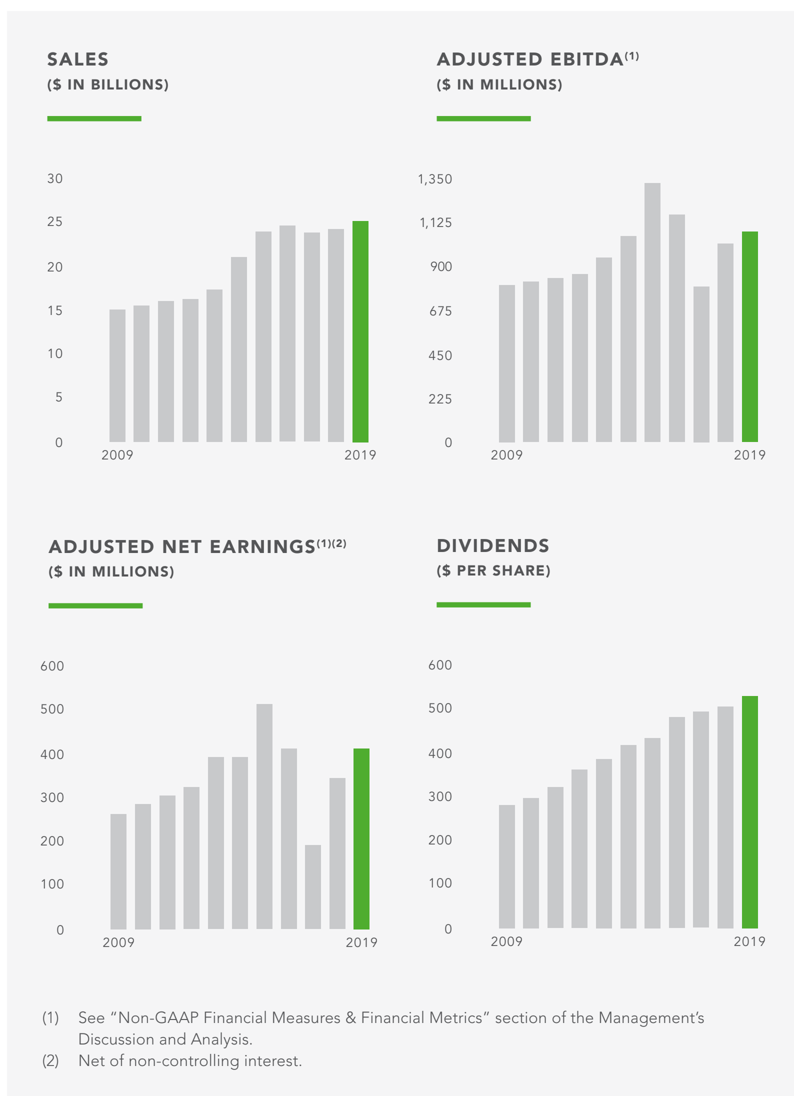
Annual Report 2019

EMPIRE
COMPANY LIMITED

Fresh Thinking

Financial Highlights

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing and related real estate. With approximately $25.1 billion in annual sales and $9.6 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 123,000 people.



(1) See "Non-GAAP Financial Measures & Financial Metrics" section of the Management's Discussion and Analysis.
(2) Net of non-controlling interest.

	52 weeks ended		
($ in millions, except per share amounts)	May 4, 2019	May 5, 2018	May 6, 2017
Sales	$ 25,142.0	$ 24,214.6	$ 23,806.2
Operating income	652.3	346.5	333.0
Adjusted operating income[(1)]	683.6	601.7	378.5
EBITDA[(1)]	1,069.5	785.7	777.2
Adjusted EBITDA[(1)]	1,076.2	1,014.7	796.9
Net earnings[(2)]	387.3	159.5	158.5
per share (fully diluted)	1.42	0.59	0.58
Adjusted net earnings[(1)(2)]	410.0	344.3	191.3
per share (fully diluted)	1.50	1.27	0.70
Book value per common share[(1)]	14.72	13.62	13.40
Dividends per share	0.44	0.42	0.41

Two years into Empire Company Limited's three-year Project Sunrise transformation plan, the Company is surpassing milestones and exceeding targets. The team continues to make tough decisions and stand behind them. In every area of its operations, Empire is shifting from an inward focus on fixing fundamentals to an outward, customer-centric focus on innovating with purpose and executing with much more velocity.

Message from the Chair

During fiscal 2019, the second year of our ambitious plan to transform Empire and return the Company to a position of strength, the Company delivered on its commitments to shareholders. I am very pleased to report that performance exceeded the Board's expectations, particularly on key metrics such as Project Sunrise savings, tonnage growth, sales growth and margin expansion. Since our CEO Michael Medline joined the Company, Empire's earnings per share and share price have each increased by more than 100%.

Quarter by quarter, with tenacity and unyielding commitment to our strategic plan, our Company has been setting in place the building blocks of a new Empire – a stronger platform to compete, to innovate and to win the next generation of grocery retail in Canada.

Those building blocks include significant progress on key strategic initiatives, such as the push west with our Company's FreshCo banner where our first stores in British Columbia and Manitoba have opened to rave reviews from customers. Our exclusive agreement with Ocado to bring the world's very best integrated grocery e-commerce platform to Canada – that we have branded Voilà – is on track to deliver its first orders to homes in the Greater Toronto Area in the spring of 2020, and construction of our second e-commerce site is already underway in Montreal.

These targeted strategic initiatives also included deliberate and bold moves such as our purchase of Farm Boy which allows us to close the urban gap we have in Ontario and turbo-charge our growth in this key market.

We also made important progress on key building blocks that may be somewhat less tangible, but are perhaps even more critical to Empire's future. The continuing evolution of the senior leadership team under Michael Medline, the collaboration and strong execution of colleagues working nationally, and the renewed confidence and vigour of the broader team, have shifted our organization from struggling to be competitive, to playing a winning game.

As part of that shift, we have re-energized our focus on sustainability, where we are dedicating more resources to finding practical solutions for our customers, our Company and our business partners that will have long-standing benefits and positive impacts for our generation and the next.

As a small footnote to our progress, and a testament to the tremendous efforts of the whole team at Empire, we were thrilled to celebrate Michael Medline's recognition in December as Canada's CEO of the Year for 2018, awarded by The Globe and Mail's *Report on Business Magazine*.

On the strength of a solid top line, margin discipline, and success in capturing the benefits of Project Sunrise on the bottom line in fiscal 2019, along with disciplined capital management, our Company is once again experiencing strong, consistent cash flow generation. This has allowed us to increase Empire's quarterly dividend in the fourth quarter by nine per cent.

We have also announced a share buyback program and, in fiscal 2020, we will execute a normal course issuer bid with the intent to repurchase up to $100 million of Empire shares.

Effective Governance

With Project Sunrise progress well on track and ahead of schedule in many respects, the Board has determined that governance of the transformation should return to the strong oversight provided by our full Board and standing sub-committees. The work of our Transformation Oversight Committee, which has been in place the last two years and led extremely effectively by one of our Directors, Sue Lee, has contributed greatly to the success of our far-reaching transformation agenda. With the mandate of the Transformation Oversight Committee very well executed and essentially complete, the full Board, supported by our Audit, HR, and Corporate Governance committees, will provide guidance as management brings Project Sunrise home.

We are extraordinarily fortunate to have a Board that is highly engaged, experienced and diverse. The slate of directors we are proposing for election at this year's annual general meeting consists of individuals with experience in the food business, retail, finance, e-commerce, consumer businesses and sustainability. All of our directors are independent except for our CEO. Ten of our independent directors have joined our Board within the past seven years. We continue to be proud of the fact that five of our 14 directors are female, exceeding our goal of engaging highly capable women in at least 30 per cent of Board seats. In addition, we are fortunate to include five members of the Sobey family, each of whom has, in the past, served in senior level positions within Empire or Sobeys.

The strong engagement of every team member, franchisee and affiliate in Empire's and Sobeys' operations, the unrelenting focus of our CEO and leaders across the Company to winning the future of grocery retail, and the keen involvement and ongoing commitment of the Sobey family to long-term value creation are the factors that will continue to differentiate us. These are the pillars of strength that have underpinned our success for the last 112 years, and the ones on which we will continue to build for the future.

Sincerely,

signed "James M. Dickson"

James M. Dickson
Chair, Empire Company Limited
June 26, 2019

Message from the CEO

Shifting to Offence. Embracing the Future.

Empire has great momentum and we're gaining speed. Through stronger execution and innovation, we are now in a position to win.

Q You've said Empire is ahead of where you expected to be at this point in the three-year transformation. What accomplishments would you highlight?

Our progress is evident on so many fronts. We added almost $1 billion in sales in fiscal 2019 with strong same-store sales. Our margins are solid and increasing. We've taken $300 million in costs out of the business to date and will exceed our Project Sunrise savings target. And we are closing the EBITDA gap on our competitors.

Beyond these key metrics, the accomplishment I am most encouraged by is the solid foundation we have created over the past two years. This is not the Company of two years ago – or even a year ago. We are national. We are brand focused. We are moving fast to meet the evolving needs of our customers. We are pursuing strategies to win the next generation of retail.

We have created the foundation on which we can confidently and purposefully grow our Company. We are already working on our next three-year strategic plan which will be just as audacious as our current plan. Canadians trust us and our brand. And the foundation we have built today will ensure innovation remains at the centre of everything we do in the future. Our people have worked incredibly hard to transform our great Company over the last few years. I am so proud to be their teammate.

We have one more year of tying off our Project Sunrise transformation goals, but we are already looking to the future and are well poised for growth.

SENSORY FRIENDLY SHOPPING

Lori Rhyno, Sobeys District Operator for Pictou County & Truro, stands to the right of Jenny Tyler from Autism Nova Scotia, in the Nova Scotia Legislature Library following recognition by the Province. Lori and Tammy MacPhee, Sobeys District Operator for PEI, have received multiple awards for launching sensory-friendly shopping where store teams dim lights and minimize all sounds to provide a more welcoming environment for individuals with sensory challenges. The initiative is rolling out across the country.

Q How are you pursuing innovation to advance Empire's strategic priorities?

We have a responsibility to never stop striving to be the most innovative and best executing retailer in Canada which is central to our vision and needs to be part of every aspect of our business. It's happening on so many fronts. For example, we are pursuing targeted initiatives in data analytics and artificial intelligence to drive smarter merchandising decisions and more relevant customer communications, directly supporting our ability to win in our stores and bolster our brand. We are leveraging innovations in sustainability to get rid of plastics, reduce food waste and lower energy costs. We are partnering with global leaders in innovation – leveraging the world's most advanced online grocery platform to launch our Voilà e-commerce solution in the Greater Toronto Area (GTA) in 2020 and then in Quebec. We are unleashing the innovative spirit of our 123,000 employees, embracing and elevating ideas such as sensory-friendly shopping – the award-winning initiative developed by two store operations leaders in Atlantic Canada, now rolling out nationally. This will be a long journey of innovation, but we are on the path.

Q When you talk about filling the urban gap, Farm Boy is part of the strategy in the GTA. Is the performance of those stores and Farm Boy expansion plans falling in line with your expectations?

Yes and yes. Co-CEOs Jean-Louis Bellemare and Jeff York have done an outstanding job driving Farm Boy expansion plans in Ontario, and the GTA in particular. Farm Boy sales in fiscal 2019 surpassed our expectations, validating the exceptional fit of this banner within the Empire group of companies. We have a winning format that will allow us to accelerate our growth in urban and suburban markets in Ontario. We continue to keep Farm Boy store operations very separate from Sobeys, but legions of loyal fans in the GTA will be able to order their much-loved Farm Boy private label products through our Voilà e-commerce solution when it launches next spring.

VOILÀ DELIVERY

Voilà delivery vehicles will be busy on routes throughout the GTA in the spring of 2020 when Empire introduces the world's best e-commerce grocery platform to Canada. The branding was unveiled in May 2019 as the team continues to prepare for launch.

LAKESHORE FARMBOY
Co-CEOs Jean Louis Bellemare and Jeff York of Farm Boy with Michael Medline, centre, outside Farm Boy Lakeshore in Toronto. To the far left and right are Farm Boy Senior Vice Presidents, Donny Milito and Shaun Linton.

Q The FreshCo discount banner is also expanding – in this case to Western Canada. How are plans progressing on that front?

It is still early days, but we are extremely pleased with store performance and customer reaction so far. We launched our first FreshCo locations in Western Canada in April 2019, opening three stores in British Columbia, followed by two stores in Winnipeg in May, and our first two Chalo! FreshCo stores opened in British Columbia in July. Eleven more FreshCo stores are slated to open in Western Canada in fiscal 2020, as we continue on the path to converting 25% of our poorer performing Safeway and Sobeys stores to FreshCo locations in markets that are better suited to discount.

The Western Canadian stores are all branded with the distinctive new FreshCo 2.0 look and feel, and updated merchandising program, which are also being rolled out to all 95 FreshCo stores in Ontario with consistently positive customer response.

Q You are someone who places great importance on brand and leveraging the strength of brand to build strong ties to customers. What progress has the team made this past year?

Since Sobeys was founded in 1907, we have remained steadfast in our commitment to Canadians. And I believe we are one of a few iconic Canadian brands that continues to reflect the bonds and aspirations of modern families. This summer, for example, we re-launched the Sobeys banner brand with the new tagline "Canada's family grocery store" in TV and social media campaigns. It resonates with our customers and falls in line with the innate characteristics that differentiate Sobeys banner stores nationally from our competitors. This same work is being done for all our major banners, creating a family of unique brands but with shared bonds – just like a family.

In virtually every community across this country, Canadians look to us to be there for them. They have high expectations of us and we will remain committed to meeting those expectations across every one of our banners. We will continue to evolve our brand, and ensure we are doing everything possible to give customers compelling reasons to shop us first.

Q Speaking of community, what stands out for you in the way the Company invests in communities?

In Empire's very fibre, support of the community is ingrained. That feeling emanates from the great Sobey family over our 112-year history. I think first and foremost of the amazing things our store, warehouse and office teammates do to give back – raising and donating funds, never hesitating to lend a helping hand. Proudly serving our communities is one of our most cherished values. From our Quebec IGA franchisees, customers and suppliers raising millions for the Fondation Charles Bruneau, to our wonderful partnership with Special Olympics Canada where our nutrition education programming is the first of its kind in the global movement, to year-round, community-by-community support for local food banks and meal programs, there are thousands of ways we show up to make a difference, week after week, year after year.

Q Do you have any final comments?

Innovation and execution are inextricably linked in our formula for success. We can have all of the greatest ideas and innovation in the world, but without equal emphasis on execution, we simply won't deliver. We are working hard to build the infrastructure, the systems, the leaders, and the investments to ensure we are executing with purpose and speed against our vision. Now that we are positioned to grow, we are creating a culture of continuous improvement with a laser-like focus on the evolving needs of our customer. Our teams have never been stronger and more ready to tackle the changes happening in our industry. The future of grocery retail is at the end of that path. At Empire, we are aiming to get there first.

It is my sincere belief that we have the finest Board and Chairman, Jim Dickson, in the country. Their passion for our business, their ability to hold us accountable, to support the tough decisions we have had to make and their embrace of innovation have paved the way to our recent success. And thank you to our millions of loyal customers who shop us every week – they are the reason we must continue to execute and innovate.

signed "Michael Medline"

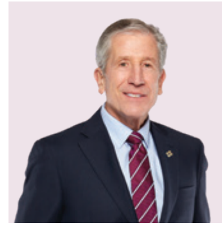
Michael Medline
President & Chief Executive Officer
Empire Company Limited
June 26, 2019

Directors of Empire Company Limited

Cynthia Devine[2][5][7]
Toronto, Ontario
Director since 2013
Chief Financial Officer, Maple Leaf Sports & Entertainment

James M. Dickson
Halifax, Nova Scotia
Director since 2015
Chair of Empire Company Limited
Counsel, Stewart McKelvey

Sharon Driscoll[1]
Vancouver, British Columbia
Director since 2018
Chief Financial Officer, Ritchie Bros. Auctioneers Inc.



Gregory Josefowicz[3]
Fennville, Michigan, USA
Director since 2016
Corporate Director

Sue Lee[3]
Vancouver, British Columbia
Director since 2014
Corporate Director

William Linton[4][5][7]
Toronto, Ontario
Director since 2015
Corporate Director

Michael Medline
Toronto, Ontario
Director since 2017
President & Chief Executive Officer, Empire Company Limited and Sobeys Inc.

Martine Reardon[1][5][7]
New York, New York, USA
Director since 2017
Corporate Director

Frank C. Sobey[5]
Pictou County, Nova Scotia
Director since 2007
Corporate Director

John R. Sobey[1]
Pictou County, Nova Scotia
Director since 1979
Corporate Director

Karl R. Sobey[3]
Halifax, Nova Scotia
Director since 2001
Corporate Director

Paul D. Sobey[5]
Pictou County, Nova Scotia
Director since 1993
Corporate Director

Rob G.C. Sobey[3][5]
Stellarton, Nova Scotia
Director since 1998
Corporate Director

Martine Turcotte[1][6][8]
Verdun, Québec
Director since 2012
Vice Chair, Québec, BCE Inc. and Bell Canada

(1) Audit Committee member
(2) Audit Committee chair
(3) Human Resources Committee member
(4) Human Resources Committee chair
(5) Corporate Governance Committee member
(6) Corporate Governance Committee chair
(7) Nominating Committee member
(8) Nominating Committee chair

To learn more, please visit
www.empireco.ca/governance

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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 subsidiaries, including wholly-owned Sobeys Inc. ("Sobeys") for the 13 and 52 weeks ended May 4, 2019 compared to the 13 and 52 weeks ended May 5, 2018. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the 52 weeks ended May 4, 2019, and the 52 weeks ended May 5, 2018. Additional information about the Company, including the Company's Annual Information Form, can be found on SEDAR at www.sedar.com or on the Company's website at www.empireco.ca.

The audited consolidated financial statements and the accompanying notes are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and are reported in Canadian dollars ("CAD"). These consolidated financial statements include the accounts of Empire and its subsidiaries and structured entities which the Company is required to consolidate. The information contained in this MD&A is current to June 26, 2019, unless otherwise noted.

