EMPIRE
COMPANY LIMITED

Fresh Thinking

Q2

SECOND QUARTER REPORT

26 weeks ended November 2, 2019

QUARTERLY REPORT TO SHAREHOLDERS

Empire Company Limited ("Empire" or the "Company") is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing and related real estate. With approximately $25.6 billion in annual sales and $13.8 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 123,000 people.

The Company operates and reports on two business segments: (i) Food retailing and (ii) Investments and other operations. Empire's food retailing segment is carried out through its wholly-owned subsidiary, Sobeys Inc. ("Sobeys"), which as of November 2, 2019, owns, affiliates or franchises more than 1,500 stores in all 10 provinces under retail banners that include Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, Farm Boy and Lawtons Drugs as well as more than 350 retail fuel locations. Investments and other operations segment, which as of November 2, 2019, included: (i) a 41.5% equity accounted interest in Crombie Real Estate Investment Trust ("Crombie REIT"), 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 drug store anchored shopping centres, freestanding stores and mixed use developments primarily in Canada's top urban and suburban markets; and ii) various equity accounted interests in real estate partnerships (collectively referred to as "Genstar"). Genstar is a residential property developer with operations in select markets in Ontario, Western Canada and the United States.

Contents	***Page***

Copies of this report are available on the Company's website (www.empireco.ca) or by contacting Investor Relations at (902) 752-8371. A copy has also been filed on SEDAR.

The Company provided additional details concerning its second quarter results in a conference call held on Thursday, December 12, 2019. Replay of the call is available on the Company's website (www.empireco.ca).

Forward-Looking Statements

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.

For additional information and a caution on the use of forward-looking information, see the section in the Management's Discussion and Analysis ("MD&A") entitled "Forward-Looking Information".

LETTER TO SHAREHOLDERS

Underlying Strength at Empire Drives Solid Second Quarter Fiscal 2020 Earnings

Second Quarter Summary

- Same-store sales excluding fuel increased by 2.0%
- Earnings per share of $0.57 compared to $0.38 last year
- Adjusted earnings per share of $0.58 compared to $0.40 last year
- Crombie REIT's disposal of a 15 property portfolio positively impacted Empire's adjusted EPS by $0.06
- 11 FreshCo locations will be opened in British Columbia and Manitoba in calendar 2019
- Repurchased 930,454 shares for a total consideration of $33.1 million

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the second quarter ended November 2, 2019. For the quarter, the Company recorded adjusted net earnings, net of non-controlling interest, of $158.0 million ($0.58 per share) compared to $110.4 million ($0.40 per share) last year, an increase of 43.1%.

The Board of Directors declared a quarterly dividend of $0.12 per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on January 31, 2020 to shareholders of record on January 15, 2020. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation.

Our strong second quarter fiscal 2020 results reflect both top line growth and significant gross margin expansion. This has led to industry leading year over year EBITDA margin expansion. It is a testament to our team that EPS from continuing operations exceeded 50 cents for the first time since the first quarter of fiscal 2013, while all strategic initiatives are progressing with velocity.

Empire is progressing through the final year of Project Sunrise. The project is on track and yielding benefits that are expected to exceed management's initial expectations. The Company realized approximately $100 million of these benefits during fiscal 2018 through organizational design, strategic sourcing cost reductions and improvements in store operations. In fiscal 2019, the Company realized a further approximate $200 million of benefits, driven by initial rollouts of category resets and cost reductions in other areas.

For fiscal 2020, management expects to achieve at least $250 million of in-year benefits for a cumulative benefit of at least $550 million, an increase in its original projection for the three-year program. These in-year benefits for fiscal 2020 are expected to result from the completion of the rollout of the category reset program, as well as continued cost reductions and operational improvements.

Sincerely,

(Signed) "*Michael Medline*"

Michael Medline
President and Chief Executive Officer
December 12, 2019

EMPIRE
COMPANY LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED NOVEMBER 2, 2019

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 second quarter and year-to-date ended November 2, 2019 compared to the second quarter and year-to-date ended November 3, 2018. The MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and notes thereto for the second quarter and year-to-date ended November 2, 2019 and the audited annual consolidated financial statements and the related MD&A for the fiscal year ended May 4, 2019. Additional information about the Company can be found on SEDAR at www.sedar.com or on the Company's website at www.empireco.ca.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim financial reporting", as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 4, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB. The unaudited interim condensed consolidated financial statements include the accounts of Empire and its subsidiaries and structured entities which the Company is required to consolidate.

The information contained in this MD&A is current to December 11, 2019 unless otherwise noted. There have been no material changes to disclosures as contained in the "Critical Accounting Estimates", "Contingencies" or "Risk Management" sections of the Company's MD&A for the fiscal year ended May 4, 2019 other than as noted in this MD&A.

FORWARD-LOOKING INFORMATION

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

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

- The Company's expectations regarding the impact of Project Sunrise, including expected cost savings and efficiencies, the expected timing of the realization of overall and fiscal 2020 in-year incremental benefits, and the expected $50 million overachievement of the initial $500 million target which could be impacted by several factors including the execution and completion of category resets, time required by the Company to complete the project as well as the factors identified under the heading "Risk Management" in the fiscal 2019 annual MD&A;

- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, and the number, location, feasibility and timing of construction and conversions, all of which may be impacted by construction schedules and permits, the economic environment and labour relations;

- The Company's expectations regarding the implementation of its online grocery home delivery service which may be impacted by the timing of launching the business, the customer response to the service and the performance of its business partner, Ocado Group plc ("Ocado");

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

- The Company’s estimates regarding future capital expenditures which may be impacted by operating results and the economic environment; and

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

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company’s forward-looking statements, please refer to the Company’s materials filed with the Canadian securities regulatory authorities, including the “Risk Management” section of the fiscal 2019 annual MD&A.

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

OVERVIEW OF THE BUSINESS

Empire's key businesses and financial results are segmented into two reportable segments: (i) Food retailing; and (ii) Investments and other operations. With approximately $25.6 billion in annual sales and $13.8 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 123,000 people.

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

Strategic Focus(1)

The Company has a clear strategy to succeed in the medium to long-term. The strategy will develop as the retail environment changes and as the Company continues to transform.

(i) Reset our Foundation

In the fourth quarter of fiscal 2017, the Company launched Project Sunrise, a three-year transformation intended to simplify organizational structures and reduce costs. The transformation is on track and yielding benefits that are expected to exceed management's initial expectations of $500 million in annualized benefits by the end of fiscal 2020. The Company realized approximately $100 million of these benefits during fiscal 2018 through organizational design, strategic sourcing cost reductions and improvements in store operations. In fiscal 2019, the Company realized a further approximate $200 million of benefits, driven by initial rollouts of category resets and cost reductions in other areas.

For fiscal 2020 – the final year of the transformation – management expects to achieve at least $250 million of in-year benefits for a cumulative benefit of at least $550 million, an increase in its original projections for the three-year program. These in-year benefits for fiscal 2020 are expected to result from the completion of the rollout of the category reset program, and continued cost reductions and operational improvements.

(ii) Bolster our Brand

The Company is focused on improving customer connection with its banner brands and differentiating these brands in a highly competitive marketplace. New brand strategies have been developed and launched in-market for FreshCo and Sobeys. During fiscal 2020, changes to the marketing and branding approach for Safeway will be complete.

(iii) Win in our Stores

The Company's full service format stores are a key area of focus. Through category resets, a key element of Project Sunrise, the Company has assessed all product categories nationally to ensure stores have the items customers want most. Category resets were completed in the second quarter with savings continuing through to the end of fiscal 2020. Management has completed many operational improvements in stores and the related supply chain and expects this momentum to continue throughout fiscal 2020, and result in further improvements to customer experience through improved execution and better in-stock, shrink levels, merchandising and marketing.

(1) This section constitutes forward-looking information described under the "Forward-Looking Information" section of this MD&A.

(iv) Enhance Discount

In December 2017, Sobeys announced plans to expand its discount format to Western Canada and expects to convert up to 25% of its 255 Safeway and Sobeys full service format stores in Western Canada to its FreshCo discount format. Two years into execution of this plan, the Company is on track to open approximately 65 locations within the initial five year time frame.

22 FreshCo locations have been confirmed:

- 10 stores are open and operating as at December 11, 2019:
  - 8 in British Columbia ("B.C."); and
  - 2 in Manitoba;
- 8 additional stores are expected to open in fiscal 2020 in B.C.;
- 4 stores are expected to open in fiscal 2021 in Saskatchewan.

Of the ten stores operating as at December 11, 2019, three were opened subsequent to the end of the quarter.

As at December 11, 2019, eleven full service format stores in Western Canada are closed pending conversion to the FreshCo discount banner. Of these eleven stores, three were closed subsequent to the end of the quarter.

The Western Canada FreshCo stores are branded with the new, evolved FreshCo 2.0 look which offers a strong discount and value experience. As at December 11, 2019, all FreshCo stores in Ontario have been updated with the evolved branding.

(v) Fill the Urban Gap

The Company is focused on increasing its market share in urban markets through a two-pronged approach of introducing an industry leading grocery e-commerce platform to Canadians and rapidly growing the number of Farm Boy locations in Ontario.

On May 9, 2019, the Company announced *Voilà by Sobeys* and *Voilà par IGA*, the name and brand for its online grocery home delivery service for the Greater Toronto Area ("GTA"), Ottawa and cities in the province of Quebec, respectively. The Company is developing its first Customer Fulfillment Centre ("CFC") in the GTA with delivery to customers scheduled to test and soft launch in the spring of 2020.

Empire also announced plans to launch *Voilà par IGA* and its second CFC in Montreal to open in 2021. The Company will lease the location from Crombie Real Estate Investment Trust ("Crombie REIT") and the CFC will be built to Empire's specifications.

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the store network throughout Ontario with the Company planning to double the store count in five years, mostly in the GTA. Since the date of the acquisition, the Company has opened two additional stores with another three stores to open in fiscal 2020. Farm Boy's private label will be part of *Voilà's* offering, introducing more Canadians to this growing brand.

(vi) Invest in Innovation

The Company is investing in innovation – putting in place teams and enablers needed to drive innovation in the business. In line with this commitment to innovation, the Company will leverage analytics to accelerate its growth and pursue targeted initiatives in advanced analytics and artificial intelligence to drive smarter merchandising decisions, improve store efficiency and deliver more relevant customer communication.

Other Significant Items

Business Acquisition

On September 24, 2018, the Company, through a subsidiary, signed an agreement to acquire the business of Farm Boy, a food retailer with a network of 26 stores in Ontario, for a total purchase price of $800 million. Following clearance of regulatory conditions, the transaction closed on December 10, 2018.

Farm Boy is managed as a separate company within Empire and Farm Boy's co-CEOs, together with members of the Farm Boy senior management team, have reinvested for a 12% interest of the continuing Farm Boy business. Concurrent with the reinvestment, the parties entered into put and call options including options for Sobeys to acquire the remaining 12% at any time after five years following the acquisition date. As a result, a non-controlling interest has been recognized at the date of acquisition, as well as a financial liability of $70 million, based on the present value of the amount payable on exercise of the non-controlling interest put liability in accordance with IFRS 9 "Financial instruments" ("IFRS 9"). The non-controlling interest put liability is calculated based on the amount payable upon exercise based on management's best estimate of future earnings of Farm Boy at a predetermined date. The initial and subsequent fair value measurement of the put liability is classified as Level 3 within the three-level hierarchy of IFRS 13 "Fair value measurement". Subsequent remeasurement is recorded through retained earnings.

The Company financed the transaction through a combination of cash on hand and a new $400 million senior, unsecured non-revolving credit facility.

Store Closure, Conversion and Labour Buyout Costs

In the first quarter of fiscal 2020, the Company expensed $21.0 million (2019 – $ nil) in closure and conversion costs. These costs relate to the conversion of ten Safeway locations to FreshCo stores and conversion of two Company locations to Farm Boy stores. Of the $21.0 million, $3.7 million was reversed in the second quarter.

In the prior fiscal year, provisions totalling $45.0 million were recognized related to store conversions and labour buyouts. Of the $45.0 million, $6.1 million was reversed in the second quarter.

The reversals in the second quarter were attributable to revised estimates relating to store conversions. As a result, the net year-to-date expense was $11.2 million (2019 – $ nil).

