EMPIRE
COMPANY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FOURTH QUARTER AND FISCAL YEAR ENDED MAY 7, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is Management’s Discussion and Analysis (“MD&A”) of the consolidated financial results of Empire Company Limited (“Empire” or the “Company”) (TSX: EMP.A) and its subsidiaries, including wholly-owned Sobeys Inc. (“Sobeys”) for the fourth quarter and fiscal year ended May 7, 2022 compared to the fourth quarter and fiscal year ended May 1, 2021. 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 7, 2022, and the fiscal year ended May 1, 2021. 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 21, 2022, 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 and benefits of Project Horizon and its underlying initiatives, which could be impacted by several factors, including resource capacity to execute and the time required by the Company to complete the initiatives;
- The FreshCo expansion in Western Canada, and Farm Boy and Longo’s expansion in Ontario, including the Company’s expectations regarding future operating results and profitability, the amount and timing of expenses, the projected number of store openings, and the location, feasibility and timing of construction, all of which may be impacted by construction schedules and permits, the economic environment and labour relations;
- The Company’s plans to further grow sales and profitability of its Own Brands, which may be impacted by future operating costs and customer response;
- The Company’s expectations that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program and that fiscal 2023 net earnings dilution will be marginally better, expectations which may be impacted by future operating and capital costs, customer response and the performance of its technology provider, Ocado Group plc (“Ocado”);
- The Company’s expectations that fiscal 2023 will achieve growth of same-store sales, which may be impacted by the duration and impact of the novel coronavirus (“COVID-19”) on the business, supply chain and consumer behaviour;
- The Company’s expectation of the impacts of cost inflationary pressures, which may be impacted by supplier relationships and negotiations and the macro-economic environment;
- The Company’s expectation that labour shortages will not have further significant impact on supply chain challenges, which may be impacted by labour force availability;
- The Company’s expectations regarding the 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 may be impacted by operating results, impacts of COVID-19 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 repurchase for cancellation Non-Voting Class A shares under the normal course issuer bid which may be impacted by market and economic conditions, availability of sellers, changes in laws and regulations, and the results of operations; and
- The Company's expectation that its cash and cash equivalents on hand, unutilized credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements, and its belief that it has sufficient funding in place to meet these requirements and other short and long-term obligations, all of which could be impacted by changes in the economic environment.

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

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

OVERVIEW OF THE BUSINESS

Empire's key businesses and financial results are segmented into two reportable segments: (i) Food retailing; and (ii) Investments and other operations. With approximately $30.2 billion in annual sales and $16.6 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 130,000 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 1,600 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, Farm Boy, Longo's and Lawtons Drugs, operates grocery e-commerce under the banners Voilà, Grocery Gateway, IGA.net and ThriftyFoods.com, and operates more than 350 retail fuel locations.

Company Strategy

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

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

In fiscal 2022, earnings continued to be positively impacted by Project Horizon's strategic initiatives, including promotional optimization and data analytics, the continued expansion and renovation of the store network, and strategic sourcing efficiencies. Benefits in fiscal 2021 and fiscal 2022 were partially offset by the planned investment in the Company's e-commerce network.

These initiatives will continue to deliver benefits in fiscal 2023, and additional benefits are expected from strategic initiatives launched more recently as part of Project Horizon, including the Company's new loyalty program, *Scene+*, which will be rolled out gradually. Project Horizon initiatives focused on loyalty, store optimization and customer experience will primarily benefit fiscal 2024 and beyond.

Growth in Market Share

Growth in market share is expected from supporting and investing further in the store network, improving store productivity, scaling grocery e-commerce, growing the Own Brands portfolio, continuing the Western discount business expansion, increasing the Farm Boy footprint in Ontario and the acquisition of Longo's which occurred in the first quarter of fiscal 2022.

Invest in the Company's Store Network

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

Improve Store Productivity

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

Win Canadian Grocery E-Commerce

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

Grow the Company's Own Brands Portfolio

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

Provide Best-in-Class Customer Personalization

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

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

In June 2022, the Company unveiled a new loyalty strategy through *Scene+*, one of Canada's leading loyalty programs. Along with Scotiabank and Cineplex, the Company is now a co-owner of *Scene+.* The rollout will begin in Atlantic Canada in August 2022 and continue across the country, culminating in late fiscal 2023 in most of the Company's banners and liquor stores. AIR MILES® collectors will continue to earn and redeem in the Company's stores until the new *Scene+* program is available.

Building on Cost and Margin Discipline

The Company has significantly improved its efficiency and cost competitiveness through Project Horizon. Further opportunity still remains to remove non value-added costs and optimize margins.

Drive Non-Merchandising Sourcing Efficiencies

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

Continue to Build Merchandising Sourcing Efficiencies

The Company continues to invest in advanced data analytics to support its category planning process. Merchants work with both national and private brand suppliers to sustain gains made through category by category reviews, while continuing to partner with suppliers on new opportunities to ensure the Company brings the best value and offers to its customers.

A national sourcing team was created at the end of fiscal 2021 to centralize sourcing responsibilities. This structure allows the Company to efficiently navigate inflationary pressure and supply chain disruptions, allowing merchants to focus on delivering value to the Company's customers.

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

Advanced analytics tools are helping the Company shift investments to the products customers care most about, with the goal of improving value for customers.

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

Optimize Supply Chain Productivity

The Company continues to optimize its supply chain and logistics networks and consolidate certain procurement processes.

During fiscal 2021, the Company consolidated two distribution centres in Quebec into one facility and opened a new distribution centre in British Columbia ("B.C.") which consolidates three previous distribution centres into one facility. These consolidations increased capacity and efficiency in the network.

Improve System and Process

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

Business Updates

Farm Boy

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the Company's Ontario store network with plans to double the store count in five years from the acquisition date, mainly in the Greater Toronto Area ("GTA"). The Company opened two locations during the fourth quarter of fiscal 2022, for a total of eight new stores (including one converted site) in the fiscal year. This is in line with management's previously stated expectation of expanding Farm Boy's footprint by seven net new stores during fiscal 2022. As at June 21, 2022, Farm Boy has 44 stores open.

In fiscal 2023, the Company expects to open four additional Farm Boy stores in Ontario.

FreshCo

In fiscal 2018, the Company announced plans to expand its FreshCo discount format to Western Canada with expectations of converting up to 25% of the 255 Safeway and Sobeys full-service format stores in Western Canada to the FreshCo banner.

The Company opened three FreshCo locations in Alberta during the fourth quarter of fiscal 2022, for a total of 12 new stores opened in Western Canada in the fiscal year. This is in line with management's expectations of opening 10 to 15 FreshCo stores in Western Canada during fiscal 2022. As at June 21, 2022:

- 40 stores are open in the following provinces:
    - 16 in B.C.
    - 12 in Alberta
    - 6 in Manitoba
    - 5 in Saskatchewan
    - 1 in Northern Ontario
- 4 stores are expected to open in Alberta in fiscal 2023

The Company expects to have 44 FreshCo stores open in Western Canada by the end of fiscal 2023.