Forward-Looking Information

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

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

- The Company's expectations regarding the impact of Project Sunrise, including expected cost savings and efficiencies resulting from this transformation initiative, 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";
- The FreshCo expansion in Western Canada, 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 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 overall 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 which may be impacted by market and economic conditions, availability of sellers, changes in laws and regulations, and the results of operations;
- The Company's estimates regarding future capital expenditures which includes acquisitions of property, equipment and investment properties as well as additions to intangibles, 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.

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 $25.1 billion in annual sales and $9.6 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 123,000 people.

FOOD RETAILING

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

Strategic Focus[1]

The Company has established a solid foundation and is putting in place the strategic building blocks 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 comprehensive three-year transformation intended to simplify the organizational structure and reduce costs. The transformation was expected to yield $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 and strategic sourcing cost reductions and improvements in store operations. In fiscal 2019, the Company realized a further $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, putting the Company ahead of its original projections for the three-year program. These in-year benefits for fiscal 2020 are expected to result from completion of the rollout of the category reset program in the early fall, 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. During fiscal 2019, the new branding, décor packages and taglines were finalized for the Sobeys banner, and during fiscal 2020, any required changes to the marketing and branding approach for Safeway stores will be complete.

(iii) Win in our Stores

The Company's full service format stores are a key area of focus for management. Through category resets, a key element of Project Sunrise, the Company has assessed all product categories nationally to ensure the stores have the items customers want most. Category resets are well underway in the stores and are expected to be complete by the fall of 2019. Management has completed many operational improvements in stores and the related supply chain during fiscal 2019 and expects this momentum to continue in fiscal 2020, and result in further improvements to customer experience in the stores through improved execution, better in-stock, shrink levels, merchandising and marketing.

(iv) Enhance Discount

The discount channel continues to be a growth area in food retailing. In fiscal 2018, 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 over the next five years. The first five Western Canada FreshCo stores opened in spring 2019 – three in British Columbia ("B.C.") and two in Manitoba. An additional 13 stores are expected to open in B.C. throughout fiscal 2020.

(v) Win E-commerce

On May 9, 2019, the Company unveiled *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. Sobeys, in partnership with Ocado, an industry-leading grocery e-commerce company, is developing its first Customer Fulfillment Centre ("CFC") in the GTA with delivery to customers on track 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 in 2021. The Company will lease the location from Crombie Real Estate Investment Trust ("Crombie REIT") and Crombie REIT will build the site to Empire's specifications.

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.

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

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 the 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 will be 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.

Labour Buyouts

On January 29, 2019, the Company implemented a labour decision provided by a Special Officer appointed by the Government in B.C. The labour decision set terms that allow the Company to offer voluntary buyouts to B.C. Safeway employees. Employee buyouts provide flexibility and stability for the Company to better manage labour and operational costs. As a result, the Company expensed $35 million in the third quarter of fiscal 2019 related to the cost of employee buyouts through selling and administrative expenses.

INVESTMENTS AND OTHER OPERATIONS

Empire's Investments and other operations segment, as of May 4, 2019, included:

1. A 41.5% (41.5% fully diluted) equity accounted interest in 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
2. A 40.7% equity accounted interest in Genstar Development Partnership, a 48.6% equity accounted interest in Genstar Development Partnership II, a 39.0% equity accounted interest in GDC Investments 4, L.P., a 42.1% equity accounted interest in GDC Investments 6, L.P., a 39.0% equity accounted interest in GDC Investments 7, L.P., a 37.1% equity accounted interest in GDC Investments 8, L.P., and a 49.0% equity accounted interest in The Fraipont Partnership (collectively referred to as "Genstar"). Genstar is a residential property developer with operations in select markets in Ontario, Western Canada and the United States.

Summary Results – Fourth Quarter

	13 Weeks Ended		$	%
($ in millions, except per share amounts)	May 4, 2019	May 5, 2018	Change	Change
Sales	$ **6,220.4**	$ 5,886.1	$ 334.3	5.7%
Gross profit[1]	**1,577.5**	1,451.3	126.2	8.7%
Operating income	**194.2**	110.6	83.6	75.6%
Adjusted operating income[1]	**200.3**	139.7	60.6	43.4%
EBITDA[1]	**300.1**	217.8	82.3	37.8%
Adjusted EBITDA[1]	**300.1**	240.4	59.7	24.8%
Finance costs, net	**21.2**	25.4	(4.2)	(16.5)%
Income tax expense	**44.1**	11.7	32.4	276.9%
Non-controlling interest	**6.8**	2.5	4.3	172.0%
Net earnings[2]	**122.1**	71.0	51.1	72.0%
Adjusted net earnings[1][2]	**126.5**	93.0	33.5	36.0%
Basic earnings per share				
Net earnings[2]	$ **0.45**	$ 0.26		
Adjusted net earnings[2]	$ **0.47**	$ 0.35		
Basic weighted average number of shares outstanding (in millions)	**271.9**	271.8		
Diluted earnings per share				
Net earnings[2]	$ **0.45**	$ 0.26		
Adjusted net earnings[2]	$ **0.46**	$ 0.35		
Diluted weighted average number of shares outstanding (in millions)	**272.8**	272.2		
Dividend per share	$ **0.1100**	$ 0.1050		

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(2) Net of non-controlling interest.

Consolidated operating results as a % of sales	13 Weeks Ended May 4, 2019	13 Weeks Ended May 5, 2018
Gross margin[1]	**25.4%**	24.7%
Adjusted operating income	**3.2%**	2.4%
EBITDA	**4.8%**	3.7%
Adjusted EBITDA	**4.8%**	4.1%
Adjusted net earnings[2]	**2.0%**	1.6%

	13 Weeks Ended May 4, 2019[3]	13 Weeks Ended May 5, 2018
Same-store sales[1] growth	**3.2%**	0.5%
Same-store sales growth, excluding fuel	**3.8%**	0.0%
Same-store sales growth, excluding fuel and pharmacy	**4.2%**	0.3%
Effective income tax rate	**25.5%**	13.7%

(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.

EMPIRE COMPANY LIMITED CONSOLIDATED OPERATING RESULTS

Empire's results for the fourth quarter ended May 4, 2019 include Farm Boy operations. All metrics, including same-store sales, include the consolidation of Farm Boy operations.

Sales

Sales for the quarter increased by 5.7% driven by stronger performance across the business and the incorporation of Farm Boy results. Internal food inflation was positive and tonnage increased for the fourth consecutive quarter, the highest in almost nine years. These increases were partially offset by store closures in Western Canada, the deflationary impact of healthcare reform on pharmacy sales and lower fuel prices.

Gross Profit

Gross profit for the quarter increased by 8.7% primarily as a result of higher sales, the incorporation of Farm Boy results and category reset benefits. This was partially offset by store closures in Western Canada and lower margins in the Company's pharmacy business. Gross margin for the quarter increased to 25.4% from 24.7% last year as a result of category reset benefits and positive margin rate contributions from the inclusion of Farm Boy results.

Operating Income

($ in millions)	13 Weeks Ended May 4, 2019	13 Weeks Ended May 5, 2018	$ Change
Consolidated operating income:			
Food retailing	$ **164.0**	$ 95.2	$ 68.8
Investments and other operations:			
Crombie REIT	**22.9**	10.8	12.1
Genstar	**1.5**	3.3	(1.8)
Other operations, net of corporate expenses	**5.8**	1.3	4.5
	30.2	15.4	14.8
Operating income	$ **194.2**	$ 110.6	$ 83.6
Adjustments:			
Intangible amortization associated with the Canada Safeway acquisition	$ **6.1**	$ 6.5	
Costs related to Project Sunrise	**–**	22.3	
Western Canada store closures	**–**	0.3	
	6.1	29.1	(23.0)
Adjusted operating income	$ **200.3**	$ 139.7	$ 60.6

For the quarter ended May 4, 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 store and back office incentive compensation accruals and increased marketing costs. Higher retail labour due to increased sales volume also increased selling and administrative expenses year-over-year. These increases to selling and administrative expenses were partially offset by savings achieved by Project Sunrise.

Operating income from the Investments and other operations segment increased due to the sale of a 26 property portfolio by Crombie REIT, the related gain which resulted in an increase of $8.4 million recognized by the Company as a share of equity earnings from Crombie REIT and $6.4 million in Other operations, reflecting reversal of previously deferred gains on disposal on properties previously sold to Crombie REIT.

EBITDA

EBITDA increased in the fourth quarter mainly as a result of the same factors affecting operating income.

	13 Weeks Ended		$
($ in millions)	May 4, 2019	May 5, 2018	Change
EBITDA	$ 300.1	$ 217.8	$ 82.3
Adjustments:			
Costs related to Project Sunrise	–	22.3	
Western Canada store closures	–	0.3	
	–	22.6	(22.6)
Adjusted EBITDA	$ 300.1	$ 240.4	$ 59.7

Finance Costs

For the fourth quarter ended May 4, 2019, net finance costs decreased due to increases in interest income as operating cash flows increased, and a decrease in accretion expense on provisions. This decrease was partially offset by interest on a new $400.0 million senior, unsecured non-revolving credit facility incurred from the closing date of the Farm Boy acquisition.

Income Taxes

The effective income tax rate for the fourth quarter ended May 4, 2019 was 25.5% compared to 13.7% in the same quarter last year. The current quarter effective tax rate was lower than the statutory rate primarily due to capital gains on property dispositions, including the tax impact of the disposition of a 26 property portfolio by Crombie REIT and differing tax rates of various entities. The prior period's effective rate was lower than the statutory rate due to an internal reorganization that the Company undertook to simplify its corporate structure.

Net Earnings

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

	13 Weeks Ended		$
($ in millions, except per share amounts)	May 4, 2019	May 5, 2018	Change
Net earnings[1]	$ 122.1	$ 71.0	$ 51.1
EPS[2] (fully diluted)	$ 0.45	$ 0.26	
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	4.4	4.8	
Costs related to Project Sunrise	–	17.0	
Western Canada store closures	–	0.2	
	4.4	22.0	(17.6)
Adjusted net earnings[1]	$ 126.5	$ 93.0	$ 33.5
Adjusted EPS[3] (fully diluted)	$ 0.46	$ 0.35	
Diluted weighted average number of shares outstanding (in millions)	272.8	272.2	

(1) Net of non-controlling interest.
(2) Earnings per share ("EPS").
(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

Operating Results – Full Year

($ in millions, except per share amounts)	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	52 Weeks Ended May 6, 2017	2019 Compared to 2018 $ Change	2019 Compared to 2018 % Change
Sales	$ 25,142.0	$ 24,214.6	$ 23,806.2	$ 927.4	3.8%
Gross profit	6,083.6	5,900.5	5,707.2	183.1	3.1%
Operating income	652.3	346.5	333.0	305.8	88.3%
Adjusted operating income	683.6	601.7	378.5	81.9	13.6%
EBITDA	1,069.5	785.7	777.2	283.8	36.1%
Adjusted EBITDA	1,076.2	1,014.7	796.9	61.5	6.1%
Finance costs, net	91.6	110.5	118.0	(18.9)	(17.1)%
Income tax expense	144.3	56.2	42.5	88.1	156.8%
Non-controlling interest	29.1	20.3	14.0	8.8	43.3%
Net earnings[(1)]	387.3	159.5	158.5	227.8	142.8%
Adjusted net earnings[(1)]	410.0	344.3	191.3	65.7	19.1%
Basic earnings per share					
Net earnings[(1)]	$ 1.42	$ 0.59	$ 0.58		
Adjusted net earnings[(1)]	$ 1.51	$ 1.27	$ 0.70		
Basic weighted average number of shares outstanding (in millions)	271.9	271.8	271.9		
Diluted earnings per share					
Net earnings[(1)]	$ 1.42	$ 0.59	$ 0.58		
Adjusted net earnings[(1)]	$ 1.50	$ 1.27	$ 0.70		
Diluted weighted average number of shares outstanding (in millions)	272.6	272.1	272.0		
Dividend per share	$ 0.44	$ 0.42	$ 0.41		

Consolidated operating results as a % of sales	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	52 Weeks Ended May 6, 2017
Gross margin	24.2%	24.4%	24.0%
Adjusted operating income	2.7%	2.5%	1.6%
EBITDA	4.3%	3.2%	3.3%
Adjusted EBITDA	4.3%	4.2%	3.3%
Adjusted net earnings[(1)]	1.6%	1.4%	0.8%

	52 Weeks Ended May 4, 2019[(2)]	52 Weeks Ended May 5, 2018	52 Weeks Ended May 6, 2017
Same-store sales growth (decline)	2.8%	0.8%	(2.1)%
Same-store sales growth (decline), excluding fuel	2.7%	0.5%	(2.2)%
Same-store sales growth (decline), excluding fuel and pharmacy	3.2%	0.7%	(2.4)%
Effective income tax rate	25.7%	23.8%	19.8%

(1) Net of non-controlling interest.
(2) In the current year, same-store sales growth metrics reflect the Farm Boy acquisition.

EMPIRE COMPANY LIMITED CONSOLIDATED OPERATING RESULTS

Empire's results for the fiscal year ended May 4, 2019 include Farm Boy operations as of December 10, 2018. All metrics, including same-store sales, include the consolidation of Farm Boy operations.

Sales

Sales for the fiscal year ended May 4, 2019 increased by 3.8% driven by stronger performance across the business, the incorporation of Farm Boy results and increased fuel prices. These increases were partially offset by the effects of store closures in Western Canada and the deflationary impact of healthcare reform.

Gross Profit

Gross profit for the fiscal year ended May 4, 2019 increased by 3.1% primarily as a result of the increase in sales, the incorporation of Farm Boy results and category reset benefits. This was partially offset by store closures in Western Canada and lower margins in the Company's pharmacy business due to the deflationary impact of healthcare reform. Gross margin decreased to 24.2% compared to 24.4% in the prior year as a result of lower margin fuel sales increases and the effect of sales mix between banners.

Operating Income

($ in millions)	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	$ Change
Consolidated operating income:			
Food retailing	$ 561.8	$ 273.6	$ 288.2
Investments and other operations:			
Crombie REIT	63.6	39.5	24.1
Genstar	23.4	33.9	(10.5)
Other operations, net of corporate expenses	3.5	(0.5)	4.0
	90.5	72.9	17.6
Operating income	$ 652.3	$ 346.5	$ 305.8
Adjustments:			
Intangible amortization associated with the Canada Safeway acquisition	$ 24.6	$ 26.2	
Business acquisition costs	6.7	–	
Costs related to Project Sunrise	–	207.8	
Western Canada store closures	–	21.2	
	31.3	255.2	(223.9)
Adjusted operating income	$ 683.6	$ 601.7	$ 81.9

Operating income from the food retailing segment increased for the fiscal year ended May 4, 2019 primarily as a result of improvements in sales and margins, and lower selling and administrative expenses. Selling and administrative expenses were lower due to higher costs incurred related to Project Sunrise in the prior year, the positive impact of Project Sunrise benefits achieved in the current year, reversal of previously impaired assets in Western Canada, lower incentive compensation accruals, and a decrease in depreciation expense. These positive impacts were partially offset by increases in minimum wage rates, the inclusion of Farm Boy results and related acquisition costs, costs of voluntary buyouts of eligible B.C. Safeway employees and the costs associated with the closure and conversion of stores as part of the ongoing expansion of the FreshCo discount format into Western Canada.

Operating income from the Investments and other operations segment also increased for the fiscal year ended May 4, 2019 mainly as a result of the sale of a 26 property portfolio by Crombie REIT offset by lower equity earnings from real estate partnerships, as subsequently discussed in the "Investment and Other Operations" section.

EBITDA

EBITDA increased for the fiscal year ended May 4, 2019 mainly as a result of the same factors affecting operating income with the exception of the decrease in depreciation expense.

($ in millions)	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	$ Change
EBITDA	$ 1,069.5	$ 785.7	$ 283.8
Adjustments:			
Business acquisition costs	6.7	–	
Costs related to Project Sunrise	–	207.8	
Western Canada store closures	–	21.2	
	6.7	229.0	(222.3)
Adjusted EBITDA	$ 1,076.2	$ 1,014.7	$ 61.5

Finance Costs

For the fiscal year ended May 4, 2019, net finance costs decreased primarily due to a decrease in interest expense and an increase in interest income from cash and cash equivalents as operating cash flow increased, and higher coupon debt was paid down. Interest expense decreased due to (i) the repayment of $500.0 million Series 2013-1 Notes utilizing Sobeys' credit facility that carries a lower interest rate, and (ii) the repayment of $100.0 million Series C Medium term notes during the fourth quarter of fiscal 2018. This decrease in interest expense was partially offset by interest on a new $400.0 million senior, unsecured non-revolving credit facility incurred from the closing date of the Farm Boy acquisition.

Income Taxes

The effective income tax rate for the fiscal year ended May 4, 2019 increased to 25.7% compared to 23.8% in the prior year. The current year effective rate was lower than the statutory rate primarily due to capital gains on property dispositions, including the tax impact of the disposition of a 26 property portfolio by Crombie REIT, and a decrease in tax liabilities related to unrecognized tax benefits. The prior period's effective rate was lower than the statutory rate due to an internal reorganization that the Company undertook to simplify its corporate structure.

Net Earnings

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

	52 Weeks Ended		$
($ in millions, except per share amounts)	May 4, 2019	May 5, 2018	Change
Net earnings[1]	$ 387.3	$ 159.5	$ 227.8
EPS (fully diluted)	$ 1.42	$ 0.59	
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	17.8	19.2	
Business acquisition costs	4.9	–	
Costs related to Project Sunrise	–	150.1	
Western Canada store closures	–	15.5	
	22.7	184.8	(162.1)
Adjusted net earnings[1]	$ 410.0	$ 344.3	$ 65.7
Adjusted EPS (fully diluted)	$ 1.50	$ 1.27	
Diluted weighted average number of shares outstanding (in millions)	272.6	272.1	

(1) Net of non-controlling interest.

Financial Performance by Segment

FOOD RETAILING

The following is a review of Empire's Food retailing segment's financial performance, comprising the consolidated results of Sobeys Inc. for the fiscal years ended May 4, 2019, May 5, 2018 and May 6, 2017.

