transaction to acquire 51% of the business of Longo's as discussed in the "Business Update" section of this 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 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		52 Weeks Ended	
($ in millions)	**May 1, 2021**	May 2, 2020	**May 1, 2021**	May 2, 2020
Net earnings	**$ 183.3**	$ 188.8	**$ 764.2**	$ 612.8
Income tax expense	**45.0**	66.5	**265.9**	219.9
Finance costs, net	**66.7**	69.0	**269.4**	279.1
Operating income	**295.0**	324.3	**1,299.5**	1,111.8
Depreciation	**200.2**	186.7	**768.7**	709.1
Amortization of intangibles	**19.2**	16.8	**75.6**	71.5
EBITDA	**$ 514.4**	$ 527.8	**$ 2,143.8**	$ 1,892.4

- 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		52 Weeks Ended	
($ in millions)	**May 1, 2021**	May 2, 2020	**May 1, 2021**	May 2, 2020
Finance costs, net	**$ 66.7**	$ 69.0	**$ 269.4**	$ 279.1
Plus: finance income, excluding interest income on lease receivables	**1.7**	3.7	**9.8**	12.1
Less: pension finance costs, net	**(2.1)**	(2.2)	**(8.1)**	(8.9)
Less: accretion expense on provisions	**(0.5)**	(0.3)	**(2.3)**	(3.0)
Interest expense	**$ 65.8**	$ 70.2	**$ 268.8**	$ 279.3

- 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 May 1, 2021, May 2, 2020 and May 4, 2019, respectively:

($ in millions)	**May 1, 2021**	May 2, 2020	May 4, 2019
Long-term debt due within one year	**$ 46.5**	$ 570.0	$ 36.5
Long-term debt	**1,178.8**	1,105.2	1,984.4
Lease liabilities due within one year	**490.5**	466.2	-
Long-term lease liabilities	**5,417.6**	4,800.0	-
Funded debt	**7,133.4**	6,941.4	2,020.9
Less: cash and cash equivalents	**(890.5)**	(1,008.4)	(553.3)
Net funded debt	**6,242.9**	5,933.0	1,467.6
Total shareholders' equity, net of non-controlling interest	**4,372.7**	3,924.6	4,003.3
Net total capital	**$ 10,615.6**	$ 9,857.6	$ 5,470.9

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.

- Return on equity, as reported by Sobeys, is net earnings for the year attributable to owners of the parent, divided by average shareholders' equity. Management believes return on equity represents a supplementary measure to assess Sobeys' profitability.

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

- Funded debt to 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 May 1, 2021, May 2, 2020 and May 4, 2019:

($ in millions, except per share information)		**May 1, 2021**		May 2, 2020		May 4, 2019
Shareholders' equity, net of non-controlling interest	**$**	**4,372.7**	$	3,924.6	$	4,003.3
Shares outstanding (basic)		**268.3**		270.4		271.9
Book value per common share	**$**	**16.30**	$	14.51	$	14.72

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

Approved by Board of Directors: June 22, 2021
Stellarton, Nova Scotia, Canada