Business Acquisition

On March 16, 2021, the Company, through a wholly-owned subsidiary, signed an agreement to acquire 51% of Longo's, a long-standing, family-built network of specialty grocery stores in the GTA, and its Grocery Gateway e-commerce business. The purchase price of the transaction was $660.6 million. The Company acquired the business through the issuance of 3,187,348 Non-Voting Class A shares with a transaction date price of $129.6 million, cash of $196.6 million and a contingent note payable of $10.7 million. The acquisition closed effective May 10, 2021.

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

Store Closure, Conversion and Lease Terminations

In the fourth quarter and fiscal year ended May 7, 2022, the Company reversed $9.1 million in accrued store closure and conversion costs primarily related to Farm Boy and FreshCo conversions (2021 – $1.1 million). As a result of these reversals, the net fiscal 2022 store closure and conversion expense was $8.8 million (2021 – $29.5 million).

During the fourth quarter and fiscal year ended May 7, 2022, the Company engaged in lease termination transactions which resulted in other income of $23.6 million and $47.0 million, respectively (2021 – $ nil and $ nil).

Ratification of New Collective Bargaining Agreement in Alberta

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

Sustainable Business Reporting

Environmental, Social and Governance ("ESG") has deep roots in the Company's history, and the principles of ESG have been a part of the organization since the Company started 115 years ago. The Company is focused on several initiatives as part of a continuing ESG journey such as working to remove plastics from the business, focusing on avoidable and hard-to-recycle plastics, expanding the Company's efforts to cultivate a fair, equitable and inclusive environment for all, embedding sustainable business mandates within the Company's performance management goals, and completing an extensive assessment of the Company's greenhouse gas emissions. The executive team reviewed a broad range of ESG issues that are important to stakeholders and long-term business success and that create shared value for the Company's stakeholders, business and shareholders.

The publication of the Company's 2021 Sustainable Business Report in August 2021 marked the next step in the Company's sustainability journey. This was the first year the Company reported according to the Sustainable Accounting Standards Board (SASB) Food Retailers and Distributors Standard. This disclosure provides transparency and data on the Company's progress in core ESG areas in the business and industry. The Company's 2022 Sustainable Business Report will be released in July 2022.

Voilà

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

The Company will operate four CFCs across Canada. The Vaughan CFC services the GTA, Barrie, Kitchener, Waterloo, Guelph, Hamilton, Niagara, St. Catharines and Brantford, and was expanded to service Ottawa in the fourth quarter of fiscal 2022.

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

Crombie Real Estate Investment Trust ("Crombie REIT") has substantially completed the construction of the building for Voilà's third CFC in Calgary and is preparing to turn it over to Ocado to build the internal grid. The CFC will service the majority of Alberta, with deliveries expected to start in the first quarter of fiscal 2024. On February 7, 2022, the Company announced that its fourth CFC will be located in Vancouver and will service customers in B.C. starting in 2025.

In March 2021, the Company opened its first spoke location in Etobicoke, Ontario. The second and third spokes were opened in Ottawa and Quebec City during fiscal 2022, adding to the areas in Ontario and Quebec being served by Voilà. Spokes are cross dock facilities that improve efficiencies at CFCs.

In fiscal 2021, the Company launched Voilà Curbside Pickup service at 30 store locations across Atlantic Canada and Alberta, and the service has since expanded to B.C., Manitoba, Saskatchewan and Ontario. In fiscal 2022, the Company added 68 stores for a total of 98 stores providing the service. The Curbside Pickup solution is powered by Ocado's technology and serves customers in areas where future CFCs will not, or are not yet, operating.

With four CFCs, their supporting spokes and Curbside Pickup, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians' projected e-commerce spend.

The combination of improving results in Vaughan, increasing costs in Montreal, and additional Curbside Pickup locations reduced the Company's fourth quarter and fiscal 2022 net earnings by $0.07 and $0.28 per share, respectively (2021 – $0.04 and $0.18). This was in line with management's previously disclosed expectation of $0.25 to $0.30 per share. Management continues to expect that fiscal 2022 will represent the highest net earnings dilution for the Voilà program.

In Canada, online grocery sales have continued to grow compared to the prior year, although at a much slower pace than when COVID-19 began. In the fourth quarter of fiscal 2022, the Company's four e-commerce platforms experienced combined sales growth of 12% versus prior year (2021 – 15%). The increase was primarily driven by the acquisition of Grocery Gateway and continued growth of Voilà, partially offset by declines in IGA.net and ThriftyFoods.com due to elevated volume levels in the prior year during COVID-19 related lockdowns.

Other Business Updates

On February 7, 2022, teammates at a distribution centre in Quebec went on strike after negotiations between the union and the Company were unsuccessful in agreeing on the terms of a new CBA. The strike ended on May 10, 2022, after an agreement was reached on a new three-year CBA. The incremental impact of the strike on earnings per share was $0.04 and impacted earnings in the fourth quarter of fiscal 2022.

On May 3, 2022, the Company delivered a notice of early redemption of the $500.0 million Series 2013-2 Notes (“Notes”). The redemption was effective on June 2, 2022. The early redemption premium of $9.2 million was charged to earnings in the fourth quarter of fiscal 2022.

Investments and Other Operations

Empire’s Investments and other operations segment, as of May 7, 2022, 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

During the fourth quarter of fiscal 2022, the majority of COVID-19 restrictions by government agencies were lifted. The Company and industry continues to be affected by COVID-19 as well as additional impacts such as higher than normal inflationary pressures and labour shortages. Given the unpredictability of COVID-19, the Company expects consumer behaviour in fiscal 2023, related to the pandemic, to remain broadly consistent with those experienced through the second half of fiscal 2022.

During the fourth quarter of fiscal 2022, the cost of maintaining safety and sanitization measures was approximately $6.0 million (2021 – $19.0 million) and are included in selling and administrative expenses. These costs have become a normal part of operating the business and will no longer be separately disclosed.

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

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

The Company expects same-store sales will grow in fiscal 2023. Margins will continue to benefit from Project Horizon initiatives and other operating improvements. These benefits could be partially offset by the effect of sales mix changes between banners and the impact of increasing fuel sales.

The Company expects continued improvements in the results of Voilà's Vaughan based e-commerce site as volumes increase and efficiencies improve. At the same time, Voilà will also incur additional costs as the Montreal facility continues to ramp up operations and the Calgary and Vancouver facilities are commissioned. Future earnings will be primarily impacted by the rate of sales growth. The Company expects fiscal 2023 net earnings dilution for the Voilà program to marginally improve over fiscal 2022 as the Vaughan CFC is expected to reflect positive EBITDA towards the end of its third year of operations. The ramp up of the Montreal facility is expected to have higher costs in the first half of fiscal 2023 with improving results in the remainder of the year.

The Company continued the expansion of its discount business in Western Canada with 40 stores now operating. In the second half of fiscal 2022, discount expanded their store footprint in the West by 40%. Newer stores improve efficiency at a faster rate than the early conversion stores as the business gains critical mass across each province. The Company expects to open an additional four stores in Alberta by the end of fiscal 2023 for a total of 44 stores.