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

($ in millions)	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	52 Weeks Ended May 6, 2017	2019 Compared to 2018 $ Change	2019 Compared to 2018 % Change
Sales	$ 25,142.0	$ 24,214.6	$ 23,806.2	$ 927.4	3.8%
Gross profit	6,083.6	5,900.5	5,707.2	183.1	3.1%
Operating income	561.8	273.6	259.3	288.2	105.3%
Adjusted operating income	593.1	528.8	304.8	64.3	12.2%
EBITDA	978.7	712.5	703.2	266.2	37.4%
Adjusted EBITDA	985.4	941.5	722.9	43.9	4.7%
Net earnings[1]	316.5	116.5	112.7	200.0	171.7%
Adjusted net earnings[1]	339.2	301.3	145.5	37.9	12.6%

(1) Net of non-controlling interest.

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

($ in millions)	52 Weeks Ended May 4, 2019[1]	52 Weeks Ended May 5, 2018[2]	52 Weeks Ended May 6, 2017
Sales growth (decline)	3.8%	1.7%	(3.3)%
Same-store sales growth (decline)	2.8%	0.8%	(2.1)%
Same-store sales growth (decline), excluding fuel	2.7%	0.5%	(2.2)%
Same-store sales growth (decline), excluding fuel and pharmacy	3.2%	0.7%	(2.4)%
Return on equity[3]	11.6%	5.4%	4.9%
Funded debt to total capital[3]	40.2%	37.0%	39.5%
Funded debt to adjusted EBITDA[3]	2.1x	1.7x	2.4x
Acquisitions of property, equipment, investment property and intangibles[4]	$ 434.6	$ 287.8	$ 524.6

(1) In the current year, same-store sales growth metrics reflect the Farm Boy acquisition.
(2) Some amounts have been adjusted as a result of the adoption of IFRS 9 on a retrospective basis. See "Accounting Standards and Policies" section for more details.
(3) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(4) This amount reflects acquisitions of property, equipment, investment property and intangibles by Sobeys, excluding amounts purchased from the Company and its wholly-owned subsidiaries.

INVESTMENTS AND OTHER OPERATIONS

	52 Weeks Ended		$
($ in millions)	May 4, 2019	May 5, 2018	Change
Crombie REIT	$ 63.6	$ 39.5	$ 24.1
Genstar	23.4	33.9	(10.5)
Other operations, net of corporate expenses	3.5	(0.5)	4.0
	$ 90.5	$ 72.9	$ 17.6

For the fiscal year ended May 4, 2019, income from investments and other operations increased as a result of increased equity earnings from Crombie REIT due to higher gains on disposal of investment properties compared to the prior year, specifically the sale of a 26 property portfolio in the fourth quarter that contributed an additional $8.4 million to the Company's equity earnings. This was partially offset by lower residential lot sales in Western Canada and a prior year bulk sale of development property in the U.S. that did not reoccur.

Investment Portfolio

At May 4, 2019, Empire's investment portfolio, including equity accounted investments in Crombie REIT and Genstar, consisted of:

	May 4, 2019			May 5, 2018		
($ in millions)	Fair Value	Carrying Value	Unrealized Gain	Fair Value	Carrying Value	Unrealized Gain
Investment in associates						
Crombie REIT[1]	$ 904.7	$ 466.5	$ 438.2	$ 777.1	$ 448.5	$ 328.6
Genstar Canadian real estate partnerships[2]	94.6	94.6	–	90.7	90.7	–
Genstar U.S. real estate partnerships[2]	20.3	20.3	–	23.2	23.2	–
Investment in joint ventures[2]	8.0	8.0	–	9.4	9.4	–
	$ 1,027.6	$ 589.4	$ 438.2	$ 900.4	$ 571.8	$ 328.6

(1) Fair value is calculated based on the closing price of Crombie REIT units traded on the Toronto Stock Exchange as of May 3, 2019.
(2) Assumes fair value equals carrying value.

Quarterly Results of Operations

($ in millions, except per share amounts)	Fiscal 2019 Q4 (13 Weeks) May 4, 2019	Q3 (13 Weeks) Feb. 2, 2019	Q2 (13 Weeks) Nov. 3, 2018	Q1 (13 Weeks) Aug. 4, 2018	Fiscal 2018 Q4 (13 Weeks) May 5, 2018	Q3 (13 Weeks) Feb. 3, 2018	Q2 (13 Weeks) Nov. 4, 2017	Q1 (13 Weeks) Aug. 5, 2017
Sales	$ 6,220.4	$ 6,247.3	$ 6,214.0	$ 6,460.3	$ 5,886.1	$ 6,029.2	$ 6,026.1	$ 6,273.2
Operating income	194.2	110.0	173.4	174.7	110.6	108.1	2.6	125.2
EBITDA[(1)]	300.1	214.6	276.1	278.7	217.8	216.1	113.0	238.8
Net earnings (loss)[(2)]	122.1	65.8	103.8	95.6	71.0	58.1	(23.6)	54.0
Per share information, basic								
Net earnings (loss)[(2)(3)]	$ 0.45	$ 0.24	$ 0.38	$ 0.35	$ 0.26	$ 0.21	$ (0.09)	$ 0.20
Basic weighted average number of shares outstanding (in millions)	271.9	271.9	271.8	271.8	271.8	271.7	271.8	271.5
Per share information, diluted								
Net earnings (loss)[(2)(3)]	$ 0.45	$ 0.24	$ 0.38	$ 0.35	$ 0.26	$ 0.21	$ (0.09)	$ 0.20
Diluted weighted average number of shares outstanding (in millions)	272.8	272.5	272.2	272.3	272.2	272.2	271.8	271.6

(1) EBITDA is reconciled to net earnings (loss) 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.
(3) For the 13 weeks ended November 4, 2017, the weighted average number of shares used for the purpose of basic and diluted loss per share is equal, as the impact of all potential common shares would be anti-dilutive.

For the most recent eight quarters, results have fluctuated overall with sales consistently improving compared to the same period in the prior year. Beginning on December 10, 2018, the Company's results incorporate the results of Farm Boy.

Sales include fluctuations in quarter-to-quarter inflationary and deflationary market pressures. The Company does experience some seasonality, as evidenced in the results presented above, in particular during the summer months and over the holidays when retail sales trend higher and can result in stronger operating results. The sales, operating income, EBITDA and net earnings (loss), net of non-controlling interest, 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.

Liquidity and Capital Resources

The table below highlights significant cash flow components for the relevant periods. For additional detail, please refer to the consolidated statements of cash flows in the Company's consolidated financial statements for the fiscal year ended May 4, 2019.

($ in millions)	13 Weeks Ended May 4, 2019	13 Weeks Ended May 5, 2018	$ Change	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	$ Change
Cash flows from operating activities	$ 373.8	$ 313.5	$ 60.3	$ 885.6	$ 879.7	$ 5.9
Cash flows (used in) from investing activities	(182.2)	33.1	(215.3)	(1,094.0)	(39.4)	(1,054.6)
Cash flows (used in) from financing activities	(65.1)	(176.8)	111.7	133.8	(419.7)	553.5
Increase (decrease) in cash and cash equivalents	$ 126.5	$ 169.8	$ (43.3)	$ (74.6)	$ 420.6	$ (495.2)

Operating Activities

Cash flows from operating activities for the fourth quarter increased as a result of higher cash flows from earnings and an increase in non-cash working capital. This increase was partially offset by higher distributions in the prior year from Genstar real estate partnerships.

Cash flows from operating activities for the fiscal year increased as a result of higher cash flows from earnings. This increase was partially offset by higher distributions in the prior year from Genstar real estate partnerships, a decrease in non-cash working capital, and the drawdown of restructuring provisions due to Project Sunrise and store closures in Western Canada.

Investing Activities

The table below outlines details of investing activities of the Company for the 13 and 52 weeks ended May 4, 2019 compared to the 13 and 52 weeks ended May 5, 2018:

	13 Weeks Ended		$	52 Weeks Ended		$
($ in millions)	May 4, 2019	May 5, 2018	Change	May 4, 2019	May 5, 2018	Change
Acquisitions of property, equipment, investment property and intangibles	$ (227.1)	$ (84.0)	$ (143.1)	$ (434.6)	$ (288.0)	$ (146.6)
Proceeds on disposal of assets	28.9	113.2	(84.3)	89.7	217.2	(127.5)
Loans and other receivables	6.0	(0.4)	6.4	12.0	6.1	5.9
Other assets and other long-term liabilities	6.9	3.7	3.2	9.2	2.9	6.3
Business acquisitions, net of cash acquired	(0.8)	(0.6)	(0.2)	(778.6)	(3.8)	(774.8)
Interest received	3.9	1.2	2.7	8.3	1.9	6.4
Proceeds on redemption of investment	–	–	–	–	24.3	(24.3)
Cash flows (used in) from investing activities	$ (182.2)	$ 33.1	$ (215.3)	$ (1,094.0)	$ (39.4)	$ (1,054.6)

Cash used in investing activities for the fourth quarter increased primarily as a result of an increase in capital spending and a decrease in proceeds on disposal of assets due to Sobeys entering into an agreement with Crombie REIT in the prior year to sell a portfolio of 11 properties that did not reoccur in the current year.

For the fiscal year ended May 4, 2019, cash used in investing activities increased primarily due to an increase in cash used in business acquisitions, including the acquisitions of Farm Boy and Kim Phat. The increase in cash used in investing activities was further impacted by increased capital spending and a decline in proceeds on disposal of real estate assets from the prior year as discussed above. Proceeds from the redemption of debentures held in Crombie REIT in the prior year of $24.3 million also contributed to the negative cash flow trend year-over-year.

The Company invested $434.6 million in capital expenditures in fiscal 2019. Excluding the impact of capital expenditures by companies acquired during the year, predominantly Farm Boy, the Company invested $427.3 million which was in line with management's previously disclosed estimate of $425.0 million. The Company expects to invest approximately $600.0 million in its operations during fiscal 2020; this estimate includes capital estimates of approximately $70.0 million related to expansion of the Farm Boy store network in Ontario.

The table below outlines details of investments by Sobeys in its store network during the 13 and 52 weeks ended May 4, 2019 compared to the 13 and 52 weeks ended May 5, 2018.

	13 Weeks Ended		52 Weeks Ended	
# of stores	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Opened/relocated/acquired	11	9	37	41
Expanded	–	3	1	11
Rebannered/redeveloped	1	2	5	24
Closed	6	8	28	40
Opened – FreshCo[(1)]	3	–	3	–
Closed – converted or pending conversion to FreshCo[(1)]	–	–	7	–
Opened – Farm Boy	–	–	2	–
Acquired – Farm Boy	–	–	26	–

(1) Specific to converted Western Canada FreshCo stores.

In fiscal 2020, it was announced an additional 11 Safeway stores will close and be converted to the FreshCo discount format.

The following table shows Sobeys' square footage changes for the quarter and fiscal year ended May 4, 2019 by type:

Square feet (in thousands)	13 Weeks Ended May 4, 2019	52 Weeks Ended May 4, 2019
Opened	117	307
Relocated	31	95
Acquired	–	77
Expanded	–	14
Closed	(40)	(375)
Net change before the impact of the Farm Boy acquisition & FreshCo expansion	108	118
Opened – FreshCo[(1)]	(33)	(33)
Opened – Farm Boy	–	43
Acquired – Farm Boy	–	413
Net change with the impact of the Farm Boy acquisition & FreshCo expansion	75	541

(1) Specific to converted Western Canada FreshCo stores.

At May 4, 2019, Sobeys' square footage totaled 40.0 million, a 1.5% increase over 39.4 million square feet operated at May 5, 2018. Excluding the impact of Farm Boy, net store square footage increased by 0.3%.

Financing Activities

Cash used in financing activities for the fourth quarter decreased primarily due to repayment in the prior year of long-term debt, specifically the repayment of $100.0 million Series C Medium term notes.

For the fiscal year ended May 4, 2019, cash from financing activities increased as a result of cash inflows from a new $400.0 million senior, unsecured non-revolving credit facility to finance the acquisition of Farm Boy.

Free Cash Flow

Management uses free cash flow[(1)] as a measure to assess the amount of cash available for debt repayment, dividend payments and other investing and financing activities.

($ in millions)	13 Weeks Ended May 4, 2019	13 Weeks Ended May 5, 2018	$ Change	52 Weeks Ended May 4, 2019	52 Weeks Ended May 5, 2018	$ Change
Cash flows from operating activities	$ 373.8	$ 313.5	$ 60.3	$ 885.6	$ 879.7	$ 5.9
Add: proceeds on disposal of property, equipment and investment property	28.9	113.2	(84.3)	89.7	217.2	(127.5)
Less: acquisitions of property, equipment, investment property and intangibles	(227.1)	(84.0)	(143.1)	(434.6)	(288.0)	(146.6)
Free cash flow	$ 175.6	$ 342.7	$ (167.1)	$ 540.7	$ 808.9	$ (268.2)

Free cash flow decreased for the quarter and fiscal year ended May 4, 2019 primarily due to an increase in capital spending including renovations, construction of new stores, construction of an e-commerce fulfillment centre, the expansion of FreshCo into Western Canada as well as a decrease in proceeds on the sale of property. This was offset by improved cash flows from operations.

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

Employee Future Benefit Obligations

For the fiscal year ended May 4, 2019, the Company contributed $19.5 million (2018 – $9.3 million) to its registered defined benefit plans. The increase is a result of an actuarial valuation filed in the second quarter of fiscal 2019. The Company expects to contribute approximately $12.1 million to these plans in fiscal 2020.

Guarantees and Commitments

The following table presents the Company's commitments and other obligations that will come due over the next five fiscal years as at May 4, 2019:

($ in millions)	2020	2021	2022	2023	2024	Thereafter	Total
Commitments							
Long-term debt[1]	$ 30.0	$ 908.7	$ 7.2	$ 6.4	$ 505.9	$ 538.0	$ 1,996.2
Finance lease liabilities[2]	6.5	4.2	2.7	1.7	1.5	12.5	29.1
Third-party operating leases, as lessee[3]	286.6	267.8	243.8	214.9	189.0	1,204.5	2,406.6
Related party operating leases, as lessee[3]	162.9	163.6	164.0	164.7	166.6	1,596.8	2,418.6
Contractual obligations	486.0	1,344.3	417.7	387.7	863.0	3,351.8	6,850.5
Operating leases, as lessor	(10.5)	(8.8)	(8.4)	(7.5)	(6.5)	(34.6)	(76.3)
Contractual obligations, net	$ 475.5	$ 1,335.5	$ 409.3	$ 380.2	$ 856.5	$ 3,317.2	$ 6,774.2

(1) Principal debt repayments.
(2) Present value of minimum lease payments (future minimum lease payments less interest).
(3) Net of sub-lease income.

For further information on guarantees and commitments, please see Note 15 and Note 24 of the Company's audited annual consolidated financial statements for the fiscal year ended May 4, 2019.

Consolidated Financial Condition

Key Financial Condition Measures

($ in millions, except per share and ratio calculations)	May 4, 2019[1]	May 5, 2018	May 6, 2017
Shareholders' equity, net of non-controlling interest	**$ 4,003.3**	$ 3,702.8	$ 3,644.2
Book value per common share[2]	**$ 14.72**	$ 13.62	$ 13.40
Long-term debt, including current portion	**$ 2,020.9**	$ 1,666.9	$ 1,870.8
Funded debt to total capital	**33.5%**	31.0%	33.9%
Net funded debt to net total capital[2]	**26.8%**	21.9%	31.3%
Funded debt to adjusted EBITDA	**1.9x**	1.6x	2.3x
Adjusted EBITDA to interest expense[2]	**12.4x**	10.5x	7.7x
Current assets to current liabilities	**1.0x**	0.8x	0.9x
Total assets	**$ 9,602.4**	$ 8,662.0	$ 8,695.5
Total non-current financial liabilities	**$ 2,838.1**	$ 1,929.9	$ 2,502.1

(1) In the current year, Key Financial Condition Measures reflect the Farm Boy acquisition.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.

During fiscal 2019, Dominion Bond Rating Service ("DBRS") upgraded Sobeys' trend from stable to positive. Debt ratings assigned by the two rating agencies at the end of the fiscal year are:

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
DBRS	BB (high)	Positive
Standard & Poor's ("S&P")	BB+	Stable

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 from 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 various sources of funds are diversified by term to maturity and source of credit.

For additional information on Empire's long-term debt, see Note 15 of the Company's audited annual consolidated financial statements for the fiscal year ended May 4, 2019.

Shareholders' Equity

The Company's share capital was comprised of the following on May 4, 2019:

Authorized	Number of Shares May 4, 2019	May 5, 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	768,105,849	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	May 4, 2019	May 5, 2018
Non-Voting Class A shares	173,661,495	$ 2,040.6	$ 2,038.2
Class B common shares	98,138,079	7.3	7.3
Shares held in trust	(271,968)	(5.3)	(6.0)
Total		$ 2,042.6	$ 2,039.5

The Company's share capital on May 4, 2019 compared to the same period in the last fiscal year is shown in the table below:

	52 Weeks Ended	
(Number of Shares)	May 4, 2019	May 5, 2018
Non-Voting Class A shares		
Issued and outstanding, beginning of year	173,547,591	173,537,901
Issued during year	113,904	9,690
Issued and outstanding, end of year	173,661,495	173,547,591
Shares held in trust, beginning of year	(308,504)	(555,409)
Issued for future settlement of equity settled plans	40,313	252,588
Purchased for future settlement of equity settled plans	(3,777)	(5,683)
Shares held in trust, end of year	(271,968)	(308,504)
Issued and outstanding, net of shares held in trust, end of year	173,389,527	173,239,087
Class B common shares		
Issued and outstanding, beginning of year	98,138,079	98,138,079
Issued during year	–	–
Total issued and outstanding, end of year	98,138,079	98,138,079

The outstanding options at May 4, 2019 were granted at prices between $15.60 and $30.87 and expire between June 2021 and June 2026 with a weighted average remaining contractual life of 4.88 years. Stock option transactions during fiscal 2019 and 2018 were as follows:

	2019			2018		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	**4,686,155**	**$**	**22.81**	4,949,863	$	24.27
Granted	**800,573**		**25.97**	1,338,980		19.43
Exercised	**(746,346)**		**22.30**	(122,805)		22.26
Expired	**(250,116)**		**27.49**	(749,971)		25.92
Forfeited	**(196,978)**		**20.63**	(729,912)		23.45
Balance, end of year	**4,293,288**	**$**	**23.31**	4,686,155	$	22.81
Stock options exercisable, end of year	**2,201,160**			2,301,032		

For the fiscal year ended May 4, 2019, the Company paid common dividends of $119.5 million (2018 – $114.0 million) to its equity holders. This represents a payment of $0.44 per share (2018 – $0.42 per share) for common shareholders.