SUMMARY RESULTS – SECOND QUARTER

($ in millions, except per share amounts)	13 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change	% Change	26 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change	% Change
Sales	**$ 6,436.5**	$ 6,214.0	$ 222.5	3.6%	**$ 13,180.6**	$ 12,674.3	$ 506.3	4.0%
Gross profit[1]	**1,595.7**	1,482.1	113.6	7.7%	**3,256.1**	2,994.4	261.7	8.7%
Operating income	**286.4**	173.4	113.0	65.2%	**552.5**	348.1	204.4	58.7%
Adjusted operating income[1]	**291.1**	182.5	108.6	59.5%	**561.7**	363.5	198.2	54.5%
EBITDA[1]	**477.7**	276.1	201.6	73.0%	**937.7**	554.8	382.9	69.0%
Adjusted EBITDA[1]	**477.7**	279.1	198.6	71.2%	**937.7**	557.8	379.9	68.1%
Finance costs, net	**69.9**	22.7	47.2	207.9%	**141.6**	45.8	95.8	209.2%
Income tax expense	**56.2**	39.8	16.4	41.2%	**107.8**	81.3	26.5	32.6%
Non-controlling interest	**5.7**	7.1	(1.4)	(19.7)%	**17.9**	21.6	(3.7)	(17.1)%
Net earnings[2]	**154.6**	103.8	50.8	48.9%	**285.2**	199.4	85.8	43.0%
Adjusted net earnings[1][2]	**158.0**	110.4	47.6	43.1%	**291.9**	210.6	81.3	38.6%
Basic earnings per share								
Net earnings[2]	**$ 0.57**	$ 0.38			**$ 1.05**	$ 0.73		
Adjusted net earnings[2]	**$ 0.58**	$ 0.40			**$ 1.08**	$ 0.77		
Basic weighted average number of shares outstanding (in millions)	**271.3**	271.8			**271.5**	271.8		
Diluted earnings per share								
Net earnings[2]	**$ 0.57**	$ 0.38			**$ 1.05**	$ 0.73		
Adjusted net earnings[2]	**$ 0.58**	$ 0.40			**$ 1.07**	$ 0.77		
Diluted weighted average number of shares outstanding (in millions)	**272.4**	272.2			**272.6**	272.3		
Dividend per share	**$ 0.12**	$ 0.11			**$ 0.24**	$ 0.22		

Consolidated operating results as a % of sales	13 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	26 Weeks Ended Nov. 2, 2019	Nov. 3, 2018
Gross margin[1]	**24.8%**	23.9%	**24.7%**	23.6%
Adjusted operating income	**4.5%**	2.9%	**4.3%**	2.9%
EBITDA	**7.4%**	4.4%	**7.1%**	4.4%
Adjusted EBITDA	**7.4%**	4.5%	**7.1%**	4.4%
Adjusted net earnings[2]	**2.5%**	1.8%	**2.2%**	1.7%

	13 Weeks Ended Nov. 2, 2019[3]	Nov. 3, 2018	26 Weeks Ended Nov. 2, 2019[3]	Nov. 3, 2018
Same-store sales[1] growth	**1.2%**	3.2%	**1.5%**	2.7%
Same-store sales growth, excluding fuel	**2.0%**	2.5%	**2.2%**	1.9%
Effective income tax rate	**26.0%**	26.4%	**26.2%**	26.9%

Food Retailing

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

($ in millions)	13 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change	% Change	26 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change	% Change
Sales	**$ 6,436.5**	$ 6,214.0	$ 222.5	3.6%	**$ 13,180.6**	$ 12,674.3	$ 506.3	4.0%
Gross profit	**1,595.7**	1,482.1	113.6	7.7%	**3,256.1**	2,994.4	261.7	8.7%
Operating income	**251.8**	162.0	89.8	55.4%	**506.2**	314.4	191.8	61.0%
Adjusted operating income	**256.5**	171.1	85.4	49.9%	**515.4**	329.8	185.6	56.3%
EBITDA	**443.2**	264.4	178.8	67.6%	**891.3**	520.8	370.5	71.1%
Adjusted EBITDA	**443.2**	267.4	175.8	65.7%	**891.3**	523.8	367.5	70.2%
Adjusted net earnings[2]	**131.3**	102.6	28.7	28.0%	**256.8**	187.9	68.9	36.7%

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Net of non-controlling interest.
(3) In the current year, same-store sales growth metrics reflect the Farm Boy acquisition.

IFRS 16 Impact

The tables below outline the impact of the adoption of IFRS 16, "Leases" ("IFRS 16"), on certain financial metrics for the quarter and year-to-date ended November 2, 2019:

	13 Weeks Ended			Impact of	Change
($ in millions, except per share amounts)	**Nov. 2, 2019**	Nov. 3, 2018	Change	IFRS 16[(1)]	(excl. IFRS 16)
EBITDA	**$ 477.7**	$ 276.1	$ 201.6	$ 133.2	$ 68.4
Adjusted EBITDA	**477.7**	279.1	198.6	133.2	65.4
EBITDA margin	**7.4%**	4.4%	3.0%	2.1%	0.9%
Finance costs, net	**69.9**	22.7	47.2	47.2	-
Net earnings[(2)]	**154.6**	103.8	50.8	0.8	50.0
Adjusted net earnings[(2)]	**158.0**	110.4	47.6	(0.3)	47.9
Adjusted EPS[(3)(4)] (fully diluted)	**0.58**	0.40	0.18	-	0.18

	26 Weeks Ended			Impact of	Change
($ in millions, except per share amounts)	**Nov. 2, 2019**	Nov. 3, 2018	Change	IFRS 16[(1)]	(excl. IFRS 16)
EBITDA	**$ 937.7**	$ 554.8	$ 382.9	$ 262.2	$ 120.7
Adjusted EBITDA	**937.7**	557.8	379.9	262.2	117.7
EBITDA margin	**7.1%**	4.4%	2.7%	2.0%	0.7%
Finance costs, net	**141.6**	45.8	95.8	93.5	2.3
Net earnings[(2)]	**285.2**	199.4	85.8	(0.1)	85.9
Adjusted net earnings[(2)]	**291.9**	210.6	81.3	(2.3)	83.6
Adjusted EPS[(3)(4)] (fully diluted)	**1.07**	0.77	0.30	(0.01)	0.31

(1) Reflects the impact of changing accounting standards from IAS 17, "Leases" ("IAS 17") to IFRS 16 in the first quarter of fiscal 2020, including the second quarter and year-to-date add backs of $3.5 million and $7.0 million ($2.6 million and $5.1 million after tax), respectively, in historical straight-line expense under IAS 17.
(2) Net of non-controlling interest.
(3) Earnings per share ("EPS").
(4) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

Empire Company Limited Consolidated Operating Results

Empire's results for the second quarter and year-to-date ended November 2, 2019 include Farm Boy operations. All metrics, including same-store sales, include the consolidation of Farm Boy operations.

Sales

Sales for the quarter and year-to-date ended November 2, 2019 increased by 3.6% and 4.0%, respectively, driven by strong performance across the business, the consolidation of Farm Boy results and positive internal food inflation. These increases were partially offset by lower fuel prices and temporary store closures in Western Canada pending their conversion to FreshCo.

Gross Profit

Gross profit for the quarter and year-to-date ended November 2, 2019 increased by 7.7% and 8.7%, respectively, primarily as a result of the inclusion of Farm Boy results, category reset benefits and the increase in sales. These increases were partially offset by store closures in Western Canada.

Gross margin for the quarter increased to 24.8% from 23.9% last year and year-to-date to 24.7% from 23.6% last year. The increases were primarily a result of category reset benefits and positive margin rate contributions from the inclusion of Farm Boy results, partially offset by the effect of sales mix between banners.

Operating Income

($ in millions)	13 Weeks Ended Nov. 2, 2019	13 Weeks Ended Nov. 3, 2018	$ Change	26 Weeks Ended Nov. 2, 2019	26 Weeks Ended Nov. 3, 2018	$ Change
Consolidated operating income:						
Food retailing	**$ 251.8**	$ 162.0	$ 89.8	**$ 506.2**	$ 314.4	$ 191.8
Investments and other operations:						
Crombie REIT	**24.3**	5.0	19.3	**37.5**	25.3	12.2
Genstar	**6.1**	6.4	(0.3)	**7.3**	9.0	(1.7)
Other operations, net of corporate expenses	**4.2**	-	4.2	**1.5**	(0.6)	2.1
	34.6	11.4	23.2	**46.3**	33.7	12.6
Operating income	**$ 286.4**	$ 173.4	$ 113.0	**$ 552.5**	$ 348.1	$ 204.4
Adjustments:						
Intangible amortization associated with the Canada Safeway acquisition	**$ 4.7**	$ 6.1		**$ 9.2**	$ 12.4	
Business acquisition costs	**-**	3.0		**-**	3.0	
	4.7	9.1	(4.4)	**9.2**	15.4	(6.2)
Adjusted operating income	**$ 291.1**	$ 182.5	$ 108.6	**$ 561.7**	$ 363.5	$ 198.2

For the quarter ended November 2, 2019, operating income increased mainly as a result of improved earnings from the Food retailing segment due to higher sales and improved margins, offset by higher selling and administrative expenses. Selling and administrative expenses increased as a result of the inclusion of Farm Boy results, higher retail labour due to increased sales volume, and higher impairment reversals in the prior year. The increases in selling and administrative expenses were partially offset by the effect of the implementation of IFRS 16 and savings achieved from Project Sunrise.

Operating income from the Investments and other operations segment increased for the quarter principally due to the sale of a 15 property portfolio by Crombie REIT, as the related gain resulted in an increase of $15.1 million recognized by the Company as a share of equity earnings from Crombie REIT and a deferred gain recognition of $6.9 million, as subsequently discussed in the "Investment and Other Operations" section.

Year-to-date operating income increased mainly as a result of improved earnings from the Food retailing segment due to higher sales and improved margins, offset by higher selling and administrative expenses. Selling and administrative expenses increased as a result of the inclusion of Farm Boy results, higher impairment reversals in the prior year and higher retail labour due to increased sales volume. The increases in selling and administrative expenses were partially offset by the effect of the implementation of IFRS 16 and savings achieved from Project Sunrise.

Operating income from the Investments and other operations segment increased year-to-date as a result of increased equity earnings from Crombie REIT due to the sale of properties mentioned above, partially offset by a prior year disposal of properties by Crombie REIT.

EBITDA

($ in millions)	13 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change	26 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change
EBITDA	**$ 477.7**	$ 276.1	$ 201.6	**$ 937.7**	$ 554.8	$ 382.9
Adjustment:						
Business acquisition costs	**-**	3.0		**-**	3.0	
	-	3.0	(3.0)	**-**	3.0	(3.0)
Adjusted EBITDA	**$ 477.7**	$ 279.1	$ 198.6	**$ 937.7**	$ 557.8	$ 379.9

For the quarter ended November 2, 2019, EBITDA increased to $477.7 million from $276.1 million in the prior year mainly as a result of the same factors affecting operating income. Excluding the impact of IFRS 16, EBITDA would have been $344.5 million, an increase of $68.4 million compared to the prior year. EBITDA margin was 7.4%. Excluding the impact of the previously discussed Crombie REIT property disposal and the implementation of IFRS 16, adjusted EBITDA margin increased by 0.5% over the prior year largely due to savings achieved from Project Sunrise, the inclusion of Farm Boy results and other improvements in gross margin.

Year-to-date EBITDA increased to $937.7 million from $554.8 million in the prior year mainly as a result of the same factors affecting operating income. Excluding the impact of IFRS 16, EBITDA would have been $675.5 million, an increase of $120.7 million compared to the prior year. Excluding the impact of the previously discussed Crombie REIT property disposal and the implementation of IFRS 16, adjusted EBITDA margin increased by 0.6% over the prior year.

Finance Costs

For the quarter ended November 2, 2019, net finance costs increased primarily due to the impact of lease finance expenses as a result of the implementation of IFRS 16. Excluding the impact of IFRS 16, net finance costs would have been $22.7 million, consistent with the prior year.