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

SUMMARY RESULTS – FOURTH QUARTER

The Company's fourth quarter ends on the first Saturday in May. As a result, the fourth quarter is usually 13 weeks but includes results for 14 weeks every five to six years. The quarters ended May 7, 2022 and May 1, 2021 were 14 and 13 weeks, respectively

($ in millions, except per share amounts)	**14 Weeks Ended May 7, 2022**	13 Weeks Ended May 1, 2021	$ Change	% Change
Sales	**$ 7,840.8**	$ 6,920.0	$ 920.8	13.3%
Gross profit[(1)]	**2,004.0**	1,795.7	208.3	11.6%
Operating income	**333.6**	295.0	38.6	13.1%
EBITDA[(1)]	**586.2**	514.4	71.8	14.0%
Finance costs, net	**82.0**	66.7	15.3	22.9%
Income tax expense	**58.2**	45.0	13.2	29.3%
Non-controlling interest	**14.9**	11.4	3.5	30.7%
Net earnings[(2)]	**178.5**	171.9	6.6	3.8%
Basic earnings per share				
Net earnings[(2)]	**$ 0.68**	$ 0.65		
Basic weighted average number of shares outstanding (in millions)	**263.0**	266.5		
Diluted earnings per share				
Net earnings[(2)]	**$ 0.68**	$ 0.64		
Diluted weighted average number of shares outstanding (in millions)	**264.0**	267.6		
Dividend per share	**$ 0.15**	$ 0.13		

	14 Weeks Ended May 7, 2022	13 Weeks Ended May 1, 2021
Gross margin[(1)]	**25.6%**	25.9%
EBITDA margin[(1)]	**7.5%**	7.4%
Same-store sales[(1)] decline	**(0.1)%**	(4.5)%
Same-store sales decline, excluding fuel	**(2.5)%**	(6.1)%
Effective income tax rate	**23.1%**	19.7%

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

Empire Company Limited Consolidated Operating Results

Sales

Sales for the quarter ended May 7, 2022 increased by 13.3% primarily due to the additional week of operations, the acquisition of Longo's, higher fuel sales, increased food inflation and benefits from Project Horizon initiatives, including the expansion of FreshCo in Western Canada and Farm Boy in Ontario.

Gross Profit

Gross profit for the quarter ended May 7, 2022 increased by 11.6% primarily as a result of higher sales due to the additional week of operations, the inclusion of Longo's, and benefits from Project Horizon initiatives, including the expansion of Farm Boy in Ontario, Voilà nationally and FreshCo in Western Canada and the use of advanced analytical promotional optimization tools.

Gross margin for the quarter decreased to 25.6% from 25.9% in the prior year. Gross margin decreased due to the effect of higher fuel sales, higher supply chain costs, including costs as a result of the strike at the distribution centre in Quebec, and sales mix changes between non-fuel banners. The decrease was partially offset by the inclusion of Longo's and benefits from Project Horizon initiatives. Excluding the effect of fuel mix, gross margin was 17 basis points higher than prior year.

Operating Income

($ in millions)		**14 Weeks Ended May 7, 2022**		13 Weeks Ended May 1, 2021		$ Change
Consolidated operating income:						
Food retailing	**$**	**321.2**	$	279.8	$	41.4
Investments and other operations:						
Crombie REIT		**10.7**		11.8		(1.1)
Genstar		**3.3**		4.4		(1.1)
Other operations, net of corporate expenses		**(1.6)**		(1.0)		(0.6)
		12.4		15.2		(2.8)
Operating income	**$**	**333.6**	$	295.0	$	38.6

For the quarter ended May 7, 2022, operating income from the Food retailing segment increased mainly due to improved earnings as a result of higher sales and gross profit, partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of the inclusion of Longo's, investment in Project Horizon initiatives (including the expansion of Voilà nationally, Farm Boy in Ontario and FreshCo in Western Canada) and increased retail labour costs as a result of the additional week of operations. The increase was partially offset by lower COVID-19 costs.

For the quarter ended May 7, 2022, operating income from the Investments and other operations segment decreased primarily as a result of lower equity earnings from Crombie REIT and Genstar compared to the prior year.

EBITDA

For the quarter ended May 7, 2022, EBITDA increased to $586.2 million from $514.4 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin increased to 7.5% from 7.4%.

Finance Costs

For the quarter ended May 7, 2022, net finance costs increased primarily due to an early redemption premium of $9.2 million related to the $500.0 million Notes and increased interest expense on lease liabilities as a result of the additional week of operations.

Income Taxes

The effective income tax rate for the quarter ended May 7, 2022 was 23.1% compared to 19.7% last year. The effective tax rate was lower than the statutory rate primarily due to benefits related to investment tax credits and capital items taxed at lower rates. The effective tax rate in the same quarter last year was lower than the statutory rate primarily due to the revaluation of tax estimates, not all of which were recurring, and non-taxable capital items.

Net Earnings

($ in millions, except per share amounts)		**14 Weeks Ended May 7, 2022**		13 Weeks Ended May 1, 2021		$ Change
Net earnings(1)	**$**	**178.5**	$	171.9	$	6.6
EPS(2) (fully diluted)	**$**	**0.68**	$	0.64		
Diluted weighted average number of shares outstanding (in millions)		**264.0**		267.6		

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

OPERATING RESULTS – FULL YEAR

The Company's fiscal year ends on the first Saturday in May. As a result, the fiscal year is usually 52 weeks but includes results for 53 weeks every five to six years. The years ended May 7, 2022 and May 1, 2021 were 53 and 52 weeks, respectively.

($ in millions, except per share amounts)	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020	2022 Compared to 2021 $ Change	2022 Compared to 2021 % Change
Sales	**$ 30,162.4**	$ 28,268.3	$ 26,588.2	$ 1,894.1	6.7%
Gross profit	**7,659.7**	7,199.3	6,633.3	460.4	6.4%
Operating income	**1,363.7**	1,299.5	1,111.8	64.2	4.9%
EBITDA	**2,330.8**	2,143.8	1,892.4	187.0	8.7%
Finance costs, net	**282.1**	269.4	279.1	12.7	4.7%
Income tax expense	**270.3**	265.9	219.9	4.4	1.7%
Non-controlling interest	**65.5**	62.7	29.3	2.8	4.5%
Net earnings(1)	**745.8**	701.5	583.5	44.3	6.3%
Basic earnings per share					
Net earnings(1)	**$ 2.81**	$ 2.61	$ 2.16		
Basic weighted average number of shares outstanding (in millions)	**265.2**	268.3	270.4		
Diluted earnings per share					
Net earnings(1)	**$ 2.80**	$ 2.60	$ 2.15		
Diluted weighted average number of shares outstanding (in millions)	**266.2**	269.3	271.4		
Dividend per share	**$ 0.60**	$ 0.52	$ 0.48		

	53 Weeks Ended May 7, 2022	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020
Gross margin	**25.4%**	25.5%	24.9%
EBITDA margin	**7.7%**	7.6%	7.1%
Same-store sales growth	**0.0%**	4.7%	4.6%
Same-store sales (decline) growth, excluding fuel	**(2.1)%**	5.6%	5.7%
Effective income tax rate	**25.0%**	25.8%	26.4%

(1) Attributable to owners of the Company.