As at June 25, 2019, the Company had Non-Voting Class A and Class B common shares outstanding of 173,663,969 and 98,138,079, respectively. Options to acquire 4,293,288 Non-Voting Class A shares were outstanding as of May 4, 2019 (May 5, 2018 – 4,686,155). As at June 25, 2019, options to acquire 4,276,914 Non-Voting Class A shares were outstanding (June 26, 2018 – 4,659,355).

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

Shares held in trust	Number of Shares		May 4, 2019		May 5, 2018
Balance, beginning of year	**(308,504)**	**$**	**(6.0)**	$	(10.7)
Purchased	**(3,777)**		**(0.1)**		(0.1)
Issued	**40,313**		**0.8**		4.8
Balance, end of year	**(271,968)**	**$**	**(5.3)**	$	(6.0)

Normal Course Issuer Bid ("NCIB")

Subsequent to year end, on June 27, 2019 the Company filed a notice of intention with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 3.5 million Non-Voting Class A shares representing approximately 2.0% of those outstanding, subject to obtaining regulatory approval. The purchases will be made through the facilities of the TSX and/or any alternative trading systems, to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. Purchases may commence on July 2, 2019, and shall terminate not later than July 1, 2020. A copy of the notice of intention may be obtained without charge by contacting the Company at investor.relations@empireco.ca.

The Board of Directors and senior management of Empire are of the opinion that from time to time the purchase of Non-Voting Class A shares at the prevailing market prices is a worthwhile use of funds and in the best interests of Empire and its shareholders. Empire acquired none of its Non-Voting Class A shares in the past 12 months under normal course issuer bids.

The average daily trading volume (the "ADTV") of the Non-Voting Class A shares was 554,024 on the TSX over the last six completed calendar months. Accordingly, under the policies of the TSX, Empire is entitled to purchase, during any one trading day up to 138,506 Non-Voting Class A shares (being 25% of the ADTV of the Non-Voting Class A shares). Empire is entitled to purchase a larger amount of Non-Voting Class A shares per calendar week, subject to the maximum number that may be acquired under the normal course issuer bid, if the transaction meets the block purchase exception under the TSX rules.

Accounting Standards and Policies

The audited 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 5, 2018 with the exception of the following:

Changes to Accounting Standards Adopted During Fiscal 2019

(i) Revenue

The Company adopted IFRS 15 "Revenue from contracts with customers" ("IFRS 15") effective in the first quarter of fiscal 2019. IFRS 15 was issued in May 2014 and replaces International Accounting Standard ("IAS") 18 "Revenue", IAS 11 "Construction contracts", and related interpretations. IFRS 15 became effective for annual periods beginning on or after January 1, 2018.

IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive five-step framework for recognition, measurement, and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts, and financial instruments. The Company has adopted the standard retrospectively, in accordance with IFRS 15 transitional provisions. The implementation of IFRS 15 did not materially impact the amounts recognized on the Company's consolidated financial statements and no amounts have been reclassified or restated.

The Company has amended its accounting policies related to revenue recognition and revised the definition of sales as follows:

Revenue is recognized upon delivery and acceptance of the goods. Revenue is measured at the expected consideration net of discounts and allowances. Sales include revenues from customers through corporate stores operated by the Company and consolidated structured entities, and revenue from sales to non-structured entity franchised stores, affiliated stores and independent accounts. Revenue received from non-structured entity franchised stores, affiliated stores and independent accounts is mainly derived from the sale of product. The Company also collects franchise fees under two types of arrangements. Franchise fees contractually due based on the dollar value of product shipped are recorded as revenue when the product is shipped. Franchise fees contractually due based on the franchisee's retail sales are recorded as revenue upon invoicing.

(ii) Financial Instruments

The Company adopted IFRS 9 which replaces the provisions of IAS 39 "Financial instruments: recognition and measurement" ("IAS 39"), and related amendments to IFRS 7 "Financial instruments: disclosures" ("IFRS 7") effective in the first quarter of fiscal 2019, on a retrospective basis. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

The IAS 39 requirements for the classification and measurement of financial assets and financial liabilities, and impairment of financial assets have been amended by IFRS 9. IFRS 9 also introduces a new hedge accounting model and a change in accounting for debt modifications.

Classification and Measurement

IFRS 9 requires financial assets to be classified and measured based on both the business model for managing the asset, and the nature of the cash flows. The classification and measurement categories for financial assets are amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). The classification and measurement categories for financial liabilities are amortized cost and FVTPL. The impacts on financial assets and liabilities upon adoption of IFRS 9 are outlined below:

Asset/Liability	IAS 39 Classification	IAS 39 Measurement	IFRS 9 Classification and Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost	Amortized cost
Receivables	Loans and receivables	Amortized cost	Amortized cost
Loans and other receivables	Loans and receivables	Amortized cost	Amortized cost
Derivative financial assets and liabilities	FVTPL	Fair value	FVTPL
Non-derivative other assets	FVTPL	Fair value	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Amortized cost
Long-term debt	Other liabilities	Amortized cost	Amortized cost

The changes in classification and measurement did not result in changes to the carrying amounts of the Company's financial instruments on adoption of IFRS 9.

The Company has amended its accounting policies for the classification and measurement of financial instruments as follows:

Financial assets that are not designated as FVTPL on initial recognition are classified and measured at amortized cost if (i) they are held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

Debt investments that are not designated as FVTPL on initial recognition are classified and measured at FVOCI if (i) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Equity investments held for trading are classified and measured at FVTPL.

Financial assets not classified at amortized cost or FVOCI are classified and measured at FVTPL.

The measurement of financial liabilities remains largely unchanged from IAS 39.

Impairment

IFRS 9 introduces a new expected credit loss ("ECL") impairment model for financial assets measured at amortized cost or FVOCI, except for equity investments. The ECL impairment model replaces the incurred loss model under IAS 39. It is no longer necessary for a triggering event to have occurred before credit losses are recognized.

Under the IFRS 9 ECL impairment model, loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

The adoption of the ECL impairment model did not have a quantitative impact on the Company's consolidated financial statements.

The Company has amended its accounting policies for the impairment of financial instruments as follows:

The Company recognizes loss allowances on its trade receivables based on lifetime ECLs. Loss allowances are recognized on loans and other receivables for which the credit risk has not increased significantly since initial recognition based on the 12-month ECL. Where there is a significant increase in the credit risk of loans and other receivables subsequent to initial recognition, the Company recognizes loss allowances based on lifetime ECLs.

The Company considers past events, current conditions, and reasonable and supportable forecasts affecting collectability when determining whether the credit risk of a financial asset has increased significantly since initial recognition, or in estimating lifetime ECLs.

Hedge Accounting

IFRS 9 introduces a new hedge accounting model that aligns hedge accounting relationships with corresponding risk management activities. The new hedge accounting requirements did not result in an adjustment to the Company's consolidated financial statements.

Modification of Financial Liabilities

In October 2017, the IASB issued "Prepayment features with negative compensation" as an amendment to IFRS 9. The amendment clarifies the accounting treatment for modifications of financial liabilities and requires a financial liability measured at amortized cost to be remeasured when a modification occurs. Any resulting gain or loss is required to be recognized in profit or loss at the date of modification. The amendment became effective for annual periods beginning on or after January 1, 2018. The Company adopted the amendment on a retrospective basis effective in the first quarter of fiscal 2019, in accordance with IFRS 9 transitional provisions. The adoption did not result in an adjustment to the Company's consolidated financial statements.

Disclosure

Financial instrument disclosures continue to fall within the scope of IFRS 7. IFRS 7 has been amended by IFRS 9 to include additional qualitative and quantitative disclosure requirements. The Company has adopted these amendments.

Future Standards

Leases

In January 2016, the IASB issued 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 will continue to classify leases as operating or finance leases. The standard is effective for annual periods beginning on or after January 1, 2019.

In accordance with the transition provisions in IFRS 16, the Company will adopt the standard using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized as an adjustment to equity on transition. Prior period comparatives will not be restated.

The adoption of IFRS 16 will have a material impact on the Company's consolidated financial statements, given the current real estate operating lease commitments held under IAS 17 as a lessee.

The Company's consolidated balance sheets will reflect current and long-term lease liabilities and right-of-use assets for property and equipment leases where the Company is the lessee. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate on transition. The right-of-use assets will be measured retrospectively using the Company's incremental borrowing rate as of the date of transition. The expected range of impact on the consolidated balance sheets is increased liabilities of $4.6 billion to $4.8 billion and increased assets of $4.0 billion to $4.2 billion. These estimates have been updated from third quarter disclosures to reflect changes in market discount rates as well as new leases and lease modifications incurred. Changes to the balance sheets are estimated to be as follows:

		($ in millions unless otherwise stated)
Asset increases (decreases):		
Current assets, excluding lease receivables	$	(43.4)
Fixed assets		(22.3)
Intangible assets		(126.7)
Deferred tax assets		(43.1)
Lease receivable		520.0 to 570.0
Right-of-use assets		3.7 to 3.9 billion
Total asset estimated increase	**$**	**4.0 to 4.2 billion**
Liability (increases) decreases:		
Provisions	$	32.1
Debt		29.1
Other liabilities		164.4
Deferred tax liabilities		34.5
Lease liabilities		(4.9) to (5.1) billion
Total liability estimated increase	**$**	**(4.6) to (4.8) billion**
Retained earnings estimated decrease	**$**	**0.5 to 0.9 billion**

The Company continues to finalize estimates and inputs into the calculations. The discount rate applied is based on the Company's estimated incremental borrowing rate as of the transition date of May 5, 2019.

In the statements of earnings, the Company will recognize depreciation for right-of-use assets and finance expense on lease liabilities, in place of the current straight-line operating lease expense. For finance subleases, finance income related to income earned on lease receivables will be recognized in place of sublease income for these leases. Amortization related to off-market lease intangibles will be replaced by depreciation expense over the term of the lease. Based on current estimates and information available, the Company does not expect a material impact on net earnings and earnings per share in fiscal 2020.

There will be no change to the amount of cash exchanged related to lease transactions. Total expense recognized over the lease term is equal to total cash paid over the lease term. However, expenses under IFRS 16 will be higher when leases are early in the term as finance expense is recognized on an amortized cost basis and depreciation expense is recognized on a straight-line basis over the lease term. The Company will classify lease payments consistently with payments on other financial liabilities in the statement of cash flows, with lease payments for principal and interest on the lease liability classified as financing cash flows instead of operating cash flows. Cash rent paid net for leases impacted by IFRS 16 was $500.6 million for fiscal 2019.

The Company is an intermediate lessor in several lease arrangements. Under the new standard, the Company has assessed its classification of subleases by reference to the right-of-use asset on the head lease as required under IFRS 16, and not by reference to the underlying asset. As a result of this change, the Company expects an increase in current and long-term lease receivables recognized for subleases which are expected to be classified as finance leases.

The Company will apply 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).

The Company has implemented a new national lease management system and continues to update processes and internal controls to enable the implementation of IFRS 16, commencing in the first quarter of fiscal 2020.

As a result of the changes, the new standard will affect many commonly used financial ratios and performance metrics. The following table presents a high level summary of IFRS 16 impacts on various Key Performance Indicators and financial ratios that are discussed as non-GAAP measures:

Non-GAAP Measure	Expected IFRS 16 Impact	Explanation
Gross profit	No impact	No IFRS 16 impact to sales or cost of sales
Adjusted operating income	Increase	Rental expense removed from operating income
EBITDA	Increase	Lease expenses will be excluded
Finance expense	Increase	Interest expense on lease liability
Adjusted net earnings	Increase/Decrease	Dependent on time left on leases in portfolio and tax rate
Adjusted EPS	Increase/Decrease	Dependent on net earnings impact
Free cash flow	No impact	The Company expects the definition will be updated to include cash rental payments
Funded debt; Net funded debt	Increase	Increases due to lease liability
Total capital; Net total capital	Increase/Decrease	Dependent on debt increases due to lease liability in comparison to equity decreases on transition
Same-store sales	No impact	No IFRS 16 impact to sales
Gross margin	No impact	No IFRS 16 impact to sales or cost of sales
Funded debt to total capital ratio	Increase/Decrease	Dependent on debt increases due to lease liability and equity decreases on transition
Net funded debt to net total capital ratio	Increase/Decrease	Dependent on debt increases due to lease liability and equity decreases
Funded debt to adjusted EBITDA	Increase/Decrease	Dependent on how both debt and EBITDA increase
Adjusted EBITDA to interest expense	Increase	EBITDA increases by more than the increase in interest
Book value per common share	Decrease	Equity decreases on transition

Uncertainty Over Income Tax Treatments

The IASB issued IFRIC 23 "Uncertainty over income tax treatments" to clarify how to apply the recognition and measurement requirements in IAS 12 "Income taxes" when there is uncertainty over tax treatments. These amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not expect a material impact on its consolidated financial statements.

Critical Accounting Estimates

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

Impairments of Goodwill and Long-Lived Assets

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

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

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

Pension Benefit Plans and Other Benefit Plans

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

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

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

In measuring its defined benefit liability, the Company will recognize all of its actuarial gains and losses immediately into other comprehensive income. The key assumptions are disclosed in Note 17 of the Company's consolidated financial statements.

Income Taxes

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

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

Valuation of Inventories

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

Provisions

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

Business Acquisitions

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

Supply Agreements

The Company has various long-term supply agreements for products, some of which contain minimum volume purchases. Significant estimation and judgment is required in the determination of (i) future operating results; and (ii) forecasted purchase volumes. When measuring whether a provision is required based on the expected future cash flows associated with fulfilling the contract, management makes assumptions which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

Disclosure Controls and Procedures

Management of the Company, which includes the President & Chief Executive Officer ("CEO") and Executive Vice President & Chief Financial Officer ("CFO"), is responsible for establishing and maintaining Disclosure Controls and Procedures ("DC&P") to provide reasonable assurance that material information relating to the Company is made known to management by others, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Company and its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The CEO and CFO have evaluated the effectiveness of the Company's DC&P and, based on that evaluation, the CEO and CFO have concluded that the Company's DC&P was effective as at May 4, 2019 and that there were no material weaknesses relating to the design or operation of the DC&P.

Internal Control Over Financial Reporting

Management of the Company, which includes the CEO and CFO, is responsible for establishing and maintaining Internal Control over Financial Reporting ("ICFR"), as that term is defined in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings." The control framework management used to design and assess the effectiveness of ICFR is *"Internal Control Integrated Framework (2013)"* published by the Committee of Sponsoring Organizations of the Treadway Commission. The CEO and CFO have evaluated the effectiveness of the Company's ICFR and, based on that evaluation, the CEO and CFO have concluded that the Company's ICFR was effective as at May 4, 2019 and that there were no material weaknesses relating to the design or operation of the ICFR.

There have been no changes in the Company's ICFR during the period beginning February 3, 2019 and ended May 4, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Related Party Transactions

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

The Company leased certain real property from Crombie REIT during the year at amounts which in management's opinion approximate fair market value that would be incurred if leased from a third party. Management has determined these amounts to be fair value based on the significant number of leases negotiated with third parties in each market it operates. The aggregate net payments under these leases, which are measured at exchange amounts, totaled approximately $206.2 million (2018 – $199.7 million).

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

On July 4, 2017, Crombie REIT redeemed its 5.00% Series D Convertible Unsecured Subordinate Debentures. In exchange for its investment in the Series D convertible debentures, the Company received $24.3 million in principal and interest payments. There was no gain or loss recognized on the redemption. During the year ended May 4, 2019, the Company received interest from Crombie REIT of $ nil (2018 – $0.2 million).

On April 11, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 26 property portfolio to a third-party purchaser. 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. The lease amending agreements became effective on April 25, 2019, the closing date of the property disposal. Sobeys has accrued a total of $9.5 million in current and long-term receivables related to these amounts.

On September 28, 2018, Sobeys, through a wholly-owned subsidiary, sold one property to Crombie REIT for cash consideration of $3.7 million, resulting in a pre-tax gain of $1.5 million.

On June 29, 2018, Sobeys, through a wholly-owned subsidiary, sold and leased back one property to Crombie REIT for cash consideration of $12.5 million, resulting in a pre-tax gain of $5.6 million.

On April 6, 2018, Sobeys and its wholly-owned subsidiaries entered into an agreement with Crombie REIT to sell a portfolio of eleven properties, nine of which were leased back. Total cash proceeds to the Company and its wholly-owned subsidiaries from this transaction were $88.1 million, resulting in a pre-tax gain of $13.2 million.

On September 29, 2017, Sobeys sold one property to Crombie REIT for cash consideration of $6.4 million, resulting in a pre-tax gain of $0.2 million.

Key Management Personnel Compensation

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

Key management personnel compensation is comprised of:

	52 Weeks Ended	
($ in millions)	May 4, 2019	May 5, 2018
Salaries, bonus and other short-term employment benefits	$ 13.4	$ 13.3
Post-employment benefits	3.4	1.5
Termination benefits	2.8	0.8
Share-based payments	8.6	9.8
	$ 28.2	$ 25.4

Indemnities

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

Contingencies

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

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

Risk Management

Through its operating companies and its equity-accounted investments, Empire is exposed to a number of risks in the normal course of business that have the potential to affect operating performance.

Project Sunrise

On May 4, 2017, the Company announced a major transformation initiative to streamline the organization and enhance the efficiency of its operations. Failure to execute change management during this transition could result in disruptions to the operations of the business or the ability of the Company to implement and achieve its long-term strategic objectives. The implementation of a major transformation initiative has the ability to create labour strife, negative publicity and business disruption.