Year-to-date net finance costs increased primarily due to the impact of lease finance expenses as a result of the implementation of IFRS 16. Excluding the impact of IFRS 16, net finance costs would have been $48.1 million, an increase of $2.3 million compared to the prior year. This increase is a result of interest on a $400.0 million senior, unsecured non-revolving credit facility incurred from the closing date of the Farm Boy acquisition, offset by interest savings from the prior year repayment of $500.0 million Series 2013-1 Notes utilizing Sobeys' credit facilities that carry a lower interest rate.

Income Taxes

The effective income tax rate for the second quarter ended November 2, 2019 was 26.0% compared to 26.4% in the same quarter last year. The effective rate in the current quarter was lower than the statutory rate primarily due to a decrease in tax liabilities related to previously unrecognized tax benefits as well as changes in estimated book and tax differences. The effective rate in the prior year was lower than the statutory rate primarily due to differing tax rates of various entities as well as capital gains on property dispositions.

Year-to-date the effective income tax rate was 26.2% compared to 26.9% last year. The effective rate in the current quarter was lower than the statutory rate primarily due to a decrease in tax liabilities related to previously unrecognized tax benefits as well as changes in estimated book and tax differences and differing tax rates of various entities. The prior year's effective tax rate was lower than the statutory rate due to differing tax rates of various entities.

Net Earnings

The following is a reconciliation of net earnings to adjusted net earnings:

($ in millions, except per share amounts)	13 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change	26 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change
Net earnings[1]	**$ 154.6**	$ 103.8	$ 50.8	**$ 285.2**	$ 199.4	$ 85.8
EPS (fully diluted)	**$ 0.57**	$ 0.38	$ 0.19	**$ 1.05**	$ 0.73	$ 0.32
Adjustments (net of income taxes):						
Intangible amortization associated with the Canada Safeway acquisition	**3.4**	4.4		**6.7**	9.0	
Business acquisition costs	**-**	2.2		**-**	2.2	
	3.4	6.6	(3.2)	**6.7**	11.2	(4.5)
Adjusted net earnings[1]	**$ 158.0**	$ 110.4	$ 47.6	**$ 291.9**	$ 210.6	$ 81.3
Adjusted EPS (fully diluted)	**$ 0.58**	$ 0.40		**$ 1.07**	$ 0.77	
Diluted weighted average number of shares outstanding (in millions)	**272.4**	272.2		**272.6**	272.3	

(1) Net of non-controlling interest.

Investments and Other Operations

($ in millions)	13 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change	26 Weeks Ended Nov. 2, 2019	Nov. 3, 2018	$ Change
Crombie REIT	**$ 24.3**	$ 5.0	$ 19.3	**$ 37.5**	$ 25.3	$ 12.2
Genstar	**6.1**	6.4	(0.3)	**7.3**	9.0	(1.7)
Other operations, net of corporate expenses	**4.2**	-	4.2	**1.5**	(0.6)	2.1
	$ 34.6	$ 11.4	$ 23.2	**$ 46.3**	$ 33.7	$ 12.6

For the quarter ended November 2, 2019, income from Investments and other operations increased principally due to the sale of a 15 property portfolio by Crombie REIT that contributed an additional $15.1 million to the Company's equity earnings and a $6.9 million deferred gain recognition. Of the $6.9 million deferred gain recognition, $4.6 million was included in Other operations, net of corporate expenses, with the remaining $2.3 million recognized in Food retailing. Deferred gain recognition relates to the realization of previously deferred gains on properties sold by the Company to Crombie REIT.

Year-to-date income from Investments and other operations increased primarily as a result of increased equity earnings from Crombie REIT due to the sale of properties as mentioned above, partially offset by a prior year disposal of properties by Crombie REIT.

QUARTERLY RESULTS OF OPERATIONS

($ in millions, except per share amounts)	**Fiscal 2020** **Q2** **(13 Weeks)** **Nov. 2, 2019**	Fiscal 2019 Q1 (13 Weeks) Aug. 3, 2019	Fiscal 2019 Q4 (13 Weeks) May 4, 2019	Fiscal 2019 Q3 (13 Weeks) Feb. 2, 2019	Fiscal 2019 Q2 (13 Weeks) Nov. 3, 2018	Fiscal 2019 Q1 (13 Weeks) Aug. 4, 2018	Fiscal 2018 Q4 (13 Weeks) May 5, 2018	Fiscal 2018 Q3 (13 Weeks) Feb. 3, 2018
Sales	**$ 6,436.5**	$ 6,744.1	$ 6,220.4	$ 6,247.3	$ 6,214.0	$ 6,460.3	$ 5,886.1	$ 6,029.2
Operating income	**286.4**	266.1	194.2	110.0	173.4	174.7	110.6	108.1
EBITDA(1)	**477.7**	460.0	300.1	214.6	276.1	278.7	217.8	216.1
Net earnings(2)	**154.6**	130.6	122.1	65.8	103.8	95.6	71.0	58.1
Adjusted net earnings(2)	**158.0**	133.9	126.5	72.9	110.4	100.2	93.0	89.9
Per share information, basic								
Net earnings(2)	**$ 0.57**	$ 0.48	$ 0.45	$ 0.24	$ 0.38	$ 0.35	$ 0.26	$ 0.21
Adjusted net earnings(2)	**$ 0.58**	$ 0.49	$ 0.47	$ 0.27	$ 0.40	$ 0.37	$ 0.35	$ 0.33
Basic weighted average number of shares outstanding (in millions)	**271.3**	271.8	271.9	271.9	271.8	271.8	271.8	271.7
Per share information, diluted								
Net earnings(2)	**$ 0.57**	$ 0.48	$ 0.45	$ 0.24	$ 0.38	$ 0.35	$ 0.26	$ 0.21
Adjusted net earnings(2)	**$ 0.58**	$ 0.49	$ 0.46	$ 0.27	$ 0.40	$ 0.37	$ 0.35	$ 0.33
Diluted weighted average number of shares outstanding (in millions)	**272.4**	272.9	272.8	272.5	272.2	272.3	272.2	272.2

(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) Net of non-controlling interest.

For the last eight quarters, results have consistently improved compared to the same period in the prior year with the exception of the third quarter of fiscal 2019 due to the expense associated with the voluntary buyouts of B.C. Safeway employees. Beginning on December 10, 2018, the Company's results incorporate the results of Farm Boy.

Sales are affected by fluctuations in internal food 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, net earnings, and adjusted net earnings have been influenced by one-time adjustments, other investing activities, the competitive environment, cost management initiatives, food price and general industry trends and by other risk factors as outlined in the "Risk Management" section of the fiscal 2019 annual MD&A.

LIQUIDITY AND CAPITAL RESOURCES

The table below highlights significant cash flow components for the relevant periods. For additional detail, please refer to the condensed consolidated statements of cash flows in the Company's unaudited interim condensed consolidated financial statements for the quarter ended November 2, 2019.

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	Change	**Nov. 2, 2019**	Nov. 3, 2018	Change
Cash flows from operating activities	**$ 316.0**	$ 113.4	$ 202.6	**$ 721.3**	$ 270.1	$ 451.2
Cash flows used in investing activities	**(136.0)**	(53.7)	(82.3)	**(160.8)**	(97.1)	(63.7)
Cash flows used in financing activities	**(470.4)**	(74.8)	(395.6)	**(709.5)**	(137.6)	(571.9)
(Decrease) increase in cash and cash equivalents	**$ (290.4)**	$ (15.1)	$ (275.3)	**$ (149.0)**	$ 35.4	$ (184.4)

As a result of the adoption of IFRS 16 in the first quarter of fiscal 2020, lease payments of $150.6 million and lease payments received for finance subleases of $18.7 million that were previously classified as cash flows from operating activities have been classified as cash flows used in financing activities and investing activities in the second quarter, respectively. Year-to-date, lease payments of $299.1 million and lease payments received for finance subleases of $37.3 million have been classified as cash flows used in financing activities and investing activities, respectively. Prior period comparatives have not been restated.

Operating Activities

Cash flows from operating activities for the second quarter and year-to-date ended November 2, 2019 increased as a result of the impact of IFRS 16 as described above. Normalized for the impact of IFRS 16, cash flows from operating activities increased as a result of higher cash earnings and lower non-cash working capital.

Investing Activities

The table below outlines details of investing activities of the Company for the quarter and year-to-date ended November 2, 2019 compared to the quarter and year-to-date ended November 3, 2018:

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	Change	**Nov. 2, 2019**	Nov. 3, 2018	Change
Acquisitions of property, equipment, investment property and intangibles	**$ (196.0)**	$ (73.4)	$ (122.6)	**$ (287.4)**	$ (121.0)	$ (166.4)
Proceeds on disposal of assets	**40.6**	18.4	22.2	**80.8**	36.8	44.0
Loans and other receivables	**2.3**	3.5	(1.2)	**5.2**	3.2	2.0
Other assets and other long-term liabilities	**(2.3)**	(3.6)	1.3	**3.6**	0.6	3.0
Business acquisitions	**(1.2)**	-	(1.2)	**(4.2)**	(19.8)	15.6
Payments received for finance subleases	**18.7**	-	18.7	**37.3**	-	37.3
Interest received	**1.9**	1.4	0.5	**3.9**	3.1	0.8
Cash flows used in investing activities	**$ (136.0)**	$ (53.7)	$ (82.3)	**$ (160.8)**	$ (97.1)	$ (63.7)

Cash used in investing activities for the second quarter ended November 2, 2019 increased as a result of higher capital investments. This increase was partially offset by an increase in proceeds on disposal of assets and the reclassification of lease payments received for finance subleases under IFRS 16 as described above.

Year-to-date, cash used in investing activities increased as a result of higher capital investments. This increase was partially offset by an increase in proceeds on disposal of assets, the reclassification of lease payments received for finance subleases under IFRS 16 as described above and a decrease in business acquisitions due to the acquisition of Kim Phat in the prior year.

Capital Expenditures

The Company invested $150.4 million and $241.8 million for the quarter and year-to-date ended November 2, 2019, respectively (2019 – $73.4 million and $121.0 million) including renovations, construction of new stores, construction of an e-commerce fulfillment centre and construction of FreshCo locations in Western Canada. The Company expects to invest approximately $600 million in its operations during fiscal 2020, which includes approximately $70 million related to expansion of the Farm Boy store network in Ontario. Cash used in acquisitions of property, equipment, investment property and intangibles reflected in the consolidated statements of cash flows is higher than capital expenditures[(1)] discussed in this section due to timing of cash payments.

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

Store Network Activity and Square Footage

The table below outlines details of investments by Sobeys in its store network during the second quarter and year-to-date ended November 2, 2019 compared to the prior year.

	13 Weeks Ended		26 Weeks Ended	
# of stores	**November 2, 2019**	November 3, 2018	**November 2, 2019**	November 3, 2018
Opened/relocated/acquired	**2**	2	**8**	12
Expanded	**-**	-	**-**	1
Rebannered/redeveloped	**-**	2	**1**	4
Closed	**7**	5	**13**	15
Opened - FreshCo[(1)]	**-**	-	**4**	-
Closed - pending conversion to FreshCo[(1)]	**3**	-	**8**	-
Announced closures - FreshCo[(1)]	**-**	-	**7**	-
Closed - pending conversion to Farm Boy	**2**	-	**2**	-

(1) Specific to converted Western Canada FreshCo stores.

The following table shows Sobeys' square footage changes for the 13 and 52 weeks ended November 2, 2019:

Square feet (in thousands)	**13 Weeks Ended November 2, 2019**	**52 Weeks Ended November 2, 2019**
Opened	**3**	**284**
Relocated	**-**	**87**
Acquired	**-**	**-**
Expanded	**-**	**-**
Closed	**(124)**	**(257)**
Net change before the impact of the acquisition of Farm Boy & expansion of FreshCo	**(121)**	**114**
Opened - FreshCo[(1)]	**-**	**(32)**
Closed - pending conversion to FreshCo[(1)]	**(110)**	**(352)**
Opened - Farm Boy	**-**	**43**
Acquired - Farm Boy	**-**	**413**
Closed - pending conversion to Farm Boy	**(68)**	**(68)**
Net change	**(299)**	**118**

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

At November 2, 2019, Sobeys' square footage totaled 39.8 million, a 1.5% increase over 39.2 million square feet at November 3, 2018. Excluding the impact of Farm Boy, net store square footage increased by 0.5%.

Financing Activities

Cash used in financing activities for the quarter and year-to-date ended November 2, 2019 increased due to the repayment of $250.0 million in credit facilities, reclassification of payments of lease liabilities under IFRS 16 as described above and the repurchase of Non-Voting Class A shares.