Empire Company Limited Consolidated Operating Results

Sales

Sales for the fiscal year ended May 7, 2022 increased by 6.7% primarily driven by the acquisition of Longo's, higher fuel sales, the additional week of operations, benefits from Project Horizon initiatives, including the expansion of Farm Boy and Voilà in Ontario and FreshCo in Western Canada, and higher food inflation. The increase is partially offset by changes in consumer buying behaviours related to varying COVID-19 public health measures.

Gross Profit

Gross profit for the fiscal year ended May 7, 2022 increased by 6.4% primarily as a result of increases in sales. Gross margin for the fiscal year decreased slightly to 25.4% from 25.5% last year due to the effect of higher fuel sales, partially offset by the inclusion of Longo's and benefits from Project Horizon initiatives. Excluding the effect of fuel mix, gross margin was 43 basis points higher than prior year.

Operating Income

($ in millions)		53 Weeks Ended May 7, 2022		52 Weeks Ended May 1, 2021		$ Change
Consolidated operating income:						
Food retailing	**$**	**1,277.0**	$	1,251.3	$	25.7
Investments and other operations:						
Crombie REIT		**61.0**		32.7		28.3
Genstar		**32.4**		21.3		11.1
Other operations, net of corporate expenses		**(6.7)**		(5.8)		(0.9)
		86.7		48.2		38.5
Operating income	**$**	**1,363.7**	$	1,299.5	$	64.2

For the fiscal year ended May 7, 2022, operating income from the Investments and other operations segment increased primarily as a result of improved equity earnings from Crombie REIT and higher property sales from Genstar, as discussed in the "Investments and Other Operations" section.

For the fiscal year ended May 7, 2022, operating income from the Food retailing segment increased mainly due to higher sales, gross profit and other income (driven by lease terminations in the current year) partially offset by higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of the inclusion of Longo's, investment in Project Horizon initiatives (including the expansion of Farm Boy in Ontario, Voilà nationally and FreshCo in Western Canada) and increased right-of-use asset depreciation. The increase was partially offset by lower COVID-19 costs.

EBITDA

For the fiscal year ended May 7, 2022, EBITDA increased to $2,330.8 million from $2,143.8 million in the prior year mainly as a result of the same factors affecting operating income. EBITDA margin increased to 7.7% from 7.6%.

Finance Costs

For the fiscal year ended May 7, 2022, net finance costs increased primarily due to an early redemption premium of $9.2 million related to the $500.0 million Notes and increased interest expense on lease liabilities as a result of the additional week of operations. The increase was further driven by a decrease in interest income on lease receivables and cash and cash equivalents.

Income Taxes

The effective income tax rate for the fiscal year ended May 7, 2022 was 25.0% compared to 25.8% last year. The current year effective tax rate was lower than the statutory rate primarily due to consolidated structured entities and capital items, both of which are taxed at lower rates, and benefits related to investment tax credits. The effective tax rate in the prior year was lower than the statutory rate primarily due to the revaluation of tax estimates and non-taxable capital items offset by differing tax rates of various entities.

Net Earnings

($ in millions, except per share amounts)		53 Weeks Ended May 7, 2022		52 Weeks Ended May 1, 2021		$ Change
Net earnings[(1)]	**$**	**745.8**	$	701.5	$	44.3
EPS (fully diluted)	**$**	**2.80**	$	2.60		
Diluted weighted average number of shares outstanding (in millions)		**266.2**		269.3		

(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 7, 2022, May 1, 2021 and May 2, 2020.

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)	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020	2022 Compared to 2021 $ Change	2022 Compared to 2021 % Change
Sales	**$ 30,162.4**	$ 28,268.3	$ 26,588.2	$ 1,894.1	6.7%
Gross profit	**7,659.7**	7,199.3	6,633.3	460.4	6.4%
Operating income	**1,277.0**	1,251.3	1,040.2	25.7	2.1%
EBITDA	**2,243.9**	2,094.7	1,820.7	149.2	7.1%
Net earnings(1)	**677.9**	673.9	528.1	4.0	0.6%

(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)	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021	52 Weeks Ended May 2, 2020
Sales growth	**6.7%**	6.3%	5.8%
Same-store sales growth	**0.0%**	4.7%	4.6%
Same-store sales (decline) growth, excluding fuel	**(2.1)%**	5.6%	5.7%
Return on equity(1)	**17.7%**	20.8%	18.3%
Funded debt to total capital(1)	**65.1%**	66.6%	69.7%
Funded debt to EBITDA(1)	**3.3x**	3.3x	3.8x
Acquisitions of property, equipment, investment property and intangibles	**$ 817.2**	$ 659.1	$ 574.8

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

Investments and Other Operations

($ in millions)	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021	$ Change
Crombie REIT	**$ 61.0**	$ 32.7	$ 28.3
Genstar	**32.4**	21.3	11.1
Other operations, net of corporate expenses	**(6.7)**	(5.8)	(0.9)
	$ 86.7	$ 48.2	$ 38.5

For the fiscal year ended May 7, 2022, income from Investments and other operations increased primarily due to higher equity earnings from Crombie REIT, driven by significant property sales and higher property sales from Genstar.

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	**Fiscal 2022**				Fiscal 2021			
	Q4 (14 Weeks) May 7, 2022	Q3 (13 Weeks) Jan. 29, 2022	Q2 (13 Weeks) Oct. 30, 2021	Q1 (13 Weeks) Jul. 31, 2021	Q4 (13 Weeks) May 1, 2021	Q3 (13 Weeks) Jan. 30, 2021	Q2 (13 Weeks) Oct. 31, 2020	Q1 (13 Weeks) Aug. 1, 2020
Sales	**$ 7,840.8**	$ 7,377.3	$ 7,318.3	$ 7,626.0	$ 6,920.0	$ 7,018.7	$ 6,975.4	$ 7,354.2
Operating income	**333.6**	354.8	327.9	347.4	295.0	320.4	306.5	377.6
EBITDA(1)	**586.2**	597.5	565.2	581.9	514.4	533.5	513.4	582.5
Net earnings(2)	**178.5**	203.4	175.4	188.5	171.9	176.3	161.4	191.9
Per share information, basic								
Net earnings(2)	**$ 0.68**	$ 0.77	$ 0.66	$ 0.71	$ 0.65	$ 0.66	$ 0.60	$ 0.71
Basic weighted average number of shares outstanding (in millions)	**263.0**	264.1	265.4	267.0	266.5	268.1	269.0	269.0
Per share information, diluted								
Net earnings(2)	**$ 0.68**	$ 0.77	$ 0.66	$ 0.70	$ 0.64	$ 0.66	$ 0.60	$ 0.71
Diluted weighted average number of shares outstanding (in millions)	**264.0**	264.9	266.3	268.1	267.6	269.1	270.1	269.8

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

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

Sales are affected by fluctuations in inflation. Results are affected by seasonality, in particular during the summer months and over the holidays when retail sales trend higher and can result in stronger operating results. Sales, operating income, EBITDA and net earnings have 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 7, 2022.