There is the risk that the Company will not realize the projected annualized savings by the completion of the three year reorganization in 2020.

Competition

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

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry, operating in over 900 communities in Canada. The most significant risk to Sobeys is the potential for reduced revenues and profit margins as a result of increased competition. A failure to maintain geographic diversification to reduce the effects of localized competition could have an adverse impact on Sobeys' operating margins and results of operations. To successfully compete, Sobeys believes it must be customer and market-driven, be focused on superior execution and have efficient, cost-effective operations. It also believes it must invest in its existing store network, as well as its merchandising, marketing and operational execution to evolve its strategic platform to better meet the needs of consumers looking for more affordable, better food options. The Company further believes it must invest in merchandising initiatives to better forecast and respond to changing consumer trends. Any failure to successfully execute in these areas could have a material adverse impact on Sobeys' financial results.

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

Product Safety and Security

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

A large majority of Sobeys' sales are generated from food products and Sobeys could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could materially affect Sobeys' financial performance. Procedures are in place to manage food crises, should they occur. These procedures are intended to identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from sale immediately. Food safety related liability exposures are insured by the Company's insurance program. In addition, Sobeys has food safety procedures and programs which address safe food handling and preparation standards. However, there can be no assurance that such measures will prevent the occurrence of any such contamination, and insurance may not be sufficient to cover any resulting financial liability or reputational harm.

Drug Regulation, Legislation and Healthcare Reform

The Company currently operates 352 in-store pharmacies and 74 freestanding pharmacies which are subject to federal, provincial, territorial and local legislation as well as regulations governing the sale of prescription drugs. Changes to reimbursement models used to fund prescription drugs, including the potential implementation of a national pharmacare model or failure to comply with these laws and regulations could have a negative impact on financial performance, operations and reputation. These laws and regulations typically regulate prescription drug coverage for public plans including patient and product eligibility as well as elements of drug pricing and reimbursements including product cost, markup, dispensing fee, distribution allowances and in some provinces the ability to negotiate manufacturers allowances. In some provinces, legislation requires the selling price for prescription drugs to third-party insurance plans and cash customers will not be higher than the price established for the provincial drug plan. In addition to reimbursement, these laws and regulations govern drug approval and distribution, allowable packaging and labeling, marketing, handling, storage and disposal.

In fiscal 2019, provincial governments and private plans continued to implement measures to manage the cost of their drug plans, the impact of which varied by province and by plan. The most significant of these measures implemented April 1, 2018 was the significant price reduction of almost 70 high volume generic drugs which was the result of an agreement between the pan-Canadian Pharmaceutical Alliance and the Canadian Generic Pharmaceutical Association on behalf of the federal, provincial and territorial drug plans. The Council of the Federation, a joint collaboration created by the provincial premiers continues to work on cost reduction initiatives within the pharmaceutical sector many of which are extended to the private sector. In the fall of 2017, actions by the Alberta College of Pharmacy resulted in a ban on the ability of pharmacies to offer inducements on prescription drugs following a number of other provinces who have implemented similar bans with the potential that more provinces will follow.

It is anticipated that healthcare reform and regulation will continue to put pressure on pharmacy reimbursement through changes to patient and drug eligibility, prescription drug pricing including cost, dispensing fee, allowable markup, manufacturer allowance funding, distribution as well as potential restriction around customer inducements and expanded use of preferred providers. The Company has and will continue to identify opportunities to mitigate the negative impact these changes have on financial performance.

Free Trade

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

Loyalty Program

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

Human Resources

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

Effective leadership is very important to the growth and continued success of the Company. The Company develops and delivers training programs at all levels across its various operating regions in order to improve employee knowledge and to better serve its customers. The ability of the Company to properly develop, train and retain its employees with the appropriate skill set could affect the Company's future performance.

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

Workplace health and safety is a top priority for the Company, which has robust programs and reporting mechanisms in place designed to ensure regulatory compliance and mitigate the risks associated with workplace injury and illness.

Operations

The success of Empire is closely tied to the performance of Sobeys' network of retail stores. Franchisees and affiliates operate approximately 52% of Sobeys' retail stores. Sobeys relies on its franchisees, affiliates and corporate store management to successfully execute retail strategies and programs.

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

Technology

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

Information Management

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

The Company recognizes that information is a critical enterprise asset. Currently, the information management risk is managed at the regional and national levels through the development of policies and procedures pertaining to security access, system development, change management and problem and incident management.

Supply Chain

The Company is exposed to potential supply chain disruptions and errors that could result in obsolete merchandise or an excess or shortage of merchandise in its retail store network. A failure to implement and maintain effective supplier selection and procurement practices could adversely affect Sobeys' ability to deliver desired products to customers and adversely affect the Company's ability to attract and retain customers. A failure to maintain an efficient supply and logistics chain may adversely affect Sobeys' ability to sustain and meet growth objectives and maintain margins.

Product Costs

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

Economic Environment

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

Liquidity Risk

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

Interest Rate Fluctuation

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

Business Continuity

The Company may be subject to unexpected events and natural hazards, including severe weather events, interruption of utilities and infrastructure or occurrence of pandemics, which could cause sudden or complete cessation of its day to day operations. The Company has worked with industry and government sources to develop preparedness plans. However, no such plan can eliminate the risks associated with events of this magnitude. Any failure to respond effectively or appropriately to such events could adversely affect the Company's operations, reputation and financial results.

Insurance

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

Ethical Business Conduct

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

Environmental

The Company operates its business locations across the country, including numerous fuel stations. Each of these sites has the potential to experience environmental contamination or other issues as a result of the Company's operations or the activities of third parties, including neighbouring properties.

When environmental issues are identified, any required environmental site remediation is completed using appropriate, qualified internal and external resources. The Company may be required to absorb all costs associated with such remediation, which may be substantial.

Sobeys' retail fuel locations operate underground storage tanks. Environmental contamination resulting from leaks or damages to these tanks is possible. To mitigate this environmental risk, Sobeys engages in several monitoring procedures, as well as risk assessment activities, to minimize potential environmental hazards.

These activities mitigate but do not eliminate the Company's environmental risk, and as such, along with the risk of changes to existing environmental protection regulatory requirements, there remains exposure for negative financial and operational impacts to the Company in future years.

Occupational Health and Safety

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

Real Estate

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

Legal, Taxation and Accounting

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

Similarly, income tax regulations and/or accounting pronouncements may be changed in ways which could negatively affect the Company. The Company mitigates the risk of not being in compliance with the various laws and rules and regulations by monitoring for newly adopted activities, improving technology systems and controls, improving internal controls to detect and prevent errors and overall application of more scrutiny to ensure compliance. In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

Utility and Fuel Prices

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

Credit Rating

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

Foreign Currency

The Company conducts the majority of its operating business in CAD and its foreign exchange risk is mainly limited to currency fluctuations between the CAD, the Euro, the Great British Pound ("GBP") and the United States Dollar ("USD"). USD purchases of products represent approximately 4.5% of Sobeys' total annual purchases. Euro and GBP purchases are primarily limited to specific contracts for capital expenditures. A failure to adequately manage the risk of exchange rate changes could adversely affect the Company's financial results.

Capital Allocation

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

Seasonality

The Company's operations as they relate to food, specifically inventory levels, sales volume and product mix, are impacted to some degree by certain holiday periods in the year.

Foreign Operations

The Company has certain foreign operations. The Company's foreign operations are limited to a produce sourcing operation and residential real estate partnerships based in the United States.

Pension Plans

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

The Company participates in various multi-employer pension plans, providing pension benefits to unionized employees pursuant to provisions in collective bargaining agreements. Approximately 16% of the employees of Sobeys and its franchisees and affiliates participate in these plans. The responsibility of Sobeys, its franchisees, and affiliates to make contributions to these plans is limited to the amounts established in the collective bargaining agreements and other associated agreements, however poor performance of these plans could have a negative effect on the participating employees or could result in changes to the terms and conditions of participation in these plans, which in turn could negatively affect the financial performance of the Company.

Leverage Risk

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

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 measures and metrics, including EBITDA and net earnings in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure by excluding certain items. These items 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 truer economic representation on a comparative basis. Adjusted operating income is reconciled to operating income in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections. 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 exclusion of depreciation and amortization of intangibles partially eliminates the non-cash impact from operating income.

The following table reconciles net earnings to EBITDA:

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Net earnings	$ 128.9	$ 73.5	$ 416.4	$ 179.8
Income tax expense	44.1	11.7	144.3	56.2
Finance costs, net	21.2	25.4	91.6	110.5
Operating income	194.2	110.6	652.3	346.5
Depreciation	84.7	85.6	333.0	351.8
Amortization of intangibles	21.2	21.6	84.2	87.4
EBITDA	$ 300.1	$ 217.8	$ 1,069.5	$ 785.7

- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These adjustments result in a truer economic representation on a comparative basis. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections. 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 plus losses on cash flow hedges reclassified from other comprehensive income or losses. Management believes that interest expense represents a true measure of the Company's debt service expense, without the offsetting total finance income.

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

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Finance costs, net	$ 21.2	$ 25.4	$ 91.6	$ 110.5
Plus: finance income	5.3	2.3	12.6	6.0
Less: net pension finance costs	(3.1)	(3.2)	(12.0)	(11.9)
Less: accretion expense on provisions	(0.7)	(2.9)	(5.7)	(7.7)
Interest expense	$ 22.7	$ 21.6	$ 86.5	$ 96.9

- 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 truer economic representation of the underlying business on a comparative basis. Adjusted net earnings is reconciled to net earnings in its respective subsection of the "Summary Results – Fourth Quarter" and "Operating Results – Full Year" sections. 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. 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 and long-term debt. Management believes that funded debt represents the best 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 financial obligations after 100% of cash and cash equivalents are applied against the total obligation.
- 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 tables reconcile the Company's funded debt, net funded debt, net total capital and total capital to GAAP measures as reported on the balance sheets as at May 4, 2019, May 5, 2018 and May 6, 2017, respectively:

($ in millions)	May 4, 2019	May 5, 2018	May 6, 2017
Long-term debt due within one year	$ 36.5	$ 527.4	$ 134.0
Long-term debt	1,984.4	1,139.5	1,736.8
Funded debt	2,020.9	1,666.9	1,870.8
Less: cash and cash equivalents	(553.3)	(627.9)	(207.3)
Net funded debt	1,467.6	1,039.0	1,663.5
Total shareholders' equity, net of non-controlling interest	4,003.3	3,702.8	3,644.2
Net total capital	$ 5,470.9	$ 4,741.8	$ 5,307.7

($ in millions)	May 4, 2019	May 5, 2018	May 6, 2017
Funded debt	$ 2,020.9	$ 1,666.9	$ 1,870.8
Total shareholders' equity, net of non-controlling interest	4,003.3	3,702.8	3,644.2
Total capital	$ 6,024.2	$ 5,369.7	$ 5,515.0

Food Segment Reconciliations

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

	52 Weeks Ended		$
($ in millions)	May 4, 2019	May 5, 2018	Change
Operating income	$ 561.8	$ 273.6	$ 288.2
Adjustments:			
Intangible amortization associated with the Canada Safeway acquisition	24.6	26.2	
Business acquisition costs	6.7	–	
Costs related to Project Sunrise	–	207.8	
Western Canada store closures	–	21.2	
	31.3	255.2	(223.9)
Adjusted operating income	$ 593.1	$ 528.8	$ 64.3

	52 Weeks Ended		$
($ in millions)	May 4, 2019	May 5, 2018	Change
EBITDA	$ 978.7	$ 712.5	$ 266.2
Adjustments:			
Business acquisition costs	6.7	–	
Costs related to Project Sunrise	–	207.8	
Western Canada store closures	–	21.2	
	6.7	229.0	(222.3)
Adjusted EBITDA	$ 985.4	$ 941.5	$ 43.9

	52 Weeks Ended		$
($ in millions)	May 4, 2019	May 5, 2018	Change
Net earnings	$ 316.5	$ 116.5	$ 200.0
Adjustments (net of income taxes):			
Intangible amortization associated with the Canada Safeway acquisition	17.8	19.2	
Business acquisition costs	4.9	–	
Costs related to Project Sunrise	–	150.1	
Western Canada store closures	–	15.5	
	22.7	184.8	(162.1)
Adjusted net earnings	$ 339.2	$ 301.3	$ 37.9

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 cost control 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.
- Return on equity, as reported by Sobeys, is net earnings for the year attributable to owners of the parent, divided by average shareholder's equity.
- Funded debt to total capital ratio is funded debt divided by total capital.
- Net funded debt to net total capital ratio is net funded debt divided by net total capital. Management believes that funded debt to total capital and net funded debt to net total capital ratios represent measures upon which the Company's changing capital structure can be analyzed over time. Increasing ratios would indicate that the Company is using an increasing amount of debt in its capital structure to fund its operations.

- 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 May 4, 2019, May 5, 2018 and May 6, 2017:

($ in millions, except per share information)	May 4, 2019	May 5, 2018	May 6, 2017
Shareholders' equity, net of non-controlling interest	$ 4,003.3	$ 3,702.8	$ 3,644.2
Shares outstanding (basic)	271.9	271.8	271.9
Book value per common share	$ 14.72	$ 13.62	$ 13.40

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

Approved by Board of Directors: June 26, 2019
Stellarton, Nova Scotia, Canada

Consolidated Financial Statements

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Management's Statement of Responsibility for Financial Reporting

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards or Generally Accepted Accounting Principles and reflect management's best estimates and judgments.

All other financial information in the report is consistent with that contained in the consolidated financial statements.

Management of the Company has established and maintains a system of internal control that provides reasonable assurance as to the integrity of the consolidated financial statements, the safeguarding of Company assets, and the prevention and detection of fraudulent financial reporting.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and composed solely of directors who are unrelated to, and independent of, the Company, meet regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual consolidated financial statements to be issued to shareholders.

The external auditors have full and free access to the Audit Committee.

signed "Michael Medline"

Michael Medline
President and Chief Executive Officer

June 26, 2019

signed "Michael Vels"

Michael Vels
Chief Financial Officer

June 26, 2019

Independent Auditor's Report

To the Shareholders of Empire Company Limited

OUR OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Empire Company Limited and its subsidiaries (together, the Company) as at May 4, 2019 and May 5, 2018, and its financial performance and its cash flows for the 52 weeks ended May 4, 2019 and May 5, 2018 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at May 4, 2019 and May 5, 2018;
- the consolidated statements of earnings for the 52 weeks ended May 4, 2019 and May 5, 2018;
- the consolidated statements of comprehensive income for the 52 weeks ended May 4, 2019 and May 5, 2018;
- the consolidated statements of changes in shareholders' equity for the 52 weeks ended May 4, 2019 and May 5, 2018;
- the consolidated statements of cash flows for the 52 weeks ended May 4, 2019 and May 5, 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Donald M. Flinn.

signed "PriceWaterhouseCoopers LLP"
Chartered Professional Accountants, Licensed Public Accountants

Halifax, Nova Scotia
June 26, 2019

Consolidated Balance Sheets

As At (in millions of Canadian dollars)	May 4, 2019	May 5, 2018
ASSETS		
Current		
Cash and cash equivalents	$ 553.3	$ 627.9
Receivables	444.2	433.2
Inventories (Note 4)	1,441.8	1,251.6
Prepaid expenses	134.1	126.8
Loans and other receivables (Note 5)	18.7	20.9
Income taxes receivable	27.9	15.2
Assets held for sale (Note 6)	19.5	20.4
	2,639.5	2,496.0
Loans and other receivables (Note 5)	70.8	80.6
Investments, at equity (Note 7)	589.4	571.8
Other assets (Note 8)	43.4	34.1
Property and equipment (Note 9)	2,911.5	2,787.3
Investment property (Note 10)	100.0	93.9
Intangibles (Note 11)	1,062.0	842.0
Goodwill (Note 12)	1,571.5	1,001.9
Deferred tax assets (Note 13)	614.3	754.4
	$ 9,602.4	$ 8,662.0
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 2,496.4	$ 2,253.8
Income taxes payable	29.0	53.5
Provisions (Note 14)	119.4	127.6
Long-term debt due within one year (Note 15)	36.5	527.4
	2,681.3	2,962.3
Provisions (Note 14)	93.1	129.3
Long-term debt (Note 15)	1,984.4	1,139.5
Other long-term liabilities (Note 16)	269.0	158.6
Employee future benefits (Note 17)	286.1	361.2
Deferred tax liabilities (Note 13)	205.5	141.3
	5,519.4	4,892.2
SHAREHOLDERS' EQUITY		
Capital stock (Note 18)	2,042.6	2,039.5
Contributed surplus	25.2	22.9
Retained earnings	1,920.8	1,627.9
Accumulated other comprehensive income	14.7	12.5
	4,003.3	3,702.8
Non-controlling interest	79.7	67.0
	4,083.0	3,769.8
	$ 9,602.4	$ 8,662.0

See accompanying notes to the consolidated financial statements.