Free Cash Flow

Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. The definition of free cash flow was changed in the first quarter of fiscal 2020 to normalize for the impact of IFRS 16 and enable comparability with prior periods. The definition is updated to include the impact of net lease cash payments.

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	Change	**Nov. 2, 2019**	Nov. 3, 2018	Change
Cash flows from operating activities	**$ 316.0**	$ 113.4	$ 202.6	**$ 721.3**	$ 270.1	$ 451.2
Add: proceeds on disposal of property, equipment and investment property	**40.6**	18.4	22.2	**80.8**	36.8	44.0
Less: payments of lease liabilities, net of payments received for finance subleases	**(131.9)**	-	(131.9)	**(261.8)**	-	(261.8)
Less: acquisitions of property, equipment, investment property and intangibles	**(196.0)**	(73.4)	(122.6)	**(287.4)**	(121.0)	(166.4)
Free cash flow(1)	**$ 28.7**	$ 58.4	$ (29.7)	**$ 252.9**	$ 185.9	$ 67.0

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

Free cash flow decreased for the quarter ended November 2, 2019 due to the net impact of increased capital investments, partially offset by an increase in cash earnings and an increase in proceeds on disposal of assets.

Year-to-date free cash flow increased primarily due to increased cash earnings and an increase in proceeds on disposal of assets, partially offset by increased capital investments.

Employee Future Benefit Obligations

For the quarter and year-to-date ended November 2, 2019, the Company contributed $2.9 million and $7.9 million, respectively (2019 – $11.0 million and $14.0 million) to its registered defined benefit plans. The Company expects to contribute approximately $18.6 million to these plans in fiscal 2020.

CONSOLIDATED FINANCIAL CONDITION

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)		**Nov. 2, 2019[(1)(2)]**		Nov. 2, 2019 Impact of IFRS 16		May 4, 2019[(1)]		Nov. 3, 2018
Shareholders' equity, net of non-controlling interest	**$**	**3,726.2**	$	(431.9)	$	4,003.3	$	3,849.6
Book value per common share[(3)]	**$**	**13.73**	$	(1.59)	$	14.72	$	14.16
Long-term debt, including current portion	**$**	**1,752.1**	$	(29.1)	$	2,020.9	$	1,638.6
Long-term lease liabilities, including current portion	**$**	**4,993.4**	$	4,993.4	$	-	$	-
Net funded debt to net total capital[(3)]		**63.0%**		38.1%		26.8%		20.2%
Funded debt to adjusted EBITDA[(3)(4)]		**4.6x**		3.1x		1.9x		1.6x
Adjusted EBITDA to interest expense[(3)(5)]		**7.8x**		(5.4)x		12.4x		12.2x
Trailing four-quarter adjusted EBITDA	**$**	**1,456.1**	$	262.2	$	1,076.2	$	1,051.5
Trailing four-quarter interest expense	**$**	**185.7**	$	95.2	$	86.5	$	86.5
Current assets to current liabilities [(6)]		**0.9x**				1.0x		1.1x
Total assets[(6)]	**$**	**13,777.7**			$	9,602.4	$	8,733.9
Total non-current financial liabilities[(6)]	**$**	**6,981.9**			$	2,838.1	$	2,360.0

(1) Key Financial Condition Measures reflect the Farm Boy acquisition.
(2) Key Financial Condition Measures are impacted by the implementation of IFRS 16.
(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(4) Calculation uses trailing four-quarter adjusted EBITDA.
(5) Calculation uses trailing four-quarter adjusted EBITDA and interest expense.
(6) See "Accounting Standards and Policies" section of this MD&A for the impact of IFRS 16 on the assets and liabilities metrics for the quarter ended November 2, 2019.

Sobeys' credit ratings remained unchanged from the prior quarter.

Rating Agency	**Credit Rating (Issuer rating)**	**Trend/Outlook**
Dominion Bond Rating Service	BBB (low)	Stable
Standard & Poor's	BB+	Positive

On June 2, 2017, Sobeys established a senior, unsecured non-revolving credit facility for $500.0 million. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. The facility was fully utilized on August 8, 2018 to repay long-term debt.

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0 million. The facility bears floating interest tied to Canadian prime rate or bankers' acceptance rates. The facility was fully utilized on December 10, 2018, with the proceeds used to fund part of the Farm Boy acquisition.

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

Shareholders' Equity

The Company's share capital was comprised of the following on November 2, 2019:

	Number of Shares	
Authorized	**November 2, 2019**	November 3, 2018
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	**766,628,095**	768,105,849
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding ($ in millions)	**Number of Shares**	**November 2, 2019**	November 3, 2018
Non-Voting Class A shares	**172,459,658**	**$ 2,023.3**	$ 2,040.1
Class B common shares	**98,138,079**	**7.3**	7.3
Shares held in trust	**(162,888)**	**(3.2)**	(5.2)
Total		**$ 2,027.4**	$ 2,042.2

The Company's share capital on November 2, 2019 compared to the same period in the last fiscal year is shown in the table below:

	13 Weeks Ended	
(Number of Shares)	**November 2, 2019**	November 3, 2018
Non-Voting Class A shares		
Issued and outstanding, beginning of period	**173,271,882**	173,635,593
Issued during period	**118,230**	3,471
Repurchase for cancellation	**(930,454)**	-
Issued and outstanding, end of period	**172,459,658**	173,639,064
Shares held in trust, beginning of period	**(211,568)**	(270,343)
Issued for future settlement of equity settled plans	**48,680**	-
Purchased for future settlement of equity settled plans	**-**	(899)
Shares held in trust, end of period	**(162,888)**	(271,242)
Issued and outstanding, net of shares held in trust, end of period	**172,296,770**	173,367,822
Class B common shares		
Issued and outstanding, beginning and end of period	**98,138,079**	98,138,079

For the quarter and year-to-date ended November 2, 2019, the Company paid common dividends of $32.5 million and $65.1 million (November 3, 2018 – $29.8 million and $59.7 million) to its common shareholders. This represents a payment of $0.12 and $0.24 per share (November 3, 2018 – $0.11 and $0.22 per share) for common shareholders.

As at December 10, 2019, the Company had Non-Voting Class A and Class B common shares outstanding of 172,168,228 and 98,138,079, respectively. Options to acquire 4,829,354 Non-Voting Class A shares were outstanding as of November 2, 2019 (November 3, 2018 – 4,386,561). As at December 10, 2019, options to acquire 4,829,354 Non-Voting Class A shares were outstanding (December 11, 2018 – 4,367,497).

Normal Course Issuer Bid ("NCIB")

In the first quarter of fiscal 2020, the Company announced the establishment of a NCIB effective for one year from July 2, 2019. The NCIB allows for the purchase for cancellation of up to 3.5 million Non-Voting Class A shares ("Class A shares"). In the second quarter of fiscal 2020, the Company repurchased 930,454 Class A shares at an average price of $35.49 for a total consideration of $33.1 million. For the year-to-date, as at November 2, 2019, the Company had repurchased 1,477,754 Class A shares at an average price of $35.17 for a total consideration of $52.0 million. The Company intends to repurchase up to $100.0 million of Class A shares under the current NCIB. Including purchases made subsequent to the end of the quarter, as at December 11, 2019, the Company has repurchased 1,769,184 Class A shares at an average price of $35.03 for a total consideration of $62.0 million.

During the second quarter, the Company entered into an automatic share purchase plan ("ASPP") with its designated broker allowing the purchase of Class A shares for cancellation under its NCIB during trading black-out periods.

ACCOUNTING STANDARDS AND POLICIES

The unaudited interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 4, 2019 with the exception of the following:

Changes to Accounting Standards Adopted During Fiscal 2020

(i) Leases

Effective May 5, 2019, the Company adopted IFRS 16, which replaces IAS 17, "Leases" ("IAS 17") and related interpretations.

IFRS 16 introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases except for short-term and low-value asset leases. Lessors continue to classify leases as operating or finance leases. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all leases where the Company is a lessee. The vast majority of right-of-use assets are property related, pertaining to the use of land and buildings. Other leased assets include passenger vehicles, trucks, trailers and IT equipment. The Company transitioned to IFRS 16 using the modified retrospective approach with the cumulative impact of initially applying the new standard recognized in retained earnings on May 5, 2019. Prior period comparatives have not been restated. The implementation of IFRS 16 had no impact on earnings per share in the quarter. The Company has recognized taxable and deductible temporary differences arising on the transition to IFRS 16. This has resulted in the recognition of a net deferred tax asset as a result of the balances recognized on transition as at May 5, 2019 included in the transition impacts disclosed in Note 16 of the Company's unaudited interim condensed consolidated financial statements.

The Company has applied the following practical expedients, as permitted by IFRS 16:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- relying on previous assessment of whether a lease is onerous;
- accounting for leases which end within 12 months of the date of initial application as short-term leases;
- excluding initial direct costs from the measurement of the right-of-use asset; and
- using hindsight (for example, in determining the lease term where the contract includes extension or termination options).

Transition impacts related to IFRS 16 adoption are outlined in Note 16 of the Company's unaudited interim condensed consolidated financial statements.

As a result of adoption of IFRS 16 the Company has amended its accounting policies related to leases as follows:

The Company as a lessee

The Company recognizes a right-of-use asset and corresponding lease liability at the commencement date. The commencement date is the date in which the lessor makes the asset available for use by the Company. Lease payments for short-term leases or variable payments that do not depend on an index or a rate are recognized in selling, general and administrative expenses.

Lease liabilities reflect the present value of fixed lease payments and variable lease payments that are based on an index or a rate or subject to fair market renewal amounts expected to be payable by the lessee over the lease term. Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. Where applicable, lease liabilities will include the purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement the Company measures lease liabilities on an amortized cost basis. Lease liabilities are remeasured when there is a modification to the lease. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be determined, the lessee's incremental borrowing rate at the lease inception date. Interest expense is recognized in net finance expense.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date less lease incentives received and restoration costs. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets. Right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the shorter of the asset useful life and lease term. Depreciation begins at the commencement date of the lease.

The Company as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. For subleases, where the Company acts as an intermediate lessor, the Company assesses classification with reference to the right-of-use asset arising from the head lease.

For finance subleases the Company derecognizes the corresponding right-of-use asset and records a net investment in the finance sublease and related interest income is recognized in net finance costs.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. A sale and leaseback is recognized as a sale when the control of the asset has been transferred to the purchaser. The Company will measure the right-of-use asset arising from the leaseback and the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Company. Any profit or loss in a sale and leaseback transaction related to the transfer of rights of the asset to the buyer-lessor is recognized immediately.

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

($ in millions)		
Asset increase (decrease):		
Prepaid expenses	$	(43.4)
Current loans and other receivables		53.6
Non-current loans and other receivables		519.0
Other assets		(7.3)
Property and equipment		(22.3)
Right-of-use assets		3,800.7
Intangibles		(126.7)
Deferred tax assets		127.3
Total assets	**$**	**4,300.9**
Liabilities and equity (increase) decrease:		
Current provisions	$	7.4
Long-term debt due within one year		6.5
Lease liabilities due within one year		(424.4)
Long-term provisions		23.7
Long-term debt		22.6
Long-term lease liabilities		(4,569.6)
Other long-term liabilities		164.4
Deferred tax liabilities		36.5
Retained earnings		432.0
Total liabilities and equity	**$**	**(4,300.9)**

The Company used its incremental borrowing rate as at May 5, 2019 to measure lease liabilities. The weighted average incremental borrowing rate is 4.3%. The weighted average lease term remaining as at May 5, 2019 is 13 years.