($ in millions)	**14 Weeks Ended May 7, 2022**	13 Weeks Ended May 1, 2021	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021
Cash flows from operating activities	**$ 469.5**	$ 562.3	**$ 2,107.1**	$ 1,859.6
Cash flows used in investing activities	**(227.0)**	(152.8)	**(891.4)**	(502.3)
Cash flows used in financing activities	**(295.8)**	(303.3)	**(1,293.9)**	(1,475.2)
(Decrease) increase in cash and cash equivalents	**$ (53.3)**	$ 106.2	**$ (78.2)**	$ (117.9)

Operating Activities

Cash flows from operating activities for the quarter decreased versus prior year primarily as a result of favourable working capital changes in the prior year partially offset by higher net earnings in the current year.

Cash flows from operating activities for the fiscal year increased versus prior year primarily as a result of lower income taxes paid, higher net earnings and favourable working capital changes.

Investing Activities

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

($ in millions)	**14 Weeks Ended May 7, 2022**	13 Weeks Ended May 1, 2021	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021
Increase in equity investments	**$ (83.0)**	$ -	**$ (124.5)**	$ -
Acquisitions of property, equipment, investment property and intangibles	**(205.9)**	(210.6)	**(780.3)**	(659.1)
Proceeds on disposal of assets(1) and lease terminations	**25.5**	49.7	**175.6**	113.7
Leases and other receivables, net	**15.7**	(18.8)	**25.4**	(30.2)
Other assets and other long-term liabilities	**(2.1)**	5.0	**(28.9)**	4.6
Business acquisitions	**(6.0)**	(5.5)	**(242.0)**	(15.9)
Payments received for finance subleases	**27.3**	26.4	**79.4**	79.1
Interest received	**1.5**	1.0	**3.9**	5.5
Cash flows used in investing activities	**$ (227.0)**	$ (152.8)	**$ (891.4)**	$ (502.3)

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

Cash used in investing activities for the quarter increased versus prior year primarily due to the purchase of $83.0 million of Crombie REIT Class B Limited Partnership units ("Class B LP units") and lower proceeds on disposal of assets and lease terminations. The increase is partially offset by higher leases and other receivables.

Cash used in investing activities for the fiscal year increased versus prior year as a result of business acquisitions, including Longo's, the purchase of $124.5 million of Crombie REIT Class B LP units and higher capital investments. The increase is partially offset by proceeds on disposal of assets and lease terminations and higher leases and other receivables.

Capital Expenditures

The Company invested $273.4 million and $767.2 million in capital expenditures[1] for the quarter and fiscal year ended May 7, 2022, respectively (2021 – $231.6 million and $679.2 million) including renovations and construction of new stores, Voilà CFCs, 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 2022 would be approximately $765 million.

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

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

Store Network Activity and Square Footage

The table below outlines details of investments by Sobeys in its store network during the quarter and fiscal year ended May 7, 2022 compared to the prior year.

# of stores	**14 Weeks Ended May 7, 2022**	13 Weeks Ended May 1, 2021	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021
Opened/relocated/acquired [1][2]	**4**	3	**56**	22
Expanded	**1**	1	**2**	2
Rebannered/redeveloped	**1**	3	**8**	7
Closed - pending conversion	-	-	**1**	-
Closed[1]	**12**	7	**40**	26
Opened - FreshCo[3]	**3**	6	**12**	15
Closed - pending conversion to FreshCo[3]	**-**	1	**15**	1
Opened - Farm Boy	**2**	1	**8**	6
Closed - pending conversion to Farm Boy	**-**	1	**-**	4

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

The following table shows Sobeys' square footage changes for the 14 and 53 weeks ended May 7, 2022:

Square feet (in thousands)	**14 Weeks Ended May 7, 2022**	**53 Weeks Ended May 7, 2022**
Opened	**51**	**261**
Rebannered/redeveloped	**(15)**	**22**
Acquired[1]	**-**	**1,311**
Expanded	**7**	**27**
Closed - pending conversion	**-**	**(49)**
Closed	**(48)**	**(275)**
Net change before the impact of the expansion of Farm Boy and FreshCo	**(5)**	**1,297**
Opened - FreshCo[2]	**131**	**536**
Closed - pending conversion to FreshCo[2]	**-**	**(688)**
Opened - Farm Boy	**55**	**216**
Net change	**181**	**1,361**

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

At May 7, 2022, Sobeys' retail space totalled 41.6 million square feet, a 3.2% increase compared to 40.3 million square feet at May 1, 2021.

Financing Activities

Cash used in financing activities for the quarter decreased versus prior year due to the higher volume of repurchases of Non-Voting Class A shares in the prior year, partially offset by increased payments of lease liabilities in the current year.

For the fiscal year, cash used in financing activities decreased versus prior year due to higher repayment of credit facilities in the prior year, partially offset by higher repurchases of Non-Voting Class A shares and increased payment of lease liabilities in the current year.

Free Cash Flow

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

($ in millions)	**14 Weeks Ended May 7, 2022**	13 Weeks Ended May 1, 2021	$ Change	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021	$ Change
Cash flows from operating activities	**$ 469.5**	$ 562.3	$ (92.8)	**$ 2,107.1**	$ 1,859.6	$ 247.5
Add: proceeds on disposal of assets[1] and lease terminations	**25.5**	49.7	(24.2)	**175.6**	113.7	61.9
Less: interest paid	**(22.0)**	(21.7)	(0.3)	**(56.2)**	(60.4)	4.2
payments of lease liabilities, net of payments received for finance subleases	**(218.2)**	(192.5)	(25.7)	**(635.0)**	(569.3)	(65.7)
acquisitions of property, equipment, investment property and intangibles	**(205.9)**	(210.6)	4.7	**(780.3)**	(659.1)	(121.2)
Free cash flow[2]	**$ 48.9**	$ 187.2	$ (138.3)	**$ 811.2**	$ 684.5	$ 126.7

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

Free cash flow for the quarter decreased versus prior year primarily as a result of a decrease in cash flows from operating activities, an increase in payments of lease liabilities, net of payments received for finance subleases, and a decrease in proceeds on disposal of assets and lease terminations.

Free cash flow for the fiscal year increased versus prior year primarily as a result of higher operating activities driven by lower income taxes paid, higher net earnings and favourable working capital changes, partially offset by higher capital investments.

Employee Future Benefit Obligations

For the fiscal year ended May 7, 2022, the Company contributed $20.1 million (2021 – $17.4 million) to its registered defined benefit plans. The Company expects to contribute approximately $14.4 million to these plans in fiscal 2023.