On Behalf of the Board

signed "James Dickson"

James Dickson
Director

signed "Michael Medline"

Michael Medline
Director

Consolidated Statements of Earnings

52 Weeks Ended (in millions of Canadian dollars, except share and per share amounts)		May 4, 2019		May 5, 2018
Sales	$	**25,142.0**	$	24,214.6
Other income (Note 19)		**68.3**		61.2
Share of earnings from investments, at equity (Note 7)		**87.9**		74.3
Operating expenses				
Cost of sales		**19,058.4**		18,314.1
Selling and administrative expenses		**5,587.5**		5,689.5
Operating income		**652.3**		346.5
Finance costs, net (Note 21)		**91.6**		110.5
Earnings before income taxes		**560.7**		236.0
Income tax expense (Note 13)		**144.3**		56.2
Net earnings	$	**416.4**	$	179.8
Earnings for the year attributable to:				
Non-controlling interest	$	**29.1**	$	20.3
Owners of the Company		**387.3**		159.5
	$	**416.4**	$	179.8
Earnings per share (Note 22)				
Basic	$	**1.42**	$	0.59
Diluted	$	**1.42**	$	0.59
Weighted average number of common shares outstanding, in millions (Note 22)				
Basic		**271.9**		271.8
Diluted		**272.6**		272.1

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

52 Weeks Ended (in millions of Canadian dollars)		May 4, 2019		May 5, 2018
Net earnings	$	416.4	$	179.8
Other comprehensive income				
Items that will be reclassified subsequently to net earnings				
Unrealized gains on derivatives designated as cash flow hedges (net of taxes of $(0.2) (2018 – $(0.3)))		0.9		1.2
Unrealized losses on financial assets at fair value through profit or loss (net of taxes of $ nil (2018 – $0.2))		–		(0.8)
Share of other comprehensive income of investments, at equity (net of taxes of $ nil (2018 – $(0.9)))		0.2		2.0
Exchange differences on translation of foreign operations (net of taxes of $0.2 (2018 – $(0.4)))		1.1		(1.6)
		2.2		0.8
Items that will not be reclassified subsequently to net earnings				
Actuarial gains on defined benefit plans (net of taxes of $(18.0) (2018 – $(4.9))) (Note 17)		48.1		9.6
Total comprehensive income	$	466.7	$	190.2
Total comprehensive income for the year attributable to:				
Non-controlling interest	$	29.1	$	20.3
Owners of the Company		437.6		169.9
	$	466.7	$	190.2

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(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 6, 2017	$ 2,034.4	$ 25.3	$ 11.7	$ 1,572.8	$ 3,644.2	$ 58.5	$ 3,702.7
Dividends declared on common shares	–	–	–	(114.0)	(114.0)	–	(114.0)
Equity based compensation, net	0.4	(2.4)	–	–	(2.0)	–	(2.0)
Shares held in trust, net (Note 18)	4.7	–	–	–	4.7	–	4.7
Capital transactions with structured entities	–	–	–	–	–	(11.8)	(11.8)
Transactions with owners	5.1	(2.4)	–	(114.0)	(111.3)	(11.8)	(123.1)
Net earnings	–	–	–	159.5	159.5	20.3	179.8
Other comprehensive income	–	–	0.8	9.6	10.4	–	10.4
Total comprehensive income for the year	–	–	0.8	169.1	169.9	20.3	190.2
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	**–**	**–**	**–**	**(119.5)**	**(119.5)**	**–**	**(119.5)**
Equity based compensation, net	**2.4**	**2.3**	**–**	**–**	**4.7**	**–**	**4.7**
Shares held in trust, net (Note 18)	**0.7**	**–**	**–**	**–**	**0.7**	**–**	**0.7**
Capital transactions with structured entities	**–**	**–**	**–**	**–**	**–**	**(16.2)**	**(16.2)**
Non-controlling interest recognized on business acquisitions (Note 23)	**–**	**–**	**–**	**(12.1)**	**(12.1)**	**–**	**(12.1)**
Transactions with owners	**3.1**	**2.3**	**–**	**(131.6)**	**(126.2)**	**(16.2)**	**(142.4)**
Net earnings	**–**	**–**	**–**	**387.3**	**387.3**	**29.1**	**416.4**
Revaluation of put options	**–**	**–**	**–**	**(10.9)**	**(10.9)**	**(0.2)**	**(11.1)**
Other comprehensive income	**–**	**–**	**2.2**	**48.1**	**50.3**	**–**	**50.3**
Total comprehensive income for the year	**–**	**–**	**2.2**	**424.5**	**426.7**	**28.9**	**455.6**
Balance at May 4, 2019	**$ 2,042.6**	**$ 25.2**	**$ 14.7**	**$ 1,920.8**	**$ 4,003.3**	**$ 79.7**	**$ 4,083.0**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

52 Weeks Ended (in millions of Canadian dollars)	May 4, 2019	May 5, 2018
Operations		
Net earnings	$ 416.4	$ 179.8
Adjustments for:		
Depreciation	333.0	351.8
Income tax expense	144.3	56.2
Finance costs, net (Note 21)	91.6	110.5
Amortization of intangibles	84.2	87.4
Net gain on disposal of assets	(48.9)	(37.3)
Impairment of non-financial assets, net	(31.3)	9.2
Amortization of deferred items	1.8	7.2
Equity in earnings of other entities, net of distributions received	(8.6)	69.1
Employee future benefits	(8.8)	1.5
Increase in long-term lease obligation	2.8	11.2
(Decrease) increase in long-term provisions	(41.9)	15.8
Equity based compensation, net	6.7	6.9
Net change in non-cash working capital	16.5	88.1
Income taxes paid, net	(72.2)	(77.7)
Cash flows from operating activities	885.6	879.7
Investment		
Property, equipment and investment property purchases	(411.1)	(239.8)
Additions to intangibles	(23.5)	(48.2)
Proceeds on disposal of assets	89.7	217.2
Loans and other receivables	12.0	6.1
Other assets and other long-term liabilities	9.2	2.9
Business acquisitions, net of cash acquired (Note 23)	(778.6)	(3.8)
Interest received	8.3	1.9
Proceeds on redemption of investment	–	24.3
Cash flows used in investing activities	(1,094.0)	(39.4)
Financing		
Issue of long-term debt	58.3	63.7
Repayment of long-term debt and credit facility	(605.2)	(313.2)
Advances on credit facilities	900.0	43.1
Interest paid	(90.9)	(87.4)
Acquisition of shares held in trust (Note 18)	(0.1)	(0.1)
Dividends paid, common shares	(119.5)	(114.0)
Non-controlling interest	(8.8)	(11.8)
Cash flows from (used in) financing activities	133.8	(419.7)
(Decrease) increase in cash and cash equivalents	(74.6)	420.6
Cash and cash equivalents, beginning of year	627.9	207.3
Cash and cash equivalents, end of year	$ 553.3	$ 627.9

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

May 4, 2019 (in millions of Canadian dollars, except share and per share amounts)

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 consolidated financial statements for the period ended May 4, 2019 include the accounts of Empire, all subsidiary companies, including 100% owned Sobeys Inc. ("Sobeys"), and certain enterprises considered structured entities ("SEs"), 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 May 4, 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 26, Segmented Information. The Company's Food retailing business is affected by seasonality and the timing of holidays. Retail sales are traditionally higher in the Company's first quarter. The Company's fiscal year ends on the first Saturday in May.

2. Basis of Preparation

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issue by the Board of Directors on June 26, 2019.

BASIS OF MEASUREMENT

The 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 consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported on the 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.

The Company has applied judgment in its assessment of the appropriateness of consolidation of SEs, the appropriateness of equity accounting for its investments in associates and joint ventures, the classification of leases and financial instruments, the level of componentization of property and equipment, the determination of cash generating units ("CGUs"), the identification of indicators of impairment for property and equipment, investment property, intangible assets and goodwill, the recognition and measurement of assets acquired and liabilities assumed, and the recognition of provisions.

Estimates, judgments and assumptions that could have a significant impact to the amounts recognized on the consolidated financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Actual results could differ from these estimates.

(A) INVENTORIES

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimation or judgment is required in the determination of (i) estimated inventory provisions associated with vendor allowances and internal charges; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) inventories valued at retail and adjusted to cost.

(B) IMPAIRMENT

Management assesses impairment of non-financial assets such as investments in associates and joint ventures, goodwill, intangible assets, property and equipment, and investment property. In assessing impairment, management estimates the recoverable amount of each asset or CGU based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Impairment losses and reversals are disclosed on the consolidated financial statements in Notes 9, 10, 11 and 12.

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

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

(C) EMPLOYEE FUTURE BENEFITS

Accounting for the costs of defined benefit pension plans and other post-employment benefits requires the use of several assumptions. Pension obligations are based on current market conditions and actuarial determined data such as medical cost trends, mortality rates, and future salary increases. A sensitivity analysis and more detail of key assumptions used in measuring the pension and post-employment benefit obligations are disclosed in Note 17.

(D) INCOME TAXES

Assumptions are applied when management assesses the timing and reversal of temporary differences and estimates the Company's future earnings to determine the recognition of current and deferred income taxes. Judgments are also made by management when interpreting the tax rules in jurisdictions where the Company operates. Note 13 details the current and deferred income tax expense and deferred tax assets and liabilities.

(E) BUSINESS ACQUISITIONS

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

(F) PROVISIONS

Estimates and assumptions are used to calculate provisions when the Company estimates the expected future cash flows relating to the obligation and applies an appropriate discount rate.

(G) SUPPLY AGREEMENTS

The Company has various long-term supply agreements for products, some of which contain minimum volume purchases. Significant estimation and judgment is required in the determination of (i) future operating results; and (ii) forecasted purchase volumes. When measuring whether a provision is required based on the expected future cash flows associated with fulfilling the contract, management makes assumptions which relate to future events and circumstances. Actual results could vary from these estimated future cash flows.

3. Summary of Significant Accounting Policies

(A) BASIS OF CONSOLIDATION

The financial statements for the Company include the accounts of the Company and all of its subsidiary undertakings up to the reporting date. Subsidiaries, including SEs, are all entities the Company controls. All subsidiaries have a reporting date within six weeks of the Company's reporting date. Where necessary, adjustments have been made to reflect transactions between the reporting dates of the Company and its subsidiaries.

Control exists when the Company has existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company reassesses control on an ongoing basis.

SEs are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. SEs are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the SE. SEs controlled by the Company were established under terms that impose strict limitations on the decision making powers of the SEs management and that results in the Company receiving the majority of the benefits related to the SEs operations and net assets, being exposed to the majority of risks incident to the SEs activities, and retaining the majority of the residual or ownership risks related to the SEs or their assets.

All intercompany transactions, balances, income and expenses are eliminated in preparing the consolidated financial statements.

Earnings or losses and other comprehensive income or losses of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interest represents the portion of a subsidiary's earnings and losses and net assets that is not held by the Company. If losses in a subsidiary applicable to a non-controlling interest exceed the non-controlling interest in the subsidiary's equity, the excess is allocated to the non-controlling interest except to the extent that the majority has a binding obligation and is able to cover the losses, except as discussed in note 3(j).

(B) BUSINESS ACQUISITIONS

Business acquisitions are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded on the financial statements prior to acquisition. The acquiree's identifiable assets, liabilities, and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business combinations", are recognized at their fair value at the acquisition date, except for: (i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements which are recognized and measured in accordance with International Accounting Standard ("IAS") 12, "Income taxes", and IAS 19, "Employee benefits", respectively; and (ii) assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", which are measured and recognized at fair value less costs to sell. Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net earnings or loss immediately after acquisition. Transaction costs related to the acquisition are expensed as they are incurred.

(C) FOREIGN CURRENCY TRANSLATION

Assets and liabilities of foreign operations with a different functional currency than the Company are translated at exchange rates in effect at each reporting period end date. The revenues and expenses are translated at average exchange rates for the period. Cumulative gains and losses on translation are shown in accumulated other comprehensive income or loss.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each reporting period end date. Non-monetary items are translated at the historical exchange rate at the date of transaction. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income or loss. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the period.

(D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and guaranteed investments with a maturity less than 90 days at date of acquisition.

(E) INVENTORIES

Warehouse inventories are valued at the lower of cost and net realizable value with cost being determined on a weighted average cost basis. Retail inventories are valued at the lower of cost and net realizable value. Cost is determined using a weighted average cost using either the standard cost method or retail method. The retail method uses the anticipated selling price less normal profit margins, on a weighted average cost basis. The cost of inventories is comprised of directly attributable costs and includes the purchase price plus other costs incurred in bringing the inventories to their present location and condition, such as freight. The cost is reduced by the value of rebates and allowances received from vendors. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or permanent declines in selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Costs that do not contribute to bringing inventories to their present location and condition, such as storage and administrative overheads, are specifically excluded from the cost of inventories and are expensed in the period incurred.

(F) INCOME TAXES

Tax expense recognized in net earnings or loss comprises the sum of deferred income tax and current income tax not recognized in other comprehensive income or loss.

Current income tax assets and liabilities are comprised of claims from, or obligations to, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable earnings, which differs from net earnings or loss on the consolidated financial statements. The calculation of current income tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income taxes are calculated using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities and their related tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business acquisition or affects tax or accounting profit. The deferred tax assets and liabilities have been measured using substantively enacted tax rates that will be in effect when the amounts are expected to settle. Deferred tax assets are only recognized to the extent that it is probable that they will be able to be utilized against future taxable income. The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be used without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties are assessed individually by management based on the specific facts and circumstances.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive income or loss (such as the unrealized gains and losses on cash flow hedges) or directly in equity.

(G) ASSETS HELD FOR SALE

Certain property and equipment have been listed for sale and reclassified as assets held for sale on the consolidated balance sheets. These assets are expected to be sold within a twelve month period. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell.

(H) INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Company is able to exert significant influence but which it does not control and which are not interests in a joint venture. Control is reassessed on an ongoing basis. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the earnings or losses generated by the associate are reported within share of earnings from investments, at equity on the Company's consolidated statements of earnings or loss. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities.

Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or losses or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective.

At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For investments in publicly traded entities, carrying value of the investment is compared to the current market value of the investment based on its quoted price at the balance sheet date. For entities which are not publicly traded, value-in-use of the investment is determined by estimating the Company's share of the present value of the estimated cash flows expected to be generated by the investee. If impaired, the carrying value of the Company's investment is written down to its estimated recoverable amount, being the higher of fair value less cost to sell and value-in-use.

In the process of measuring future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's investments in associates in the subsequent financial years.

Each of the associates identified by the Company has a reporting year end of December 31. For purposes of the Company's consolidated year end financial statements, each of the associates' results are included based on financial statements prepared as at March 31, with any changes occurring between March 31 and the Company's year end that would materially affect the results being taken into account.

(I) INVESTMENTS IN JOINT VENTURES

Investments in joint ventures are joint arrangements whereby the Company and the other parties to the arrangements have joint control and therefore have rights to the net assets of the arrangement. Investments in joint ventures are initially recognized at cost and subsequently accounted for using the equity method.

(J) FINANCIAL INSTRUMENTS

Financial instruments are recognized on the consolidated balance sheets when the Company becomes a party to the contractual provisions of a financial instrument. The classification and measurement categories for financial assets are amortized cost, fair value through other comprehensive income ("FVOCI"), and FVTPL. Financial assets that are not designated as FVTPL on initial recognition are classified and measured at amortized cost if (i) they are held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Debt investments that are not designated as FVTPL on initial recognition are classified and measured at FVOCI if (i) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest. Equity investments held for trading are classified and measured at FVTPL. Financial assets not classified at amortized cost or FVOCI are classified and measured at FVTPL. The classification and measurement categories for financial liabilities are amortized cost and FVTPL.

The Company's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification and Measurement
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Loans and other receivables	Amortized cost
Derivative financial assets and liabilities	FVTPL
Non-derivative other assets	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

Sobeys has entered into put and call options with non-controlling interest shareholders of certain subsidiary companies such that the Company may acquire their shareholdings under certain conditions on or after the exercise date. As a result, the Company recognizes a financial liability at the present value of the amount payable on exercise of the applicable put option. Remeasurement adjustments are recorded in retained earnings. At the end of each reporting period, non-controlling interests for these subsidiaries that have been recognized, including the earnings attributable to these non-controlling interests, are derecognized against the related non-controlling interest liability immediately before its period-end revaluation.

Impairment of financial assets are based on expected credit losses ("ECL"). The Company recognizes loss allowances on its trade receivables based on lifetime ECLs. Loss allowances are recognized on loans and other receivables for which the credit risk has not increased significantly since initial recognition based on the 12-month ECL. Where there is a significant increase in the credit risk of loans and other receivables subsequent to initial recognition, the Company recognizes loss allowances based on lifetime ECLs. The Company considers past events, current conditions, and reasonable and supportable forecasts affecting collectability when determining whether the credit risk of a financial asset has increased significantly since initial recognition, or in estimating lifetime ECLs.

(K) HEDGES

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and energy prices. For cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income or loss. To the extent the change in fair value of the derivative does not completely offset the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings or loss. Amounts accumulated in other comprehensive income or loss are reclassified to net earnings or loss when the hedged item is recognized in net earnings or loss. When a hedging instrument in a cash flow hedge expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in accumulated other comprehensive income or loss relating to the hedge is carried forward until the hedged item is recognized in net earnings or loss. When the hedged item ceases to exist as a result of its expiry or sale, or if an anticipated transaction is no longer expected to occur, the cumulative gain or loss in accumulated other comprehensive income or loss is immediately reclassified to net earnings or loss.

Financial derivatives assigned as part of a cash flow hedging relationship are classified on the consolidated balance sheets as either an other asset or other long-term liability as required based on their fair value determination.

Significant derivatives include the following:

(i) Foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to the purchase of goods or expenditures denominated in foreign currencies. Certain contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(ii) Electricity forward contracts for the primary purpose of limiting exposure to fluctuations in the market prices of electricity. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(iii) Natural gas forward contracts for the primary purpose of limiting exposure to fluctuations in the market prices of natural gas. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in fair value of the contracts is accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in earnings or loss in future accounting periods.

(L) PROPERTY AND EQUIPMENT

Owner-occupied land, buildings, equipment, leasehold improvements, and assets under construction are carried at acquisition cost less accumulated depreciation and impairment losses.

Buildings that are leasehold property are also included in property and equipment if they are classified as a finance lease. Such assets are depreciated over their expected useful lives (determined by reference to comparable owned assets) or over the term of the lease, if shorter.

When significant parts of property and equipment have different useful lives, they are accounted for as separate components. Depreciation is recorded on a straight-line basis from the time the asset is available or when assets under construction become available for use over the estimated useful lives of the assets as follows:

Buildings	10 – 40 years
Equipment	3 – 20 years
Leasehold improvements	Lesser of lease term and 7 – 20 years

Depreciation has been included within selling and administrative expenses on the consolidated statements of earnings. Material residual value estimates and estimates of useful life are reviewed and updated as required, or annually at a minimum.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in net earnings or loss within other income. If the sale is to a Company's investment, at equity, a portion of the gain or loss is deferred and reduces the carrying value of the investment.

(M) INVESTMENT PROPERTY

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both, rather than for the principal purpose of the Company's operating activities. Investment properties are accounted for using the cost model. The depreciation policies for investment property are consistent with those described for property and equipment.