The following reconciliation is between lease liabilities recognized on May 5, 2019 and operating lease commitments disclosed under IAS 17 as at May 4, 2019, discounted using the weighted average incremental borrowing rate as at the date of initial application:

($ in millions)		
Operating lease commitments as at May 4, 2019	$	5,837.8
Historical lease payment net of onerous contract provisions recognized		31.1
Historical finance lease liabilities recognized		29.1
Adjustments as a result of change in lease term assumptions for sites with historical off market leases, net		237.2
Adjustments as a result of change in lease term assumptions		253.4
Effect of discounting using the lessee's incremental borrowing rate		(1,394.6)
Lease liabilities recognized as at May 5, 2019	**$**	**4,994.0**

During the quarter ended November 2, 2019, changes in right-of-use assets are as follows:

	13 Weeks Ended November 2, 2019					
($ in millions)		Property		Other		Total
Opening value as at August 4, 2019	$	3,741.6	$	15.2	$	3,756.8
Additions		98.5		32.3		130.8
Depreciation		(86.3)		(1.8)		(88.1)
Closing balance as at November 2, 2019	**$**	**3,753.8**	**$**	**45.7**	**$**	**3,799.5**

During the year-to-date ended November 2, 2019, changes in right-of-use assets are as follows:

	26 Weeks Ended November 2, 2019		
($ in millions)	Property	Other	Total
Opening value as at May 5, 2019	$ 3,784.7	$ 16.0	$ 3,800.7
Additions	140.9	32.3	173.2
Depreciation	(171.8)	(2.6)	(174.4)
Closing balance as at November 2, 2019	**$ 3,753.8**	**$ 45.7**	**$ 3,799.5**

During the quarter and year-to-date ended November 2, 2019, net finance costs includes $53.9 million and $107.1 million, respectively, of finance expense related to lease liabilities and $5.8 million and $11.9 million, respectively, of finance income related to finance subleases.

Year-to-date the Company completed four sale and leaseback transactions to third parties which resulted in a right-of-use adjustment of $4.5 million.

Based on current estimates and information available, the Company continues to expect IFRS 16 adoption will not have a material impact on net earnings and earnings per share in fiscal 2020.

The following table provides the impact of the adoption of IFRS 16 in the quarter and year-to-date ended November 2, 2019:

Increase/(Decrease) ($ in millions)	13 Weeks Ended Nov. 2, 2019	26 Weeks Ended Nov. 2, 2019	Description
Other income – adjustment to sale and leaseback transaction	$ (1.6)	$ (4.5)	Calculated adjustment to right-of-use balance for asset retained by the Company
Net occupancy expense	134.8	266.7	Rent expense removed and recorded as depreciation expense and net finance expense
Depreciation expense	(86.5)	(171.9)	Depreciation expense to right-of-use assets
Intangible amortization	1.5	3.0	Off market lease intangibles part of right-of-use balance
Net finance costs	(47.2)	(93.5)	Lease finance expense net of finance income
Earnings before income taxes	1.0	(0.2)	Net pre-tax impact of IFRS 16
Earnings before income taxes excluding sale and leaseback impact	$ 2.6	$ 4.3	Net pre-tax impact of IFRS 16 excluding impact of sale and leaseback transactions

(ii) Uncertainty Over Income Tax Treatments

Effective during the quarter ended August 3, 2019, the Company adopted IFRIC 23 “Uncertainty over income tax treatments” which clarifies how to apply the recognition and measurement requirements in IAS 12 “Income taxes” when there is uncertainty related to tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. This adoption did not have a material impact on the Company’s unaudited interim condensed consolidated financial statements.

Critical Accounting Estimates

Critical accounting estimates used by the Company's management are discussed in detail in the fiscal 2019 annual MD&A.

Internal Control Over Financial Reporting

Management of the Company, which includes the President & Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining Internal Control over Financial Reporting ("ICFR"), as that term is defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings". The control framework management used to design and assess the effectiveness of ICFR is "*Internal Control Integrated Framework (2013)*" published by the Committee of Sponsoring Organizations of the Treadway Commission.

There have been no changes in the Company's ICFR during the period beginning August 4, 2019 and ended November 2, 2019 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 including ongoing leases and property management agreements. There have been no material changes to the specified contractual obligations between the Company and Crombie REIT during the quarter and year-to-date, other than as described below. The Company holds a 41.5% ownership interest in Crombie REIT and accounts for its investment using the equity method.

During the first quarter ended August 3, 2019, Sobeys, through a wholly-owned subsidiary, sold 50% of a property to Crombie REIT for cash consideration of $9.5 million, resulting in a pre-tax gain of $1.5 million.

On May 28, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 15 property portfolio to a third party purchaser which closed on October 7, 2019. Sobeys and Crombie REIT entered into lease amending agreements on properties disposed where Sobeys was a lessee to secure longer contractual terms, as well as additional option terms on the sites. As consideration for these amendments, Crombie REIT agreed to pay an aggregate amount to Sobeys over a period of three years. As of November 2, 2019, Sobeys has accrued $6.5 million in current and long-term receivables related to these amounts.

CONTINGENCIES

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

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

RISK MANAGEMENT

Risk and uncertainties related to economic and industry factors and the Company's management of risk are discussed in detail in the fiscal 2019 annual MD&A.

DESIGNATION FOR ELIGIBLE DIVIDENDS

"Eligible dividends" receive favourable treatment for income tax purposes. To be considered an eligible dividend, a dividend must be designated as such at the time of payment.

Empire has, in accordance with the administrative position of CRA, included the appropriate language on its website to designate the dividends paid by Empire as eligible dividends unless otherwise designated.

NON-GAAP FINANCIAL MEASURES & FINANCIAL METRICS

There are measures and metrics included in this MD&A that do not have a standardized meaning under generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. Management believes that certain of these measures and metrics, including gross profit and EBITDA, are important indicators of the Company's ability to generate liquidity through operating cash flow to fund future working capital requirements, service outstanding debt and fund future capital expenditures and uses these metrics for these purposes.

In addition, management adjusts certain measures and metrics, including EBITDA and net earnings to provide investors and analysts with a more comparable year-over-year performance metric. These adjustments may impact the analysis of trends in performance and affect the comparability of the Company's core financial results. By excluding these items, management is not implying they are non-recurring.

Financial Measures

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

- Gross profit is calculated as sales less cost of sales.

- Adjusted operating income is operating income excluding certain items to better analyze trends in performance. These adjustments result in a more comparable economic representation. Adjusted operating income is reconciled to operating income in its respective subsection of the "Summary Results – Second Quarter" section. Adjusted operating income for the Food Retailing Segment is reconciled to operating income in the "Food Segment Reconciliations" section of this MD&A.

- 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.

The following table reconciles net earnings to EBITDA:

	13 Weeks Ended		26 Weeks Ended	
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	**Nov. 2, 2019**	Nov. 3, 2018
Net earnings	**$ 160.3**	$ 110.9	**$ 303.1**	$ 221.0
Income tax expense	**56.2**	39.8	**107.8**	81.3
Finance costs, net	**69.9**	22.7	**141.6**	45.8
Operating income	**286.4**	173.4	**552.5**	348.1
Depreciation	**173.1**	81.6	**347.8**	164.3
Amortization of intangibles	**18.2**	21.1	**37.4**	42.4
EBITDA	**$ 477.7**	$ 276.1	**$ 937.7**	$ 554.8

- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These adjustments result in a more comparable economic representation. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the "Summary Results – Second Quarter" section. Adjusted EBITDA for the Food Retailing Segment is reconciled to EBITDA in the "Food Segment Reconciliations" section of this MD&A.

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

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

	13 Weeks Ended		26 Weeks Ended	
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	**Nov. 2, 2019**	Nov. 3, 2018
Finance costs, net	**$ 69.9**	$ 22.7	**$ 141.6**	$ 45.8
Plus: finance income, excluding interest income on lease receivables	**2.7**	2.2	**5.8**	5.1
Less: net pension finance costs	**(2.2)**	(2.9)	**(4.4)**	(5.9)
Less: accretion expense on provisions	**(1.4)**	(1.7)	**(2.4)**	(3.6)
Interest expense	**$ 69.0**	$ 20.3	**$ 140.6**	$ 41.4

- Adjusted net earnings is net earnings, net of non-controlling interest, excluding certain items to better analyze trends in performance and financial results. These adjustments result in a more comparable economic representation of the underlying business. Adjusted net earnings is reconciled to net earnings in its respective subsection of the "Summary Results – Second Quarter" section. Adjusted net earnings for the Food Retailing Segment is reconciled to net earnings in the "Food Segment Reconciliations" section of this MD&A.

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

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less acquisitions of property, equipment, investment property and intangibles. The definition of free cash flow was changed in the first quarter of fiscal 2020 to include the impact of net lease cash payments made. Management uses free cash flow as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities. Free cash flow is reconciled to GAAP measures as reported on the consolidated statements of cash flows, and is presented in the "Free Cash Flow" section of this MD&A.

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

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

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

- Net total capital is total capital less cash and cash equivalents.

The following table reconciles the Company's funded debt, net funded debt and net total capital to GAAP measures as reported on the balance sheets as at November 2, 2019, May 4, 2019 and November 3, 2018, respectively:

($ in millions)	**November 2, 2019**	May 4, 2019	November 3, 2018
Long-term debt due within one year	**$ 27.1**	$ 36.5	$ 27.4
Long-term debt	**1,725.0**	1,984.4	1,611.2
Lease liabilities due within one year	**421.6**	-	-
Long-term lease liabilities	**4,571.8**	-	-
Funded debt	**6,745.5**	2,020.9	1,638.6
Less: cash and cash equivalents	**(404.3)**	(553.3)	(663.3)
Net funded debt	**6,341.2**	1,467.6	975.3
Total shareholders' equity, net of non-controlling interest	**3,726.2**	4,003.3	3,849.6
Net total capital	**$ 10,067.4**	$ 5,470.9	$ 4,824.9

Food Segment Reconciliations

The following tables adjust Sobeys' contributed operating income and net earnings, net of non-controlling interest, for certain items to better analyze trends in performance. These adjustments result in a more comparable economic representation.

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	Change	**Nov. 2, 2019**	Nov. 3, 2018	Change
Operating income	**$ 251.8**	$ 162.0	$ 89.8	**$ 506.2**	$ 314.4	$ 191.8
Adjustments:						
Intangible amortization associated with the Canada Safeway acquisition	**4.7**	6.1		**9.2**	12.4	
Business acquisition costs	**-**	3.0		**-**	3.0	
	4.7	9.1	(4.4)	**9.2**	15.4	(6.2)
Adjusted operating income	**$ 256.5**	$ 171.1	$ 85.4	**$ 515.4**	$ 329.8	$ 185.6

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	Change	**Nov. 2, 2019**	Nov. 3, 2018	Change
EBITDA	**$ 443.2**	$ 264.4	$ 178.8	**$ 891.3**	$ 520.8	$ 370.5
Adjustment:						
Business acquisition costs	**-**	3.0		**-**	3.0	
	-	3.0	(3.0)	**-**	3.0	(3.0)
Adjusted EBITDA	**$ 443.2**	$ 267.4	$ 175.8	**$ 891.3**	$ 523.8	$ 367.5

	13 Weeks Ended		$	26 Weeks Ended		$
($ in millions)	**Nov. 2, 2019**	Nov. 3, 2018	Change	**Nov. 2, 2019**	Nov. 3, 2018	Change
Net earnings	**$ 127.9**	$ 96.0	$ 31.9	**$ 250.1**	$ 176.7	$ 73.4
Adjustments (net of income taxes):						
Intangible amortization associated with the Canada Safeway acquisition	**3.4**	4.4		**6.7**	9.0	
Business acquisition costs	**-**	2.2		**-**	2.2	
	3.4	6.6	(3.2)	**6.7**	11.2	(4.5)
Adjusted net earnings	**$ 131.3**	$ 102.6	$ 28.7	**$ 256.8**	$ 187.9	$ 68.9

Financial Metrics

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

- Same-store sales are sales from stores in the same location in both reporting periods. The current year same-store sales growth metrics reflect the acquisition of Farm Boy.