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 7, 2022:

($ in millions)	2023	2024	2025	2026	2027	Thereafter	**Total**
Commitments							
Long-term debt[1][2]	$ 581.0	$ 10.8	$ 7.2	$ 5.5	$ 4.7	$ 570.1	**$ 1,179.3**
Third party finance leases, as lessee	547.7	547.7	530.7	488.6	444.6	3,009.8	**5,569.1**
Related party finance leases, as lessee	177.3	178.7	179.2	177.8	174.7	1,614.5	**2,502.2**
Non-controlling interest liabilities	-	84.0	-	-	7.3	270.8	**362.1**
Capital commitments	52.1	57.5	-	-	-	-	**109.6**
Contractual obligations	1,358.1	878.7	717.1	671.9	631.3	5,465.2	**9,722.3**
Third party finance subleases, as lessor	(82.5)	(77.6)	(72.6)	(66.2)	(59.4)	(317.1)	**(675.4)**
Owned properties operating leases, as lessor	(6.8)	(6.0)	(5.2)	(4.7)	(3.8)	(11.9)	**(38.4)**
Subleased properties operating leases, as lessor	(69.5)	(61.7)	(53.1)	(46.7)	(37.4)	(177.0)	**(445.4)**
Contractual obligations, net	**$ 1,199.3**	**$ 733.4**	**$ 586.2**	**$ 554.3**	**$ 530.7**	**$ 4,959.2**	**$ 8,563.1**

(1) Principal debt repayments.
(2) Includes the $500.0 million aggregate principal amount of Notes which was redeemed subsequent to the end of the quarter.

For further information on guarantees and commitments, please see Notes 10 and 16 of the Company's audited consolidated financial statements for the fiscal year ended May 7, 2022.

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		**May 7, 2022**		May 1, 2021		May 2, 2020
Shareholders' equity, net of non-controlling interest	**$**	**4,991.5**	$	4,372.7	$	3,924.6
Book value per common share(1)	**$**	**18.82**	$	16.30	$	14.51
Long-term debt, including current portion	**$**	**1,176.7**	$	1,225.3	$	1,675.2
Long-term lease liabilities, including current portion	**$**	**6,285.4**	$	5,908.1	$	5,266.2
Funded debt to total capital(1)		**59.9%**		62.0%		63.9%
Funded debt to EBITDA(1)		**3.2x**		3.3x		3.7x
EBITDA to interest expense(1)		**8.3x**		8.0x		6.8x
Current assets to current liabilities		**0.8x**		0.9x		0.8x
Total assets	**$**	**16,593.6**	$	15,173.9	$	14,632.9
Total non-current financial liabilities	**$**	**7,220.0**	$	7,187.7	$	6,559.0

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

During fiscal 2022, DBRS Morningstar ("DBRS") confirmed Sobeys' credit rating at BBB (low) and changed the trend from stable to positive while S&P Global ("S&P") remained unchanged from the prior year. The following table shows Sobeys' credit ratings as at May 7, 2022:

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

Empire has a $250.0 million senior, unsecured revolving term credit facility with a maturity date of November 4, 2022. As of May 7, 2022, the outstanding amount of the credit facility was $47.3 million (2021 – $119.8 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 7, 2022, the outstanding amount of the facility was $ nil (2021 – $ nil) and Sobeys has issued $75.1 million in letters of credit against the facility (2021 – $86.1 million). Interest payable on this facility fluctuates with changes in the Canadian prime rate or bankers' acceptance rates.

Through the acquisition of Longo's on May 10, 2021, Sobeys acquired their existing $75.0 million demand operating line of credit. As of May 7, 2022, the outstanding amount of the facility was $15.1 million (2021 – $ nil). Interest payable on this facility fluctuates with changes in the Canadian prime rate.

The Company believes its cash and cash equivalents on hand as of May 7, 2022, together with approximately $838 million in unutilized, aggregate credit facilities and cash generated from operating activities will enable the Company to fund future capital investments, pension plan contributions, working capital, current funded debt obligations and ongoing business requirements. The Company also believes it has sufficient funding in place to meet these requirements and other short and long-term financial obligations. The Company mitigates potential liquidity risk by ensuring its sources of funds are diversified by term to maturity and source of credit.

For additional information on Empire's long-term debt, see Note 16 of the Company's audited consolidated financial statements for the fiscal year ended May 7, 2022.

Shareholders' Equity

The Company's share capital was comprised of the following on May 7, 2022:

	Number of Shares	
Authorized	**May 7, 2022**	May 1, 2021
2002 Preferred shares, par value of $25 each, issuable in series	**991,980,000**	991,980,000
Non-Voting Class A shares, without par value	**754,605,023**	760,984,006
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	**Number of Shares**	**May 7, 2022**	May 1, 2021
Non-Voting Class A shares	**164,563,680**	**$ 2,019.6**	$ 1,963.4
Class B common shares	**98,138,079**	**7.3**	7.3
Shares held in trust	**(39,027)**	**(0.8)**	(0.9)
Total		**$ 2,026.1**	$ 1,969.8

The Company's share capital on May 7, 2022 compared to the same period in the last fiscal year is shown in the table below:

(Number of shares)	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021
Non-Voting Class A shares		
Issued and outstanding, beginning of year	**167,323,301**	170,971,038
Issued during year	**3,619,362**	476,523
Purchased for cancellation	**(6,378,983)**	(4,124,260)
Issued and outstanding, end of year	**164,563,680**	167,323,301
Shares held in trust, beginning of year	**(46,512)**	(163,497)
Issued for future settlement of equity settled plans	**7,790**	117,809
Purchased for future settlement of equity settled plans	**(305)**	(824)
Shares held in trust, end of year	**(39,027)**	(46,512)
Issued and outstanding, net of shares held in trust, end of year	**164,524,653**	167,276,789
Class B common shares		
Issued and outstanding, beginning and end of year	**98,138,079**	98,138,079

The outstanding options at May 7, 2022 were granted at prices between $18.70 and $42.60 and expire between June 2022 and June 2029 with a weighted average remaining contractual life of 5.25 years. Stock option transactions during fiscal 2022 and 2021 were as follows:

	Fiscal 2022		Fiscal 2021	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**4,361,032**	**$ 27.96**	4,685,664	$ 26.03
Granted	**610,692**	**42.05**	926,108	30.90
Exercised	**(936,807)**	**22.55**	(1,196,129)	22.67
Expired	**(9,582)**	**26.39**	(5,216)	25.44
Forfeited	**(18,009)**	**37.69**	(49,395)	31.32
Balance, end of year	**4,007,326**	**$ 31.33**	4,361,032	$ 27.96
Stock options exercisable, end of year	**1,212,083**		1,346,483	

For the fiscal year ended May 7, 2022, the Company paid common dividends of $156.8 million (2021 – $139.4 million) to its common shareholders, representing $0.60 per share (2021 – $0.52 per share) for common shareholders.

As at June 20, 2022, the Company had Non-Voting Class A and Class B common shares outstanding of 163,759,805 and 98,138,079, respectively. Options to acquire 4,007,326 Non-Voting Class A shares were outstanding as of May 7, 2022 (May 1, 2021 – 4,361,032). As at June 20, 2022, options to acquire 3,998,354 Non-Voting Class A shares were outstanding (June 21, 2021 – 4,342,660).