Any gain or loss arising from the sale of an investment property is immediately recognized in net earnings or loss, unless the sale is to an investment, at equity, in which case a portion of the gain or loss is deferred and would reduce the carrying value of the Company's investment. Rental income and operating expenses from investment property are reported within other income and selling and administrative expenses, respectively, on the consolidated statements of earnings.

(N) LEASES

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.

(i) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(ii) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included on the consolidated balance sheets as a finance lease obligation in long-term debt.

Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in net earnings or loss immediately. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Lease allowances and incentives are recognized as other long-term liabilities. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

Real estate lease expense is amortized on a straight-line basis over the entire term of the lease.

(iii) Sale and leaseback transactions

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in a finance lease for the Company, any excess of sales proceeds over the carrying amount is recognized as deferred revenue and amortized over the term of the new lease. Any profit or loss in a sale and leaseback transaction resulting in an operating lease that is transacted at fair value is recognized immediately. If the sale price is above fair value, the excess over fair value is deferred and amortized over the term of the new lease.

(O) INTANGIBLES

Intangibles arise on the purchase of a new business, existing franchises, software, and the acquisition of pharmacy prescription files. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Useful lives are reviewed annually and intangibles are subject to impairment testing. The following useful lives are applied:

Deferred purchase agreements	5 – 10 years
Franchise rights/agreements	10 years
Lease rights	5 – 10 years
Off market leases	Lesser of lease term and 40 years
Prescription files	15 years
Software	3 – 7 years
Other	5 – 10 years

Amortization has been included within selling and administrative expenses on the consolidated statements of earnings. Subsequent expenditures made by the Company relating to intangible assets that do not meet the capitalization criteria are expensed in the period incurred.

Included in intangibles are brand names, loyalty programs, and private labels, the majority of which have indefinite useful lives. Intangibles with indefinite useful lives are measured at cost less any accumulated impairment losses. These intangibles are tested for impairment on an annual basis or more frequently if there are indicators that intangibles may be impaired.

(P) GOODWILL

Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible and intangible assets acquired at the date of acquisition.

(Q) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and indefinite life intangibles are reviewed for impairment at least annually by assessing the recoverable amount of each CGU or groups of CGUs to which the goodwill or indefinite life intangible relates. The recoverable amount is the higher of FVLCD and VIU. When the recoverable amount of the CGU(s) is less than the carrying amount, an impairment loss is recognized immediately in net earnings or loss. Impairment losses related to goodwill cannot be reversed.

Long-lived tangible and intangible assets are reviewed each reporting period for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of FVLCD and VIU. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU(s) to which the asset belongs. The Company has determined a CGU to be primarily an individual store. Corporate assets such as head offices and distribution centres do not individually generate separate cash inflows and are therefore aggregated for testing with the stores they service. When the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to the recoverable amount. An impairment loss is recognized immediately in selling and administrative expenses on the consolidated statements of earnings.

Where an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset (or CGU) is increased to the revised estimate, but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years. A reversal of impairment loss is recognized immediately in net earnings or loss.

(R) CUSTOMER LOYALTY PROGRAMS

The AIR MILES® loyalty program is used by the Company. AIR MILES® are earned by Sobeys customers based on purchases in stores. The Company pays a per point fee under the terms of the agreement with AIR MILES®.

(S) PROVISIONS

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, for which it is probable that a transfer of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability, if material. Where discounting is used, the increase in the provision due to passage of time ("unwinding of the discount") is recognized within finance costs, net on the consolidated statements of earnings.

(T) BORROWING COSTS

Borrowing costs are primarily comprised of interest on the Company's debts. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a component of the cost of the asset to which it is related. All other borrowing costs are expensed in the period in which they are incurred and are reported within finance costs.

(U) DEFERRED REVENUE

Deferred revenue consists of long-term supplier purchase agreements and gains on sale and leaseback transactions relating to certain finance leases. Deferred revenue is included in other long-term liabilities and is taken into income on a straight-line basis over the term of the related agreements.

(V) EMPLOYEE BENEFITS

(i) Short-term employment benefits

Short-term employee benefits include wages, salaries, compensated absences, profit-sharing and bonuses expected to be settled within 12 months from the end of the reporting period. Short-term employee benefits are measured on an undiscounted basis and are recorded as selling and administrative expenses as the related service is provided.

(ii) Post-employment benefits

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

The liability recognized on the consolidated balance sheets for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair market value of plan assets. Current market values are used to value benefit plan assets. The obligation related to employee future benefits is measured using current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the obligation.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding amounts in net interest), are recognized immediately on the consolidated balance sheets with a corresponding charge to retained earnings through other comprehensive income or loss in the period in which they occur. Remeasurements are not reclassified to net earnings or loss in subsequent periods.

Past service costs are recognized in net earnings or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes restructuring-related costs.

Service cost on the net defined benefit liability, comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, is included in selling and administrative expenses. Net interest expense on the net defined benefit liability is included in finance costs, net.

(iii) Termination benefits

Termination benefits are recognized as an expense at the earlier of when the Company recognizes related restructuring costs and when the Company can no longer withdraw the offer of those benefits.

(W) REVENUE RECOGNITION

Revenue is recognized upon delivery and acceptance of the goods. Revenue is measured at the expected consideration net of discounts and allowances. Sales include revenues from customers through corporate stores operated by the Company and consolidated structured entities, and revenue from sales to non-structured entity franchised stores, affiliated stores and independent accounts. Revenue received from non-structured entity franchised stores, affiliated stores and independent accounts is mainly derived from the sale of product. The Company also collects franchise fees under two types of arrangements. Franchise fees contractually due based on the dollar value of product shipped are recorded as revenue when the product is shipped. Franchise fees contractually due based on the franchisee's retail sales are recorded as revenue upon invoicing.

(X) VENDOR ALLOWANCES

The Company receives allowances from certain vendors whose products are purchased for resale. Included in these vendor programs are allowances for volume purchases, exclusivity allowances, listing fees, and other allowances. The Company recognizes these allowances as a reduction of cost of sales and related inventories. Certain allowances are contingent on the Company achieving minimum purchase levels and these allowances are recognized when it is probable that the minimum purchase level will be met, and the amount of allowance can be estimated.

(Y) INTEREST AND DIVIDEND INCOME

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividend income is recognized when the right to receive payment has been established.

(Z) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding for the dilutive effect of employee stock options and performance share units. When a loss is recorded, the weighted average number of shares used for the purpose of basic and diluted loss per share is equal, as the impact of all potential common shares would be anti-dilutive.

(AA) STOCK-BASED COMPENSATION

The Company operates both equity and cash settled stock-based compensation plans for certain employees.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values. Where employees are rewarded using stock-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted (Note 27).

(AB) CHANGES TO ACCOUNTING STANDARDS ADOPTED DURING FISCAL 2019

(i) Revenue

The Company adopted IFRS 15 "Revenue from contracts with customers" ("IFRS 15") effective in the first quarter of fiscal 2019. IFRS 15 was issued in May 2014 and replaces IAS 18 "Revenue", IAS 11 "Construction contracts", and related interpretations. IFRS 15 became effective for annual periods beginning on or after January 1, 2018.

IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive five-step framework for recognition, measurement, and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts, and financial instruments. The Company has adopted the standard retrospectively, in accordance with IFRS 15 transitional provisions. The implementation of IFRS 15 did not materially impact the amounts recognized on the Company's consolidated financial statements and no amounts have been reclassified or restated.

The Company has amended its accounting policies related to revenue recognition and revised the definition of sales. Refer to note 3(w) above.

(ii) Financial instruments

The Company adopted IFRS 9 "Financial instruments" ("IFRS 9") which replaces the provisions of IAS 39 "Financial instruments: recognition and measurement" ("IAS 39"), and related amendments to IFRS 7 "Financial instruments: disclosures" ("IFRS 7") effective in the first quarter of fiscal 2019, on a retrospective basis. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

The IAS 39 requirements for the classification and measurement of financial assets and financial liabilities, and impairment of financial assets have been amended by IFRS 9. IFRS 9 also introduces a new hedge accounting model and a change in accounting for debt modifications.

Classification and measurement

IFRS 9 requires financial assets to be classified and measured based on both the business model for managing the asset, and the nature of the cash flows. The classification and measurement categories for financial assets are amortized cost, FVOCI, and FVTPL. The classification and measurement categories for financial liabilities are amortized cost and FVTPL. The impacts on financial assets and liabilities upon adoption of IFRS 9 are outlined below:

Asset/Liability	IAS 39 Classification	IAS 39 Measurement	IFRS 9 Classification and Measurement
Cash and cash equivalents	Loans and receivables	Amortized cost	Amortized cost
Receivables	Loans and receivables	Amortized cost	Amortized cost
Loans and other receivables	Loans and receivables	Amortized cost	Amortized cost
Derivative financial assets and liabilities	FVTPL	Fair value	FVTPL
Non-derivative other assets	FVTPL	Fair value	FVTPL
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Amortized cost
Long-term debt	Other liabilities	Amortized cost	Amortized cost

The changes in classification and measurement did not result in changes to the carrying amounts of the Company's financial instruments on adoption of IFRS 9.

The Company has amended its accounting policies for the classification and measurement of financial instruments. Refer to note 3(j) above.

The measurement of financial liabilities remains largely unchanged from IAS 39.

Impairment

IFRS 9 introduces a new ECL impairment model for financial assets measured at amortized cost or FVOCI, except for equity investments. The ECL impairment model replaces the incurred loss model under IAS 39. It is no longer necessary for a triggering event to have occurred before credit losses are recognized.

Under the IFRS 9 ECL impairment model, loss allowances are measured based on (i) ECLs that result from possible default events within the 12 months after the reporting date ("12-month ECL"), or (ii) ECLs that result from all possible default events over the expected life of a financial instrument ("lifetime ECLs").

The adoption of the ECL impairment model did not have a quantitative impact on the Company's consolidated financial statements.

Hedge accounting

IFRS 9 introduces a new hedge accounting model that aligns hedge accounting relationships with corresponding risk management activities. The new hedge accounting requirements did not result in an adjustment to the Company's consolidated financial statements.

Modification of financial liabilities

In October 2017, the IASB issued "Prepayment features with negative compensation" as an amendment to IFRS 9. The amendment clarifies the accounting treatment for modifications of financial liabilities and requires a financial liability measured at amortized cost to be remeasured when a modification occurs. Any resulting gain or loss is required to be recognized in profit or loss at the date of modification. The amendment became effective for annual periods beginning on or after January 1, 2018. The Company adopted the amendment on a retrospective basis effective in the first quarter of fiscal 2019, in accordance with IFRS 9 transitional provisions. The adoption did not result in an adjustment to the Company's consolidated financial statements.

Disclosure

Financial instrument disclosures continue to fall within the scope of IFRS 7. IFRS 7 has been amended by IFRS 9 to include additional qualitative and quantitative disclosure requirements. The Company has adopted these amendments.

(AC) FUTURE STANDARDS

(i) Leases

In January 2016, the IASB issued 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 will continue to classify leases as operating or finance leases. The standard is effective for annual periods beginning on or after January 1, 2019. In accordance with the transition provisions in IFRS 16, the Company will adopt the standard using the modified retrospective approach, with the cumulative effect of initially applying the standard recognized as an adjustment to equity on transition. Prior period comparatives will not be restated.

The adoption of IFRS 16 will have a material impact on the Company's consolidated financial statements, given the current real estate operating lease commitments held under IAS 17 as a lessee.

The Company's consolidated balance sheets will reflect current and long-term lease liabilities and right-of-use assets for property and equipment leases where the Company is the lessee. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate on transition. The right-of-use assets will be measured retrospectively using the Company's incremental borrowing rate as of the date of transition. The expected range of impact on the consolidated balance sheets is increased liabilities of $4.6 billion to $4.8 billion and increased assets of $4.0 billion to $4.2 billion. These estimates have been updated from third quarter disclosures to reflect changes in market discount rates as well as new leases and lease modifications incurred. The Company continues to finalize estimates and inputs into the calculations. The discount rate applied is based on the Company's estimated incremental borrowing rate as of the transition date of May 5, 2019.

In the statements of earnings, the Company will recognize depreciation for right-of-use assets and finance expense on lease liabilities, in place of the current straight-line operating lease expense. For finance subleases, finance income related to income earned on lease receivables will be recognized in place of sublease income for these leases. Amortization related to off-market lease intangibles will be replaced by depreciation expense over the term of the lease. Based on current estimates and information available, the Company does not expect a material impact on net earnings and earnings per share in fiscal 2020.

There will be no change to the amount of cash exchanged related to lease transactions. Total expense recognized over the lease term is equal to total cash paid over the lease term. However, expenses under IFRS 16 will be higher when leases are early in the term as finance expense is recognized on an amortized cost basis and depreciation expense is recognized on a straight-line basis over the lease term. The Company will classify lease payments consistently with payments on other financial liabilities in the statement of cash flows, with lease payments for principal and interest on the lease liability classified as financing cash flows instead of operating cash flows.

The Company is an intermediate lessor in several lease arrangements. Under the new standard, the Company has assessed its classification of subleases by reference to the right-of-use asset on the head lease as required under IFRS 16, and not by reference to the underlying asset. As a result of this change, the Company expects an increase in current and long-term lease receivables recognized for subleases which are expected to be classified as finance leases.

The Company will apply 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)

The Company has implemented a new national lease management system and continues to update processes and internal controls to enable the implementation of IFRS 16, commencing in the first quarter of fiscal 2020.

(ii) Uncertainty over income tax treatments

The IASB issued IFRIC 23 "Uncertainty over income tax treatments" to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over tax treatments. These amendments are effective for annual periods beginning on or after January 1, 2019. The Company does not expect a material impact on its consolidated financial statements.

4. Inventories

The cost of inventories recognized as an expense during the year was $19,058.4 (2018 – $18,314.1). The Company recorded $1.9 (2018 – $1.5) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at May 4, 2019. There were no reversals of inventories written down previously (2018 – $ nil).

5. Loans and Other Receivables

	May 4, 2019	May 5, 2018
Loans receivable	$ 56.4	$ 64.1
Notes receivable and other	33.1	37.4
	89.5	101.5
Less amount due within one year	18.7	20.9
	$ 70.8	$ 80.6

Loans receivable represent long-term financing to certain retail associates. These loans are primarily secured by inventory, fixtures and equipment; bear various interest rates, and have repayment terms up to 10 years. The carrying amount of the loans receivable approximates fair value based on the variable interest rates charged on the loans.

Included in notes receivable and other as at May 4, 2019, is $10.3 (2018 – $11.8) due from a third party related to equipment sales.

6. Assets Held for Sale

As at May 4, 2019, assets held for sale relates to land, buildings and equipment expected to be sold in the next 12 months. These assets were previously used in the Company's retail and retail support operations.

During fiscal 2019, Sobeys sold four properties to third parties. Total proceeds from these transactions were $18.6, resulting in a pre-tax gain of $14.4.

During fiscal 2018, Sobeys sold nine properties to third parties. Total proceeds from these transactions were $56.7, resulting in a pre-tax gain of $8.5.

7. Investments, at Equity

	May 4, 2019	May 5, 2018
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	$ 466.5	$ 448.5
Canadian real estate partnerships	94.6	90.7
U.S. real estate partnerships	20.3	23.2
Joint ventures	8.0	9.4
Total	$ 589.4	$ 571.8

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:

	May 4, 2019	May 5, 2018
Crombie REIT	$ 904.7	$ 777.1

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.

The Company owns 62,007,513 Class B LP units and attached special voting units of Crombie REIT, along with 909,090 REIT units, representing a 41.5% (2018 – 41.5%) economic and voting interest in Crombie REIT.

Crombie REIT has a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to have their distributions automatically reinvested in additional REIT units. The Company is enrolled in the DRIP.

The Company's carrying value of its investment in Crombie REIT is as follows:

	May 4, 2019	May 5, 2018
Balance, beginning of year	$ 448.5	$ 459.1
Equity earnings	63.6	39.5
Share of comprehensive income	–	2.9
Distributions, net of DRIP	(53.5)	(43.7)
Deferral of gains on sale of property	(4.0)	(9.3)
Reversal of deferred gain on sale of property to unrelated party	11.9	–
Balance, end of year	$ 466.5	$ 448.5

The Company's carrying value of its investment in Canadian real estate partnerships is as follows:

	May 4, 2019	May 5, 2018
Balance, beginning of year	$ 90.7	$ 143.0
Equity earnings	18.5	24.6
Distributions	(14.6)	(76.9)
Balance, end of year	$ 94.6	$ 90.7

The Company's carrying value of its investment in U.S. real estate partnerships is as follows:

	May 4, 2019	May 5, 2018
Balance, beginning of year	$ 23.2	$ 36.8
Equity earnings	4.9	9.3
Distributions	(8.7)	(21.7)
Foreign currency translation adjustment	0.9	(1.2)
Balance, end of year	$ 20.3	$ 23.2

The following amounts represent the revenues, expenses, assets, and liabilities of Crombie REIT as at and for the 12 months ended March 31, 2019, as well as a reconciliation of the carrying amount of the Company's investment in Crombie REIT to the net assets attributable to unitholders of Crombie REIT:

	March 31, 2019	March 31, 2018
Revenues	$ 414.1	$ 415.4
Expenses	284.4	323.4
Earnings before income taxes	$ 129.7	$ 92.0
(Loss) income from continuing operations	$ (5.2)	$ 36.7
Other comprehensive (loss) income	(0.9)	6.7
Total comprehensive (loss) income	$ (6.1)	$ 43.4

	March 31, 2019	March 31, 2018
Assets		
Current	$ 17.3	$ 22.9
Non-current	4,030.4	4,026.7
Total	$ 4,047.7	$ 4,049.6
Liabilities		
Current	$ 413.8	$ 359.1
Non-current	2,180.5	2,234.9
Total	$ 2,594.3	$ 2,594.0

	March 31, 2019	March 31, 2018
Unitholders' net assets		
REIT Units	$ 870.7	$ 872.3
Class B LP Units	582.7	583.3
	1,453.4	1,455.6
Less total REIT Units outstanding as at March 31	(870.7)	(872.3)
Cumulative changes since acquisition of Crombie REIT		
Variances in timing of distributions	4.6	4.6
Issue costs related to Class B LP Units	12.6	12.6
Deferred gains (net of depreciation addback and timing variances)	(154.9)	(172.4)
Dilution gains	38.6	38.6
Write off of portion of AOCI on dilution of interest in Crombie REIT	0.7	0.7
Crombie REIT tax reorganization – deferred tax adjustment	(31.7)	(31.7)
Carrying amount attributable to investment in Class B LP Units	452.6	435.7
REIT Units owned by Empire	13.8	13.8
Cumulative equity earnings on REIT Units	5.3	3.4
Cumulative distributions on REIT Units	(5.2)	(4.4)
Empire's carrying amount of investment in Crombie REIT	$ 466.5	$ 448.5

The Company has interests in various Canadian real estate partnerships ranging from 40.7% to 49.0% which are involved in residential property developments in Ontario and Western Canada.