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

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

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

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

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

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

The following table shows the calculation of Empire's book value per common share as at November 2, 2019, May 4, 2019 and November 3, 2018:

($ in millions, except per share information)	**November 2, 2019**	May 4, 2019	November 3, 2018
Shareholders' equity, net of non-controlling interest	**$ 3,726.2**	$ 4,003.3	$ 3,849.6
Shares outstanding (basic)	**271.3**	271.9	271.8
Book value per common share	**$ 13.73**	$ 14.72	$ 14.16

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: December 11, 2019
Stellarton, Nova Scotia, Canada

Empire Company Limited
Condensed Consolidated Balance Sheets

As At Unaudited (in millions of Canadian dollars)	November 2 2019	May 4 2019	November 3 2018
ASSETS			
Current			
Cash and cash equivalents	**$ 404.3**	$ 553.3	$ 663.3
Receivables	**479.6**	444.2	456.3
Inventories (Note 4)	**1,496.1**	1,441.8	1,383.1
Prepaid expenses	**112.0**	134.1	141.9
Loans and other receivables (Note 16)	**68.0**	18.7	26.6
Income taxes receivable	**29.8**	27.9	23.0
Assets held for sale	**19.5**	19.5	22.3
	2,609.3	2,639.5	2,716.5
Loans and other receivables (Note 16)	**575.0**	70.8	71.7
Investments, at equity (Note 5)	**602.5**	589.4	568.8
Other assets	**25.8**	43.4	32.8
Property and equipment	**2,849.6**	2,911.5	2,745.4
Right-of-use assets (Note 16)	**3,799.5**	-	-
Investment property	**109.6**	100.0	93.4
Intangibles	**937.7**	1,062.0	820.6
Goodwill	**1,571.3**	1,571.5	1,028.6
Deferred tax assets	**697.4**	614.3	656.1
	$ 13,777.7	$ 9,602.4	$ 8,733.9
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**$ 2,440.6**	$ 2,496.4	$ 2,259.5
Income taxes payable	**19.9**	29.0	37.3
Provisions (Note 6)	**74.1**	119.4	99.1
Long-term debt due within one year (Note 7)	**27.1**	36.5	27.4
Lease liabilities due within one year (Note 16)	**421.6**	-	-
	2,983.3	2,681.3	2,423.3
Provisions (Note 6)	**57.6**	93.1	110.7
Long-term debt (Note 7)	**1,725.0**	1,984.4	1,611.2
Long-term lease liabilities (Note 16)	**4,571.8**	-	-
Other long-term liabilities (Note 16)	**108.8**	269.0	174.0
Employee future benefits	**296.8**	286.1	336.3
Deferred tax liabilities	**221.9**	205.5	127.8
	9,965.2	5,519.4	4,783.3
SHAREHOLDERS' EQUITY			
Capital stock (Note 8)	**2,030.5**	2,042.6	2,042.2
Contributed surplus	**20.2**	25.2	22.1
Retained earnings (Note 16)	**1,662.0**	1,920.8	1,771.6
Accumulated other comprehensive income	**13.5**	14.7	13.7
	3,726.2	4,003.3	3,849.6
Non-controlling interest	**86.3**	79.7	101.0
	3,812.5	4,083.0	3,950.6
	$ 13,777.7	$ 9,602.4	$ 8,733.9

See accompanying notes to the unaudited interim condensed consolidated financial statements.

On Behalf of the Board

(signed) *"James Dickson"*
Director

(signed) *"Michael Medline"*
Director

Empire Company Limited
Condensed Consolidated Statements of Earnings

Unaudited (in millions of Canadian dollars, except per share amounts)	***13 Weeks Ended*** **November 2 2019**	***13 Weeks Ended*** **November 3 2018**	***26 Weeks Ended*** **November 2 2019**	***26 Weeks Ended*** **November 3 2018**
Sales	**$ 6,436.5**	$ 6,214.0	**$ 13,180.6**	$ 12,674.3
Other income (Note 9)	**11.4**	9.9	**26.0**	25.2
Share of earnings from investments, at equity	**30.8**	11.8	**45.6**	34.9
Operating expenses				
Cost of sales	**4,840.8**	4,731.9	**9,924.5**	9,679.9
Selling and administrative expenses	**1,351.5**	1,330.4	**2,775.2**	2,706.4
Operating income	**286.4**	173.4	**552.5**	348.1
Finance costs, net (Notes 10 and 16)	**69.9**	22.7	**141.6**	45.8
Earnings before income taxes	**216.5**	150.7	**410.9**	302.3
Income tax expense	**56.2**	39.8	**107.8**	81.3
Net earnings	**$ 160.3**	$ 110.9	**$ 303.1**	$ 221.0
Earnings for the period attributable to:				
Non-controlling interest	**$ 5.7**	$ 7.1	**$ 17.9**	$ 21.6
Owners of the Company	**154.6**	103.8	**285.2**	199.4
	$ 160.3	$ 110.9	**$ 303.1**	$ 221.0
Earnings per share (Note 11)				
Basic	**$ 0.57**	$ 0.38	**$ 1.05**	$ 0.73
Diluted	**$ 0.57**	$ 0.38	**$ 1.05**	$ 0.73
Weighted average number of common shares outstanding, in millions (Note 11)				
Basic	**271.3**	271.8	**271.5**	271.8
Diluted	**272.4**	272.2	**272.6**	272.3

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Empire Company Limited
Condensed Consolidated Statements of Comprehensive Income
Unaudited (in millions of Canadian dollars)

	13 Weeks Ended		*26 Weeks Ended*	
	November 2 2019	**November 3 2018**	**November 2 2019**	**November 3 2018**
Net earnings	**$ 160.3**	$ 110.9	**$ 303.1**	$ 221.0
Other comprehensive income (loss)				
Items that will be reclassified subsequently to net earnings				
Unrealized gains (losses) on derivatives designated as cash flow hedges (net of taxes of $(0.3) and $0.3 (2018 - $ nil and $ nil))	**1.0**	0.2	**(0.7)**	0.2
Share of other comprehensive income of investments, at equity (net of taxes of $ nil and $(0.2) (2018 - $(0.3) and $(0.4)))	**0.5**	0.7	**0.4**	1.0
Exchange differences on translation of foreign operations (net of taxes of $(0.5) and $(0.7) (2018 - $ nil and $ nil))	**(0.3)**	(0.4)	**(0.9)**	-
	1.2	0.5	**(1.2)**	1.2
Items that will not be reclassified subsequently to net earnings				
Actuarial gains (losses) on defined benefit plans (net of taxes of $(4.4) and $3.7 (2018 - $0.9 and $(5.0)))	**11.6**	(2.6)	**(10.3)**	13.1
Total comprehensive income	**$ 173.1**	$ 108.8	**$ 291.6**	$ 235.3
Total comprehensive income for the period attributable to:				
Non-controlling interest	**$ 5.7**	$ 7.1	**$ 17.9**	$ 21.6
Owners of the Company	**167.4**	101.7	**273.7**	213.7
	$ 173.1	$ 108.8	**$ 291.6**	$ 235.3

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Empire Company Limited **Condensed Consolidated Statements of Changes in Shareholders' Equity** **Unaudited (in millions of Canadian dollars)**	**Capital Stock**	**Contributed Surplus**	**Accumulated Other Comprehensive Income**	**Retained Earnings**	**Total Attributable to Owners of the Company**	**Non-controlling Interest**	**Total Equity**
Balance at May 5, 2018	$ 2,039.5	$ 22.9	$ 12.5	$ 1,627.9	$ 3,702.8	$ 67.0	$ 3,769.8
Dividends declared on common shares	-	-	-	(59.7)	(59.7)	-	(59.7)
Equity based compensation, net	1.9	(0.8)	-	-	1.1	-	1.1
Shares held in trust, net	0.8	-	-	-	0.8	-	0.8
Capital transactions with structured entities	-	-	-	-	-	(6.0)	(6.0)
Non-controlling interest recognized on business acquisitions	-	-	-	(9.1)	(9.1)	18.4	9.3
Transactions with owners	2.7	(0.8)	-	(68.8)	(66.9)	12.4	(54.5)
Net earnings	-	-	-	199.4	199.4	21.6	221.0
Other comprehensive income	-	-	1.2	13.1	14.3	-	14.3
Total comprehensive income for the period	-	-	1.2	212.5	213.7	21.6	235.3
Balance at November 3, 2018	$ 2,042.2	$ 22.1	$ 13.7	$ 1,771.6	$ 3,849.6	$ 101.0	$ 3,950.6
Balance at May 4, 2019	**$ 2,042.6**	**$ 25.2**	**$ 14.7**	**$ 1,920.8**	**$ 4,003.3**	**$ 79.7**	**$ 4,083.0**
IFRS 16 transition adjustment (Note 16)	**-**	**-**	**-**	**(432.0)**	**(432.0)**	**-**	**(432.0)**
Restated balance as at May 5, 2019	**2,042.6**	**25.2**	**14.7**	**1,488.8**	**3,571.3**	**79.7**	**3,651.0**
Dividends declared on common shares	**-**	**-**	**-**	**(65.1)**	**(65.1)**	**-**	**(65.1)**
Equity based compensation, net	**3.4**	**(5.0)**	**-**	**-**	**(1.6)**	**-**	**(1.6)**
Repurchase of capital stock (Note 8)	**(17.6)**	**-**	**-**	**(34.4)**	**(52.0)**	**-**	**(52.0)**
Shares held in trust, net	**2.1**	**-**	**-**	**-**	**2.1**	**-**	**2.1**
Capital transactions with structured entities	**-**	**-**	**-**	**-**	**-**	**(9.7)**	**(9.7)**
Transactions with owners	**(12.1)**	**(5.0)**	**-**	**(99.5)**	**(116.6)**	**(9.7)**	**(126.3)**
Net earnings	**-**	**-**	**-**	**285.2**	**285.2**	**17.9**	**303.1**
Revaluation of put options	**-**	**-**	**-**	**(2.2)**	**(2.2)**	**(1.6)**	**(3.8)**
Other comprehensive loss	**-**	**-**	**(1.2)**	**(10.3)**	**(11.5)**	**-**	**(11.5)**
Total comprehensive income for the period	**-**	**-**	**(1.2)**	**272.7**	**271.5**	**16.3**	**287.8**
Balance at November 2, 2019	**$ 2,030.5**	**$ 20.2**	**$ 13.5**	**$ 1,662.0**	**$ 3,726.2**	**$ 86.3**	**$ 3,812.5**

See accompanying notes to the unaudited interim condensed consolidated financial statements.

Empire Company Limited	***13 Weeks Ended***		***26 Weeks Ended***	
Condensed Consolidated Statements of Cash Flows	**November 2**	**November 3**	**November 2**	**November 3**
Unaudited (in millions of Canadian dollars)	**2019**	**2018**	**2019**	**2018**
Operations				
Net earnings	**$ 160.3**	$ 110.9	**$ 303.1**	$ 221.0
Adjustments for:				
Depreciation	**173.1**	81.6	**347.8**	164.3
Income tax expense	**56.2**	39.8	**107.8**	81.3
Finance costs, net (Note 10)	**69.9**	22.7	**141.6**	45.8
Amortization of intangibles	**18.2**	21.1	**37.4**	42.4
Net gain on disposal of assets	**(7.3)**	(4.7)	**(17.7)**	(15.7)
Impairment reversals of non-financial assets, net	**(3.4)**	(12.7)	**(1.7)**	(30.2)
Amortization of deferred items	**0.3**	0.6	**1.4**	1.5
Equity in earnings of other entities, net of distributions received	**(15.7)**	2.5	**(4.2)**	3.7
Employee future benefits	**(0.9)**	(7.5)	**(3.4)**	(6.8)
Increase in long-term lease obligation	**-**	2.5	**-**	4.4
Decrease in long-term provisions	**(6.6)**	(11.5)	**(14.2)**	(22.2)
Equity based compensation, net	**1.1**	1.5	**2.6**	3.0
Net change in non-cash working capital	**(118.1)**	(128.2)	**(160.6)**	(194.5)
Income taxes paid, net	**(11.1)**	(5.2)	**(18.6)**	(27.9)
Cash flows from operating activities	**316.0**	113.4	**721.3**	270.1
Investment				
Property, equipment and investment property purchases	**(173.9)**	(66.8)	**(260.5)**	(109.6)
Additions to intangibles	**(22.1)**	(6.6)	**(26.9)**	(11.4)
Proceeds on disposal of assets	**40.6**	18.4	**80.8**	36.8
Loans and other receivables	**2.3**	3.5	**5.2**	3.2
Other assets and other long-term liabilities	**(2.3)**	(3.6)	**3.6**	0.6
Business acquisitions	**(1.2)**	-	**(4.2)**	(19.8)
Payments received for finance subleases	**18.7**	-	**37.3**	-
Interest received	**1.9**	1.4	**3.9**	3.1
Cash flows used in investing activities	**(136.0)**	(53.7)	**(160.8)**	(97.1)
Financing				
Issue of long-term debt	**19.0**	12.7	**45.0**	35.2
Repayment of long-term debt	**(12.9)**	(511.4)	**(54.0)**	(542.7)
(Repayment) advances on credit facilities	**(231.2)**	491.5	**(231.2)**	478.2
Interest paid	**(28.5)**	(34.8)	**(43.4)**	(42.6)
Payments of lease liabilities (principal portion)	**(96.7)**	-	**(192.0)**	-
Payments of lease liabilities (interest portion)	**(53.9)**	-	**(107.1)**	-
Repurchase of Non-Voting Class A shares (Note 8)	**(33.1)**	-	**(52.0)**	-
Dividends paid, common shares	**(32.5)**	(29.8)	**(65.1)**	(59.7)
Non-controlling interest	**(0.6)**	(3.0)	**(9.7)**	(6.0)
Cash flows used in financing activities	**(470.4)**	(74.8)	**(709.5)**	(137.6)
(Decrease) increase in cash and cash equivalents	**(290.4)**	(15.1)	**(149.0)**	35.4
Cash and cash equivalents, beginning of period	**694.7**	678.4	**553.3**	627.9
Cash and cash equivalents, end of period	**$ 404.3**	$ 663.3	**$ 404.3**	$ 663.3

See accompanying notes to the unaudited interim condensed consolidated financial statements.