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 TSX Trust Company as trustee. The trust fund is a structured entity and as such the accounts of the trust fund are included on the consolidated financial statements of the Company. The following represents the activity of shares held in trust, recorded at cost:

Shares held in trust	**Number of Shares**		**May 7, 2022**		May 1, 2021
Balance, beginning of year	**46,512**	**$**	**0.9**	$	3.2
Purchased	**305**		**-**		-
Issued	**(7,790)**		**(0.1)**		(2.3)
Balance, end of year	**39,027**	**$**	**0.8**	$	0.9

Normal Course Issuer Bid ("NCIB")

On June 21, 2022, the Company renewed its NCIB by filing a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 10,500,000 Non-Voting Class A shares ("Class A shares") representing 7.0% of the public float of 150,258,764 Class A shares outstanding as of June 17, 2022, subject to regulatory approval. As of June 17, 2022, there were 163,759,805 Class A shares issued and outstanding.

The Company intends to repurchase $350.0 million of Class A shares in fiscal 2023. The purchases will be made through the facilities of the TSX and/or any alternative Canadian trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of Empire and its shareholders. Purchases may commence on July 2, 2022 and shall terminate not later than July 1, 2023.

Based on average daily trading volume ("ADTV") of 382,234 over the last six months, daily purchases will be limited to 95,558 Class A shares (25% of the ADTV of the Class A shares), other than block purchase exemptions.

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

Under the Company's current NCIB, that commenced on July 2, 2021 and expires on July 1, 2022, the Company received approval from the TSX to purchase up to 8,468,408 Class A shares representing approximately 5.0% of the Class A shares outstanding as of June 18, 2021. As of June 17, 2022 the Company has purchased 5,309,037 (June 21, 2021 – 5,272,860) shares through the facilities of the TSX at a weighted average price of $39.09 (June 21, 2021 – $37.83) for a total consideration of $207.5 million (June 21, 2021 – $199.5 million).

Shares purchased for the quarter and fiscal year ended May 7, 2022 are shown in the table below:

($ in millions, except per share amounts)		**14 Weeks Ended May 7, 2022**		13 Weeks Ended May 1, 2021		**53 Weeks Ended May 7, 2022**		52 Weeks Ended May 1, 2021
Number of shares		**413,100**		2,079,443		**6,378,983**		4,124,260
Weighted average price per share	**$**	**39.83**	$	38.77	**$**	**39.02**	$	37.24
Cash consideration paid	**$**	**16.5**	$	80.6	**$**	**248.9**	$	153.6

ACCOUNTING STANDARDS AND POLICIES

Standards, Amendments and Interpretations Issued but not yet Adopted

In May 2021, the IASB issued amendments to International Accounting Standard ("IAS") 12, "Income Taxes". The amendments require deferred tax assets and liabilities to be recognized for transactions that result in both deductible and taxable temporary differences of the same amount at initial recognition. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company is assessing the potential impact of these targeted amendments.

In May 2020, the IASB issued a package of narrow-scope amendments to three standards (IFRS 3, "Business Combinations"; IAS 16, "Property, Plant and Equipment"; and IAS 37, "Provisions, Contingent Liabilities and Contingent Assets") as well as the IASB's Annual Improvements to IFRS Standards 2018 – 2020. These amendments to existing IFRS standards are to clarify guidance and wording, or to correct for relatively minor unintended consequences, conflicts or oversights. These amendments are effective for annual periods beginning on or after January 1, 2022. The amendments will not have a material impact on the Company's financial statements.

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 consolidated financial statements for the year ended May 7, 2022.

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 7, 2022 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 7, 2022 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 30, 2022 and ended May 7, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

RELATED PARTY TRANSACTIONS

The Company enters into related party transactions with Crombie REIT and key management personnel, including ongoing leases and property management agreements. As at May 7, 2022, the Company holds a 41.5% (2021 – 41.5%) ownership interest in Crombie REIT and accounts for its investment using the equity method. All transactions unless otherwise noted are recorded on a fair value basis.

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 $213.5 million (2021 – $209.1 million).

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

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

	53 Weeks Ended May 7, 2022			52 Weeks Ended May 1, 2021		
($ in millions)	**Number of properties**	**Cash consideration**	**Pre-tax gains**	Number of properties	Cash consideration	Pre-tax gains
Properties sold and leased back[(1)]	**10**	**$ 95.6**	**$ 7.1**	6	$ 45.3	$ 0.9
Properties sold	**1**	**2.6**	**-**	-	-	-
Lease modification terminations	**3**	**10.0**	**22.8**	-	-	-
Total	**14**	**$ 108.2**	**$ 29.9**	6	$ 45.3	$ 0.9

(1) Includes 50% sale leaseback of a distribution centre in which Crombie REIT now owns 100% of the property.

During the year ended May 7, 2022, Crombie REIT disposed of two properties to third parties. These transactions resulted in the reversal of previously deferred pre-tax gains of $1.7 million which has been recognized in other income on the consolidated statements of earnings.

During the year ended May 7, 2022, Sobeys, through a wholly-owned subsidiary, received $19.5 million (2021 – $25.4 million) for reimbursements of lessor improvements from Crombie REIT. These payments are related to modernization and efficiency improvements of existing properties, and construction allowances.

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

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

Key Management Personnel Compensation

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

Key management personnel compensation is comprised of:

($ in millions)	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021
Salaries, bonus and other short-term employment benefits	**$ 19.5**	$ 20.0
Post-employment benefits	**2.6**	1.6
Share-based payments	**13.2**	9.4
Total	**$ 35.3**	$ 31.0

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 2022 to ensure the business continues 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 to evolve, there is still uncertainty related to the long-term impacts on the price of commodities and 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 teammates and consumers and ensure that potentially harmful products are removed from sale immediately.

Sobeys has food safety procedures and programs which address safe food handling and preparation standards. Similarly, provincial pharmacy standards and regulations are strictly followed, supported by robust internal policies and procedures to help mitigate risk along with a comprehensive reporting and follow up system 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, failure to manage costs and inventories, and geopolitical disruptions. A failure to develop competitive new products, deliver high-quality products and implement and maintain effective supplier selection and procurement practices could adversely affect Sobeys' ability to deliver desired products to customers and adversely affect the Company's ability to attract and retain customers, 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.

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.

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 monitoring the evolution 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 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 teammate knowledge and to better serve its customers. The inability of the Company to properly attract, build talent and retain its teammates with the appropriate skill set and failure to manage and monitor teammates' performance may affect teammate 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 51% 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 teammates 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.

Economic Environment

Management continues to closely monitor economic conditions, including foreign exchange rates, interest rates, inflation, employment rates and capital markets. Uncertainty in the economic environment could adversely impact demand for the Company's products and services which in turn could adversely affect financial performance. Management believes that although a volatile economy has an impact on all businesses and industries, the Company has an operational and capital structure that is sufficient to meet its ongoing business requirements.

Product Costs

Sobeys is a significant purchaser of food 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 the Company's expectations and should the Company not be able to offset such cost inflation through higher retail prices or other cost savings, there could be a negative impact on sales and margin performance.

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. The Company monitors the respective mix of fixed and variable interest rates to maintain an appropriate level considering economic conditions. 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.