1. Reporting entity

Empire Company Limited ("Empire" or the "Company") is a Canadian company whose key businesses are food retailing and related real estate. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited interim condensed consolidated financial statements for the period ended November 2, 2019 include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. ("Sobeys"), and certain enterprises considered structured entities, where control is achieved on a basis other than through ownership of a majority of voting rights. Investments in which the Company has significant influence and its joint ventures are accounted for using the equity method. As at November 2, 2019, the Company's business operations were conducted through its two reportable segments: Food retailing and Investments and other operations, as further described in Note 12, *Segmented Information*. The Company's Food retailing business is affected by seasonality and the timing of holidays. The Company's fiscal year ends on the first Saturday in May.

2. Basis of preparation

Statement of compliance
The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and note disclosures normally included in the annual consolidated financial statements have been omitted or condensed. The unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended May 4, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

The unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on December 11, 2019.

Basis of measurement
The unaudited interim condensed consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: certain financial instruments (including derivatives) at fair value through profit and loss ("FVTPL") and cash settled stock-based compensation plans. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Use of estimates and judgments
The preparation of the unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported on the condensed consolidated financial statements and accompanying notes. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates, judgments and assumptions that could have a significant impact to the amounts recognized on the unaudited interim condensed consolidated financial statements are summarized in the Company's annual consolidated financial statements for the year ended May 4, 2019 and remain unchanged for the period ended November 2, 2019, with the exception of estimates and judgements relating to the adoption of IFRS 16 including the measurement of lease liabilities, right-of-use assets, discount rates and lease terms used. See Note 3(a) for additional details.

3. Summary of significant accounting policies

These unaudited interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 4, 2019, with the exception of the following:

Changes to accounting standards adopted during fiscal 2020

(a) Leases
Effective May 5, 2019, the Company adopted IFRS 16, "Leases" ("IFRS 16"), which replaces IAS 17, "Leases" ("IAS 17") and related interpretations.

IFRS 16 introduces a balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases except for short-term and low-value asset leases. Lessors continue to classify leases as operating or finance leases. The adoption of IFRS 16 has resulted in the recognition of right-of-use assets and lease liabilities for all leases where the Company is a lessee. The vast majority of right-of-use assets are property related, pertaining to the use of land and buildings. Other leased assets include passenger vehicles, trucks, trailers and IT equipment. The Company transitioned to IFRS 16 using the modified retrospective approach with the cumulative impact of initially applying the new standard recognized in retained earnings on May 5, 2019. Prior period comparatives have not been restated. The implementation of IFRS 16 had no impact on earnings per share in the quarter. The Company has recognized taxable and deductible temporary differences arising on the transition to IFRS 16. This has resulted in the recognition of a net deferred tax asset as a result of the balances recognized on transition as at May 5, 2019 included in the transition impacts disclosed in Note 16.

The Company has applied the following practical expedients, as permitted by IFRS 16:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- relying on previous assessment of whether a lease is onerous;
- accounting for leases which end within 12 months of the date of initial application as short-term leases;
- excluding initial direct costs from the measurement of the right-of-use asset; and
- using hindsight, (for example, in determining the lease term where the contract includes extension or termination options)

Transition impacts related to IFRS 16 adoption are outlined in Note 16.

As a result of adoption of IFRS 16 the Company has amended its accounting policies related to leases as follows:

The Company as a lessee
The Company recognizes a right-of-use asset and corresponding lease liability at the commencement date. The commencement date is the date in which the lessor makes the asset available for use by the Company. Lease payments for short-term leases or variable payments that do not depend on an index or a rate are recognized in selling, general and administrative expenses.

Lease liabilities reflect the present value of fixed lease payments and variable lease payments that are based on an index or a rate or subject to fair market renewal amounts expected to be payable by the lessee over the lease term. Lease term reflects the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. Where applicable, lease liabilities will include the purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement the Company measures lease liabilities on an amortized cost basis. Lease liabilities are remeasured when there is a modification to the lease. Lease payments are discounted using the interest rate implicit in the lease, or if that rate cannot be determined, the lessee's incremental borrowing rate at the lease inception date. Interest expense is recognized in net finance expense.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date less lease incentives received and restoration costs. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets. Right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the shorter of the asset useful life and lease term. Depreciation begins at the commencement date of the lease.

The Company as a lessor
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. For subleases, where the Company acts as an intermediate lessor, the Company assesses classification with reference to the right-of-use asset arising from the head lease.

For finance subleases the Company derecognizes the corresponding right-of-use asset and records a net investment in the finance sublease and related interest income is recognized in net finance costs.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

(in millions of Canadian dollars, except share and per share amounts)

Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. A sale and leaseback is recognized as a sale when the control of the asset has been transferred to the purchaser. The Company will measure the right-of-use asset arising from the leaseback and the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Company. Any profit or loss in a sale and leaseback transaction related to the transfer of rights of the asset to the buyer-lessor is recognized immediately.

(b) Uncertainty over income tax treatments

Effective during the quarter ended August 3, 2019, the Company adopted IFRIC 23 "Uncertainty over income tax treatments" which clarifies how to apply the recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty related to tax treatments. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. This adoption did not have a material impact on the Company's unaudited interim condensed consolidated financial statements.

4. Inventories

The cost of inventories recognized as an expense for the quarter and year-to-date ended November 2, 2019 was $4,840.8 and $9,924.5 respectively (November 3, 2018 - $4,731.9 and $9,679.9). The Company recorded an expense of $2.7 (November 3, 2018 - $1.4) for write-down of inventories below cost to net realizable value for inventories on hand. There were no reversals of inventories written down previously (November 3, 2018 - $ nil).

5. Investments, at equity

	November 2 2019	**November 3 2018**
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	**$ 485.5**	$ 448.3
Canadian real estate partnerships	**92.6**	88.8
U.S. real estate partnerships	**17.7**	22.5
Joint ventures	**6.7**	9.2
Total	**$ 602.5**	$ 568.8

The fair value of the investment in Crombie REIT, which is based on a published price quoted on the Toronto Stock Exchange, is as follows:

	November 2 2019	**November 3 2018**
Crombie REIT	**$ 1,003.3**	$ 806.0

The Canadian and U.S. real estate partnerships and joint ventures are not publicly listed on a stock exchange and hence published price quotes are not available.

(in millions of Canadian dollars, except share and per share amounts)

6. Provisions

November 2, 2019	Lease Contracts	Legal	Environmental	Restructuring	Total
Opening balance	$ 19.2	$ 7.1	$ 42.4	$ 143.8	$ 212.5
Reclassification due to IFRS 16 (Note 16)	(7.1)	-	-	(24.0)	(31.1)
Opening balance after reclassification	$ 12.1	$ 7.1	$ 42.4	$ 119.8	$ 181.4
Provisions made	4.4	3.9	0.4	31.1	39.8
Provisions used	(4.9)	(2.3)	(0.7)	(68.0)	(75.9)
Provisions reversed	(0.7)	(1.6)	(0.9)	(12.8)	(16.0)
Change due to discounting	0.1	-	0.7	1.6	2.4
Closing balance	$ 11.0	$ 7.1	$ 41.9	$ 71.7	$ 131.7
Current	$ 7.5	$ 7.1	$ 1.3	$ 58.2	$ 74.1
Non-current	3.5	-	40.6	13.5	57.6
Total	$ 11.0	$ 7.1	$ 41.9	$ 71.7	$ 131.7

7. Long-term debt

The following table reconciles the changes in cash flows from financing activities for long-term debt:

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	November 3 2018	**November 2 2019**	November 3 2018
Opening balance	**$ 1,976.9**	$ 1,645.4	**$ 2,020.9**	$ 1,666.9
Reclassification due to IFRS 16 (Note 16)	**-**	-	**(29.1)**	-
Opening balance after reclassification	**$ 1,976.9**	$ 1,645.4	**$ 1,991.8**	$ 1,666.9
Issuance of debt	**19.0**	12.7	**45.0**	35.2
Acquired through business acquisitions	**-**	-	**-**	0.1
Repayment of long-term debt	**(12.9)**	(511.4)	**(54.0)**	(542.7)
(Repayments) advances on credit facilities	**(231.2)**	491.5	**(231.2)**	478.2
Total cash flow used in long-term debt financing	**(225.1)**	(7.2)	**(240.2)**	(29.2)
Deferred financing costs	**0.3**	0.4	**0.5**	0.9
Closing balance	**$ 1,752.1**	$ 1,638.6	**$ 1,752.1**	$ 1,638.6

8. Capital stock

On June 27, 2019, the Company filed a notice of intent with the Toronto Stock Exchange to purchase for cancellation up to 3.5 million Non-Voting Class A shares representing approximately 2% of shares outstanding. Purchases commenced on July 2, 2019 and shall terminate not later than July 1, 2020.

During the second quarter of fiscal 2020, the Company purchased for cancellation 930,454 Non-Voting Class A shares at an average price of $35.49. The purchase price was $33.1 of which $11.0 of the purchase price was accounted for as a reduction to share capital and the remainder as a reduction to retained earnings. For the year-to-date, the Company has repurchased for cancellation 1,477,754 Non-Voting Class A shares at an average price of $35.17. The purchase price was $52.0 of which $17.6 of the purchase price was accounted for as a reduction to share capital and the remainder as a reduction to retained earnings.

The Company also entered into an automatic share purchase plan (“ASPP”) with its designated broker allowing the purchase of Non-Voting Class A shares for cancellation under its normal course issuer bid program during trading black-out periods.

(in millions of Canadian dollars, except share and per share amounts)

9. Other income

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	**November 3 2018**	**November 2 2019**	**November 3 2018**
Net gain on disposal of assets	**$ 7.3**	$ 4.7	**$ 17.7**	$ 15.7
Lease income from owned property	**4.1**	5.2	**8.3**	9.5
Total	**$ 11.4**	$ 9.9	**$ 26.0**	$ 25.2

10. Finance costs, net

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	**November 3 2018**	**November 2 2019**	**November 3 2018**
Finance income				
Interest income from cash and cash equivalents	**$ 1.9**	$ 1.4	**$ 3.9**	$ 3.1
Fair value gains on forward contracts	**0.7**	0.7	**1.7**	1.7
Interest income on lease receivables	**5.8**	-	**11.9**	-
Accretion income on loans and other receivables	**0.1**	0.1	**0.2**	0.3
Total finance income	**8.5**	2.2	**17.7**	5.1
Finance costs				
Interest expense on financial liabilities measured at amortized cost	**20.9**	20.3	**45.4**	41.4
Interest expense on lease liabilities	**53.9**	-	**107.1**	-
Net pension finance costs	**2.2**	2.9	**4.4**	5.9
Accretion expense on provisions	**1.4**	1.7	**2.4**	3.6
Total finance costs	**78.4**	24.9	**159.3**	50.9
Finance costs, net	**$ 69.9**	**$** 22.7	**$ 141.6**	**$** 45.8

11. Earnings per share

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	**November 3 2018**	**November 2 2019**	**November 3 2018**
Weighted average number of shares - basic	**271,304,760**	271,842,997	**271,508,967**	271,815,816
Shares deemed to be issued for no consideration in respect of stock-based payments	**1,142,908**	360,883	**1,135,632**	443,742
Weighted average number of shares - diluted	**272,447,668**	272,203,880	**272,644,599**	272,259,558

12. Segmented information

The Company's reportable segments are Food retailing and Investments and other operations. The Food retailing segment is comprised of six operating segments: Sobeys West, Sobeys Ontario, Sobeys Quebec, Sobeys Atlantic, Lawtons and Farm Boy. These operating segments have been aggregated into one reportable segment, "Food retailing", as they all share similar economic characteristics such as product offerings, customer base and distribution methods. The Investments and other operations segment principally consists of investments, at equity, in Crombie REIT, real estate partnerships and various other corporate operations.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

All inter-segment transfers are carried out at arm's length prices. The measurement policies the Company uses for segment reporting under IFRS 8, "Operating segments", are the same as those used on its consolidated financial statements.