Drug Regulation, Legislation and Health Care Reform

The Company currently operates more than 400 in-store and freestanding pharmacies which are subject to federal, provincial, territorial and local legislation as well as regulations governing the sale of prescription drugs. Changes to reimbursement models used to fund prescription drugs, including the potential implementation of a national pharmacare model, or failure to comply with these laws and regulations could have a negative impact on financial performance, operations and reputation.

These laws and regulations typically regulate prescription drug coverage for public plans including patient and product eligibility as well as elements of drug pricing and reimbursements including product cost, markup, dispensing fee, 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 labelling, marketing, handling, storage and disposal.

Provincial governments and private plans continue to implement measures to manage the cost of their drug plans, the impact of which varies by province and by plan. The Council of the Federation, a joint collaboration created by the provincial premiers, continues to work on cost reduction initiatives within the pharmaceutical sector many of which are extended to the private sector.

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. Implementation of amendments to the Patented Medicines Regulations originally proposed in 2019, the first substantive updates to the regulations in over 30 years, were delayed due to COVID-19. As a result of changes in the pharmaceutical landscape, the Minister of Health announced in April 2022 that Health Canada will move forward with the PMPRB amendments implementing the new basket of comparator countries and reduced reporting requirements for those medicines at lowest risk of excessive pricing, coming into effect on July 1, 2022. The federal government will not proceed with the amendments related to the new price regulatory factors, nor with the requirements to file information net of all price adjustments as the PMPRB will draft and consult on new guidelines.

While timing and impact are uncertain at this time, 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 teammates 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 teammates who work in its stores, distribution centres and offices. These policies and programs are reviewed regularly by the Human Resources Committee of the Board of Directors. Failure to comply with these policies and programs could adversely affect the Company's reputation or financial performance.

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 uses loyalty programs to provide additional value to customers. The Company currently utilizes a third-party offering. Subsequent to the end of fiscal 2022, a new loyalty program was announced where the Company is now a co-owner. The new program will be rolled out to the Company's banners throughout fiscal 2023. The decisions made by the third party or partners 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, communicate and implement changes to the loyalty program may negatively impact the Company's reputation.

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 alter 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.

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. Failure to appropriately allocate capital could alter the Company's growth and adversely affect the financial performance of the Company.

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 4.3% 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 teammates pursuant to provisions in collective bargaining agreements. Approximately 12% of the teammates of Sobeys and its franchisees and affiliates participate in these plans. The responsibility of Sobeys, its franchisees, and affiliates to make contributions to these plans is limited to the amounts established in the collective bargaining agreements and other associated agreements, however, poor performance of these plans could have a negative effect on the participating teammates or could result in changes to the terms and conditions of participation in these plans, which in turn could negatively affect the financial performance of the Company.

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.

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 tables reconciles net earnings to EBITDA:

($ in millions)		**14 Weeks Ended May 7, 2022**		13 Weeks Ended May 1, 2021		13 Weeks Ended May 2, 2020
Net earnings	**$**	**193.4**	$	183.3	$	188.8
Income tax expense		**58.2**		45.0		66.5
Finance costs, net		**82.0**		66.7		69.0
Operating income		**333.6**		295.0		324.3
Depreciation		**227.8**		200.2		186.7
Amortization of intangibles		**24.8**		19.2		16.8
EBITDA	**$**	**586.2**	$	514.4	$	527.8

($ in millions)		**53 Weeks Ended May 7, 2022**		52 Weeks Ended May 1, 2021		52 Weeks Ended May 2, 2020
Net earnings	**$**	**811.3**	$	764.2	$	612.8
Income tax expense		**270.3**		265.9		219.9
Finance costs, net		**282.1**		269.4		279.1
Operating income		**1,363.7**		1,299.5		1,111.8
Depreciation		**872.3**		768.7		709.1
Amortization of intangibles		**94.8**		75.6		71.5
EBITDA	**$**	**2,330.8**	$	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 tables reconciles finance costs, net to interest expense:

($ in millions)	**14 Weeks Ended May 7, 2022**	13 Weeks Ended May 1, 2021	13 Weeks Ended May 2, 2020
Finance costs, net	**$ 82.0**	$ 66.7	**$** 69.0
Plus: finance income, excluding interest income on lease receivables	**2.3**	1.7	3.7
Less: pension finance costs, net	**(2.0)**	(2.1)	(2.2)
Less: accretion expense on provisions	**(0.1)**	(0.5)	(0.3)
Interest expense	**$ 82.2**	$ 65.8	**$** 70.2

($ in millions)	**53 Weeks Ended May 7, 2022**	52 Weeks Ended May 1, 2021	53 Weeks Ended May 7, 2022
Finance costs, net	**$ 282.1**	$ 269.4	$ 279.1
Plus: finance income, excluding interest income on lease receivables	**7.3**	9.8	12.1
Less: pension finance costs, net	**(7.8)**	(8.1)	(8.9)
Less: accretion expense on provisions	**(1.9)**	(2.3)	(3.0)
Interest expense	**$ 279.7**	$ 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 and lease terminations, less acquisitions of property, equipment, investment property and intangibles, interest paid, and payments of lease liabilities, net of payments received from finance subleases. Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. Free cash flow is reconciled to GAAP measures as reported on the consolidated statements of cash flows, and is presented in the "Free Cash Flow" section of this MD&A.

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

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

The following table reconciles the Company's funded debt and total capital to GAAP measures as reported on the balance sheets as at May 7, 2022, May 1, 2021 and May 2, 2020, respectively:

($ in millions)	**May 7, 2022**	May 1, 2021	May 2, 2020
Long-term debt due within one year	**$ 581.0**	$ 46.5	$ 570.0
Long-term debt	**595.7**	1,178.8	1,105.2
Lease liabilities due within one year	**509.5**	490.5	466.2
Long-term lease liabilities	**5,775.9**	5,417.6	4,800.0
Funded debt	**7,462.1**	7,133.4	6,941.4
Total shareholders' equity, net of non-controlling interest	**4,991.5**	4,372.7	3,924.6
Total capital	**$ 12,453.6**	$ 11,506.1	$ 10,866.0

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.

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

- Funded debt to EBITDA ratio is funded debt divided by trailing four-quarter EBITDA. Management uses this ratio to partially assess the financial condition of the Company. An increasing ratio would indicate that the Company is utilizing more debt per dollar of EBITDA generated.

- EBITDA to interest expense ratio is trailing four-quarter EBITDA divided by trailing four-quarter interest expense. Management uses this ratio to partially assess the coverage of its interest expense on financial obligations. An increasing ratio would indicate that the Company is generating more EBITDA per dollar of interest expense, resulting in greater interest coverage.

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

The following table shows the calculation of Empire's book value per common share as at May 7, 2022, May 1, 2021 and May 2, 2020:

($ in millions, except per share information)		**May 7, 2022**		May 1, 2021		May 2, 2020
Shareholders' equity, net of non-controlling interest	**$**	**4,991.5**	$	4,372.7	$	3,924.6
Shares outstanding (basic)		**265.2**		268.3		270.4
Book value per common share	**$**	**18.82**	$	16.30	$	14.51

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 21, 2022
Stellarton, Nova Scotia, Canada