No asymmetrical allocations of income, expense or assets have been applied between segments.

(in millions of Canadian dollars, except share and per share amounts)

All sales are generated by the Food retailing segment. Operating income generated by each of the Company's business segments is summarized as follows:

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	**November 3 2018**	**November 2 2019**	**November 3 2018**
Segmented operating income				
Food retailing	**$ 251.8**	$ 162.0	**$ 506.2**	$ 314.4
Investments and other operations				
Crombie REIT	**24.3**	5.0	**37.5**	25.3
Real estate partnerships	**6.1**	6.4	**7.3**	9.0
Other operations, net of corporate expenses	**4.2**	-	**1.5**	(0.6)
	34.6	11.4	**46.3**	33.7
Total	**$ 286.4**	$ 173.4	**$ 552.5**	$ 348.1

Segment operating income can be reconciled to the Company's earnings before income taxes as follows:

	13 Weeks Ended		26 Weeks Ended	
	November 2 2019	**November 3 2018**	**November 2 2019**	**November 3 2018**
Total operating income	**$ 286.4**	$ 173.4	**$ 552.5**	$ 348.1
Finance costs, net	**69.9**	22.7	**141.6**	45.8
Total	**$ 216.5**	$ 150.7	**$ 410.9**	$ 302.3

	November 2 2019	**November 3 2018**
Total assets by segment		
Food retailing	**$ 13,091.9**	$ 8,079.0
Investments and other operations	**685.8**	654.9
Total	**$ 13,777.7**	$ 8,733.9

13. Business acquisitions

During the quarter ended August 3, 2019, the Company finalized the purchase price allocation for Kim Phat, a Quebec based ethnic retailer acquired on July 19, 2018. No adjustments were made to the amounts disclosed in the audited consolidated financial statements for the fiscal year ended May 4, 2019. The Company has also made no further adjustments to the Farm Boy purchase price allocation disclosed in the audited consolidated financial statements for the fiscal year ended May 4, 2019. The Farm Boy purchase price allocation has been determined provisionally and is subject to change pending the finalization of the valuations and related accounting. The Farm Boy purchase price allocation is expected to be finalized by the end of the third quarter of fiscal 2020.

14. Financial instruments

The carrying amount of the Company's financial instruments approximates their fair values with the following exception:

Long-term debt	**November 2, 2019**	**May 4, 2019**	**November 3, 2018**
Total carrying amount	**$ 1,752.1**	$ 2,020.9	$ 1,638.6
Total fair value	**$ 1,868.7**	$ 2,086.8	$ 1,682.3

The fair value of the non-controlling interest put liabilities associated with the acquisitions of Farm Boy and Kim Phat is equivalent to the present value of the non-controlling interest buyout price which is based on the future earnings of these entities at a predetermined date. The initial and subsequent fair value measurement of the put liability is classified as Level 3 within the three-level hierarchy of IFRS 13 "Fair value measurement". Subsequent remeasurement is recorded through retained earnings.

(in millions of Canadian dollars, except share and per share amounts)

15. Stock-based compensation

Performance share unit plan

The Company awards performance share units ("PSUs") to certain employees. The number of PSUs that vest under an award, for the most part, is dependent on time and the achievement of certain performance measures. Upon vesting, each employee is entitled to receive Non-Voting Class A shares equal to the number of their vested PSUs. The weighted average fair value of $28.91 per PSU issued during the quarter and year-to-date ended November 2, 2019 was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$30.04
Expected life	2.86 years
Risk-free interest rate	1.40%
Expected volatility	27.64%
Dividend yield	1.34%

At November 2, 2019, there were 202,088 (November 3, 2018 - 328,975) PSUs outstanding. The compensation expense for the quarter and year-to-date ended November 2, 2019 related to PSUs was $0.3 and $0.8 respectively (November 3, 2018 - $0.7 and $1.4).

Stock option plan

During the period ended November 2, 2019, the Company granted 1,712,468 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A shares. The weighted average fair value of $6.80 per option issued during the period was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$31.37
Expected life	6.78 years
Risk-free interest rate	1.39%
Expected volatility	23.97%
Dividend yield	1.45%

The compensation expense for the quarter and year-to-date ended November 2, 2019 related to the issuance of options was $0.8 and $1.8 respectively (November 3, 2018 - $0.8 and $1.6).

Deferred stock unit plans

Deferred stock units ("DSUs") issued to employees under the Executive DSU Plan vest dependent on time and the achievement of certain performance measures. At November 2, 2019, there were 1,254,628 (November 3, 2018 - 1,084,368) DSUs outstanding related to this plan and the total carrying amount of the liability was $25.5 (November 3, 2018 - $10.8). The compensation expense recorded for the quarter and year-to-date ended November 2, 2019 related to DSUs was $2.1 and $9.1 respectively (November 3, 2018 - $0.6 and $3.5).

Members of the Board of Directors may elect to receive all or any portion of their fees in DSUs in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each directors' or employees' fee payment date. At November 2, 2019, there were 269,049 (November 3, 2018 - 222,851) DSUs outstanding and the total carrying amount of the liability was $9.3 (November 3, 2018 - $5.2). The compensation (reversal) expense recorded for the quarter and year-to-date ended November 2, 2019 was $ nil and $1.7, respectively (November 3, 2018 - $(0.1) and $0.5).

Under both DSU plans, vested DSUs cannot be redeemed until the employee has left the Company or the holder is no longer a director of the Company. The redemption value of a DSU equals the market value of an Empire Non-Voting Class A share at the time of redemption. On an ongoing basis, the Company values the DSU obligation at the current market value of a corresponding number of Non-Voting Class A shares and records any increase or decrease in the DSU obligation as selling and administrative expenses.

(in millions of Canadian dollars, except share and per share amounts)

16. Transition to IFRS 16

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

		May 5, 2019
Assets - increase (decrease)		
Current		
Prepaid expenses	**$**	(43.4)
Loans and other receivables		53.6
Current assets		10.2
Loans and other receivables		519.0
Other assets		(7.3)
Property and equipment		(22.3)
Right-of-use assets		3,800.7
Intangibles		(126.7)
Deferred tax assets		127.3
Non-current assets		4,290.7
	$	**4,300.9**
Liabilities - (increase) decrease		
Current		
Provisions	**$**	7.4
Long-term debt due within one year		6.5
Lease liabilities due within one year		(424.4)
Current liabilities		(410.5)
Provisions		23.7
Long-term debt		22.6
Long-term lease liabilities		(4,569.6)
Other long-term liabilities		164.4
Deferred tax liabilities		36.5
Non-current liabilities		(4,322.4)
Shareholders' equity - decrease		
Retained earnings		432.0
	$	**(4,300.9)**

The Company used its incremental borrowing rate as at May 5, 2019, to measure lease liabilities. The weighted average incremental borrowing rate is 4.3%. The weighted average lease term remaining as at May 5, 2019 is 13 years.

The following reconciliation is between lease liabilities recognized on May 5, 2019, and operating lease commitments disclosed under IAS 17 as at May 4, 2019, discounted using the weighted average incremental borrowing rate as at the date of initial application:

Operating lease commitments as at May 4, 2019	$	5,837.8
Historical lease payment net of onerous contract provisions recognized		31.1
Historical finance lease liabilities recognized		29.1
Adjustments as a result of change in lease term assumptions for sites with historical off market leases (net)		237.2
Adjustments as a result of change in lease term assumptions		253.4
Effect of discounting using the lessee's incremental borrowing rate		(1,394.6)
Lease liabilities recognized as at May 5, 2019	**$**	**4,994.0**

(in millions of Canadian dollars, except share and per share amounts)

As of November 2, 2019, changes in right-of-use assets are as follows:

	Property	Other	Total
Opening value as at May 5, 2019	$ 3,784.7	$ 16.0	$ 3,800.7
Additions	140.9	32.3	173.2
Depreciation	(171.8)	(2.6)	(174.4)
Closing balance as at November 2, 2019	**$ 3,753.8**	**$ 45.7**	**$ 3,799.5**

As of November 2, 2019, net finance costs includes $107.1 of finance expense related to lease liabilities and $11.9 of finance income related to finance subleases.

As of November 2, 2019, the Company completed four sale and leaseback transactions to third parties which resulted in a right-of-use adjustment of $4.5.

17. Related party transactions

The Company enters into related party transactions with Crombie REIT including ongoing leases and property management agreements. There have been no material changes to the specified contractual obligations between the Company and Crombie REIT during the quarter, other than as described below. The Company holds a 41.5% ownership interest in Crombie REIT and accounts for its investment using the equity method.

During the first quarter ended August 3, 2019, Sobeys, through a wholly-owned subsidiary, sold 50% of a property to Crombie REIT for cash consideration of $9.5. This resulted in a pre-tax gain of $1.5, which has been recognized in other income on the unaudited interim condensed consolidated statements of earnings.

On May 28, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 15 property portfolio to a third party purchaser which closed on October 7, 2019. Sobeys and Crombie REIT entered into lease amending agreements on properties disposed where Sobeys was a lessee to secure longer contractual terms, as well as additional option terms on the sites. As consideration for these amendments, Crombie REIT agreed to pay an aggregate amount to Sobeys over a period of three years. As of November 2, 2019, Sobeys has accrued $6.5 in current and long-term receivables related to these amounts.

18. Employee future benefits

During the quarter and year-to-date ended November 2, 2019, the net employee future benefits expense reported in net earnings was $12.5 and $25.1 respectively (November 3, 2018 - $13.3 and $27.1). Actuarial gains (losses) before taxes on defined benefit pension plans for the quarter and year-to-date ended November 2, 2019 were $16.0 and $(14.0) respectively (November 3, 2018 - $(3.5) and $18.1). These gains (losses) have been recognized in other comprehensive income.

Empire Company Limited
115 King Street
Stellarton, Nova Scotia
B0K 1S0
Telephone: (902) 752-8371
Fax: (902) 755-6477
www.empireco.ca

Investor Relations and Inquiries

Shareholders, analysts and investors should direct their financial inquiries or requests to:

E-mail: investor.relations@empireco.ca

Communication regarding investor records including changes of address or ownership, lost certificates or tax forms, should be directed to the Company's transfer agent and registrar, AST Trust Company (Canada).

Affiliated Company Web Address

www.sobeyscorporate.com

Transfer Agent

AST Trust Company (Canada)
Investor Correspondence
P.O. Box 700, Station B
Montreal, Québec
H3B 3K3
Telephone: 1-800 387-0825
E-mail: inquiries@astfinancial.com

Multiple Mailings

If you have more than one account, you may receive a separate mailing for each. If this occurs, please contact AST Trust Company(Canada) at 1-800-387-0825 to eliminate the multiple mailings.

Dividend Record and Payment Dates for Fiscal 2020

Record Date	Payment Date
July 15, 2019	July 31, 2019
October 15, 2019	October 31, 2019
January 15, 2020	January 31, 2020
April 15, 2020*	April 30, 2020*

*Subject to approval by the Board of Directors.

Outstanding Shares

As at December 10, 2019	
Non-Voting Class A shares	172,168,228
Class B common shares, voting	98,138,079

Stock Exchange Listing

The Toronto Stock Exchange

Stock Symbol

Non-Voting Class A shares – EMP.A

Solicitors

Stewart McKelvey
Halifax, Nova Scotia

Auditor

PricewaterhouseCoopers, LLP
Halifax, Nova Scotia

EMPIRE
COMPANY LIMITED

www.empireco.ca