The following amounts represent the revenues, expenses, assets, and liabilities of the Canadian real estate partnerships as at and for the 12 months ended March 31, 2019:

	March 31, 2019	March 31, 2018
Revenues	$ 112.1	$ 161.9
Expenses	67.4	103.2
Net earnings	$ 44.7	$ 58.7

	March 31, 2019	March 31, 2018
Current assets	$ 264.1	$ 270.3
Current liabilities	67.8	61.7
Net assets	$ 196.3	$ 208.6
Carrying amount of investment	$ 94.6	$ 90.7

The Company has interests in various U.S. real estate partnerships ranging from 37.1% to 42.1% which are involved in residential property developments in the United States.

The following amounts represent the revenues, expenses, assets, and liabilities of the U.S. real estate partnerships as at and for the 12 months ended March 31, 2019:

	March 31, 2019	March 31, 2018
Revenues	$ 33.3	$ 67.7
Expenses	21.4	44.6
Net earnings	$ 11.9	$ 23.1

	March 31, 2019	March 31, 2018
Current assets	$ 58.3	$ 67.3
Current liabilities	2.5	5.2
Net assets	$ 55.8	$ 62.1
Carrying amount of investment	$ 20.3	$ 23.2

8. Other Assets

	May 4, 2019	May 5, 2018
Deferred lease assets	$ 25.0	$ 18.5
Derivative assets	1.4	–
Deferred financing costs	2.1	1.8
Other	14.9	13.8
Total	$ 43.4	$ 34.1

9. Property and Equipment

May 4, 2019	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	$ 511.2	$ 1,309.3	$ 2,547.4	$ 700.9	$ 78.8	$ 5,147.6
Additions	1.6	4.7	120.2	16.9	268.1	411.5
Additions from business acquisitions	–	–	36.4	36.1	13.2	85.7
Transfers and adjustments	(10.9)	3.9	34.5	43.4	(90.7)	(19.8)
Disposals and write downs	(16.7)	(37.2)	(82.9)	(13.1)	(1.3)	(151.2)
Closing balance	$ 485.2	$ 1,280.7	$ 2,655.6	$ 784.2	$ 268.1	$ 5,473.8
Accumulated depreciation and impairment losses						
Opening balance	$ –	$ 464.0	$ 1,459.4	$ 436.9	$ –	$ 2,360.3
Disposals and write downs	–	(18.5)	(76.5)	(12.8)	–	(107.8)
Transfers and adjustments	–	(4.3)	1.4	12.4	–	9.5
Depreciation	–	54.1	230.7	46.8	–	331.6
Impairment losses	–	0.1	4.4	0.3	–	4.8
Impairment reversals	–	(0.4)	(18.1)	(17.6)	–	(36.1)
Closing balance	$ –	$ 495.0	$ 1,601.3	$ 466.0	$ –	$ 2,562.3
Net carrying value as at May 4, 2019	$ 485.2	$ 785.7	$ 1,054.3	$ 318.2	$ 268.1	$ 2,911.5

May 5, 2018	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	$ 537.8	$ 1,313.3	$ 2,427.3	$ 700.3	$ 348.1	$ 5,326.8
Additions	2.5	9.4	101.5	13.4	147.9	274.7
Additions from business acquisitions	–	–	1.3	–	–	1.3
Transfers and adjustments	(16.6)	27.2	221.1	39.8	(417.2)	(145.7)
Disposals and write downs	(12.5)	(40.6)	(203.8)	(52.6)	–	(309.5)
Closing balance	$ 511.2	$ 1,309.3	$ 2,547.4	$ 700.9	$ 78.8	$ 5,147.6
Accumulated depreciation and impairment losses						
Opening balance	$ –	$ 448.9	$ 1,411.3	$ 433.3	$ –	$ 2,293.5
Disposals and write downs	–	(17.1)	(188.9)	(50.2)	–	(256.2)
Transfers and adjustments	–	(29.7)	(9.4)	2.4	–	(36.7)
Depreciation	–	59.5	239.8	50.9	–	350.2
Impairment losses	–	2.4	6.6	0.5	–	9.5
Closing balance	$ –	$ 464.0	$ 1,459.4	$ 436.9	$ –	$ 2,360.3
Net carrying value as at May 5, 2018	$ 511.2	$ 845.3	$ 1,088.0	$ 264.0	$ 78.8	$ 2,787.3

FINANCE LEASES

The Company has various property leases for store locations classified as finance leases with a net carrying value of $14.7 as at May 4, 2019 (2018 – $9.8). These leases are included in buildings.

The Company has equipment leases classified as finance leases with a net carrying value of $7.6 as at May 4, 2019 (2018 – $11.2). These leases are included in equipment.

ASSETS UNDER CONSTRUCTION

During the year, the Company capitalized borrowing costs of $0.6 (2018 – $0.5) on indebtedness related to property and equipment under construction. The Company used a capitalization rate of 4.4% (2018 – 4.7%).

SECURITY

As at May 4, 2019, the net carrying value of property pledged as security for borrowings is $54.1 (2018 – $57.1).

IMPAIRMENT OF PROPERTY AND EQUIPMENT

The Company performed an impairment test for property and equipment and determined recoverable amounts based on VIU calculations using cash flow projections from the Company's latest internal forecasts. When the recoverable amount of a CGU is less than the carrying amount, an impairment loss is recognized. When the recoverable amount of a previously impaired CGU is greater than the value of its impaired assets, an impairment reversal is recognized. Key assumptions used in determining VIU include discount rates, growth rates, and expected changes in cash flows. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the CGUs. Forecasts are projected beyond three years based on long-term growth rates ranging from 2.0% to 5.0%. Discount rates are calculated on a pre-tax basis and range from 7.0% to 10.0%.

Impairment reversals of $36.1 and losses of $4.8 were recorded in selling and administrative expenses during the year ended May 4, 2019 (2018 – $ nil and $9.5). The impairment reversals were a result of improved operating performance at previously impaired stores in Western Canada.

All impairment losses and reversals relate to the food retailing segment.

10. Investment Property

Investment property is primarily comprised of commercial properties owned by the Company held for income generating purposes, rather than for the principal purpose of the Company's operating activities.

	May 4, 2019	May 5, 2018
Cost		
Opening balance	$ 112.8	$ 119.0
Additions	0.3	3.0
Transfers and adjustments	8.4	(5.6)
Disposals and write downs	(1.7)	(3.6)
Closing balance	$ 119.8	$ 112.8
Accumulated depreciation and impairment losses		
Opening balance	$ 18.9	$ 16.0
Depreciation	1.4	1.6
Impairment expense	–	0.4
Transfers and adjustments	–	0.9
Disposals and write downs	(0.5)	–
Closing balance	$ 19.8	$ 18.9
Net carrying value	$ 100.0	$ 93.9
Fair value	$ 161.0	$ 158.2

The fair value of investment property is classified as Level 3 on the fair value hierarchy. The fair value represents the price that would be received to sell the assets in an orderly transaction between market participants at the measurement date.

An external, independent valuation company, having appropriate recognized professional qualifications and experience, assisted in determining the fair value of investment property at May 4, 2019 and May 5, 2018. Additions to investment property through acquisition are transacted at fair value and therefore carrying value equals fair value at the time of acquisition. Properties reclassified from property and equipment are valued for disclosure purposes using comparable market information or the use of an external independent valuation company.

Rental income from investment property included on the consolidated statements of earnings amounted to $2.0 for the year ended May 4, 2019 (2018 – $3.0).

Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from investment property that generated rental income amounted to $1.1 for the year ended May 4, 2019 (2018 – $2.0). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from non-income producing investment property amounted to $0.8 for the year ended May 4, 2019 (2018 – $1.9). All direct operating expenses for investment properties are included in selling and administrative expenses on the consolidated statements of earnings.

Impairment of investment property follows the same methodology as property and equipment (Note 3(q)). Impairment losses of $ nil and reversals of $ nil were recorded during the year ended May 4, 2019 (2018 – $0.4 and $ nil).

11. Intangibles

May 4, 2019	Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Off Market Leases	Other	Total
Cost							
Opening balance	$ 201.0	$ 161.0	$ 304.1	$ 287.9	$ 172.4	$ 207.2	$ 1,333.6
Additions, separately acquired	–	10.4	–	8.1	–	8.7	27.2
Additions from business acquisitions	265.0	–	–	0.4	–	8.8	274.2
Transfers and adjustments	(0.1)	(2.5)	(0.1)	(7.6)	(13.8)	20.6	(3.5)
Disposals and write downs	–	(4.4)	–	(21.2)	-	(1.1)	(26.7)
Closing balance	$ 465.9	$ 164.5	$ 304.0	$ 267.6	$ 158.6	$ 244.2	$ 1,604.8
Accumulated amortization and impairment losses							
Opening balance	$ 28.2	$ 81.2	$ 105.7	$ 161.6	$ 32.2	$ 82.7	$ 491.6
Amortization	0.2	15.5	19.5	34.1	5.9	9.0	84.2
Transfers and adjustments	(0.1)	–	(0.1)	–	(6.2)	–	(6.4)
Disposals and write downs	–	(5.0)	–	(21.3)	–	(0.3)	(26.6)
Closing balance	$ 28.3	$ 91.7	$ 125.1	$ 174.4	$ 31.9	$ 91.4	$ 542.8
Net carrying value as at May 4, 2019	$ 437.6	$ 72.8	$ 178.9	$ 93.2	$ 126.7	$ 152.8	$ 1,062.0

May 5, 2018	Brand Names	Deferred Purchase Agreements	Prescription Files	Software	Off Market Leases	Other	Total
Cost							
Opening balance	$ 201.0	$ 151.2	$ 303.3	$ 277.6	$ 173.1	$ 209.2	$ 1,315.4
Additions, separately acquired	–	14.7	–	14.9	–	2.1	31.7
Transfers and adjustments	–	0.7	0.8	14.0	(0.2)	0.2	15.5
Disposals and write downs	–	(5.6)	–	(18.6)	(0.5)	(4.3)	(29.0)
Closing balance	$ 201.0	$ 161.0	$ 304.1	$ 287.9	$ 172.4	$ 207.2	$ 1,333.6
Accumulated amortization and impairment losses							
Opening balance	$ 28.1	$ 72.5	$ 86.6	$ 146.2	$ 25.2	$ 76.3	$ 434.9
Amortization	0.1	15.9	19.5	35.6	7.5	8.8	87.4
Impairment reversals	–	–	(0.7)	–	–	–	(0.7)
Transfers and adjustments	–	(1.9)	1.4	(1.6)	–	1.9	(0.2)
Disposals and write downs	–	(5.3)	(1.1)	(18.6)	(0.5)	(4.3)	(29.8)
Closing balance	$ 28.2	$ 81.2	$ 105.7	$ 161.6	$ 32.2	$ 82.7	$ 491.6
Net carrying value as at May 5, 2018	$ 172.8	$ 79.8	$ 198.4	$ 126.3	$ 140.2	$ 124.5	$ 842.0

Included in other intangibles at May 4, 2019 are liquor licenses of $5.2 (2018 – $5.4). These licenses have options to renew and it is the Company's intention to renew these licenses at each renewal date indefinitely. Therefore, cash inflows are expected to be generated at each store location for which the license is valid, and these assets are considered to have indefinite useful lives. Also included in other intangibles as at May 4, 2019 and May 5, 2018 are the following amounts with indefinite useful lives: Loyalty programs – $11.4 (2018 – $11.4) and Private labels – $59.5 (2018 – $59.5). The Company has also determined that Brand names with a net carrying value of $437.6 (2018 – $172.8) have indefinite useful lives. All intangibles with indefinite useful lives relate to the food retailing segment. Impairment of these intangibles is assessed at least annually on the same basis as goodwill (Note 12).

Impairment of intangibles follows the same methodology as property and equipment (Note 3(q)). For the year ended May 4, 2019, impairment losses of $ nil (2018 – $ nil) and reversals of $ nil were recorded (2018 – $0.7).

12. Goodwill

	May 4, 2019	May 5, 2018
Opening balance	$ 1,001.9	$ 1,003.4
Additions from business acquisitions	569.6	0.4
Other adjustments	–	(1.9)
Closing balance	$ 1,571.5	$ 1,001.9

Goodwill arising from business acquisitions is allocated at the lowest level within the organization at which it is monitored by management to make business decisions and should not be larger than an operating segment before aggregation. Therefore, goodwill has been allocated to the following six food retailing operating segments:

	May 4, 2019	May 5, 2018
Atlantic	$ 193.8	$ 193.8
Lawtons	17.1	17.1
Ontario	174.3	173.0
Quebec	641.2	615.6
West	3.5	2.4
Farm Boy	541.6	–
Total	$ 1,571.5	$ 1,001.9

Goodwill arising on business acquisitions is not amortized but is reviewed for impairment on an annual basis, or more frequently, if indicators that goodwill may be impaired exist. The Company's annual review of goodwill was performed during the third quarter of fiscal 2019 and resulted in an impairment of $ nil being recorded (2018 – $ nil). In performing the review, the Company determined the recoverable amount of the CGU to which goodwill relates based on FVLCD. The key assumptions used by management to determine the fair value of the CGU includes industry earnings multiples in a range from 8.0 to 14.0 and is classified as Level 2 on the fair value hierarchy.

13. Income Taxes

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory tax rate as a result of the following:

	May 4, 2019	May 5, 2018
Earnings before income taxes	$ 560.7	$ 236.0
Effective combined statutory income tax rate	27.7%	27.1%
Income tax expense according to combined statutory income tax rate	155.3	64.0
Income taxes resulting from:		
Non-deductible items	0.3	0.1
Non-taxable items	(8.7)	(2.9)
Change in tax rates and subsidiary rate differential	(2.6)	(12.8)
Impact of Crombie REIT tax reorganization	–	5.0
Other	–	2.8
Total income tax expense, combined effective tax rate of 25.7% (2018 – 23.8%)	$ 144.3	$ 56.2

Current year income tax expense attributable to net earnings consists of:

	May 4, 2019	May 5, 2018
Current tax expense	$ 35.5	$ 109.5
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	111.4	(40.5)
Change in tax rates	(2.6)	(12.8)
Total	$ 144.3	$ 56.2

Deferred taxes arising from temporary differences and unused tax losses can be summarized as follows:

		Recognized in:			
May 4, 2019	Opening Balance	Other Comprehensive Income and Equity	Business Acquisitions	Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ (8.8)	$ –	$ –	$ 16.2	$ 7.4
Employee future benefits	100.1	(18.0)	–	(2.5)	79.6
Equity	3.8	–	–	(3.8)	–
Goodwill and intangibles	284.5	–	(77.2)	(95.9)	111.4
Inventory	4.9	–	–	0.7	5.6
Investments	(39.9)	–	–	1.8	(38.1)
Long-term debt	7.3	–	–	(1.5)	5.8
Other assets	(0.3)	–	–	(1.4)	(1.7)
Other long-term liabilities	29.8	–	(0.3)	12.5	42.0
Property, equipment, and investment property	(105.2)	–	(4.6)	50.6	(59.2)
Provisions	74.4	–	4.6	(3.0)	76.0
Partnership deferral reserve	11.6	–	–	(1.2)	10.4
Tax loss carry forwards	251.5	–	–	(81.1)	170.4
Other	(0.6)	–	–	(0.2)	(0.8)
	$ 613.1	$ (18.0)	$ (77.5)	$ (108.8)	$ 408.8
Recognized as:					
Deferred tax assets	$ 754.4	$ –	$ –	$ (140.1)	$ 614.3
Deferred tax liabilities	$ (141.3)	$ (18.0)	$ (77.5)	$ 31.3	$ (205.5)

		Recognized in:			
May 5, 2018	Opening Balance	Other Comprehensive Income and Equity	Business Acquisitions	Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ (3.7)	$ –	$ –	$ (5.1)	$ (8.8)
Employee future benefits	104.6	(5.2)	–	0.7	100.1
Equity	7.9	–	–	(4.1)	3.8
Goodwill and intangibles	248.0	–	–	36.5	284.5
Inventory	5.1	–	–	(0.2)	4.9
Investments	(34.0)	(1.1)	–	(4.8)	(39.9)
Long-term debt	10.7	–	–	(3.4)	7.3
Other assets	(0.4)	–	–	0.1	(0.3)
Other long-term liabilities	27.2	–	–	2.6	29.8
Property, equipment, and investment property	(38.1)	–	–	(67.1)	(105.2)
Provisions	60.0	–	–	14.4	74.4
Partnership deferral reserve	8.2	–	–	3.4	11.6
Tax loss carry forwards	170.5	–	–	81.0	251.5
Other	0.1	–	–	(0.7)	(0.6)
	$ 566.1	$ (6.3)	$ –	$ 53.3	$ 613.1
Recognized as:					
Deferred tax assets	$ 709.9	$ –	$ –	$ 44.5	$ 754.4
Deferred tax liabilities	$ (143.8)	$ (6.3)	$ –	$ 8.8	$ (141.3)

As at May 4, 2019, the Company had approximately $614.0 of Canadian non-capital tax loss carry forwards, which expire between fiscal 2033 and 2039. The remaining deductible temporary differences do not expire under current income tax legislation. All deferred tax assets (including tax losses and other tax credits) have been recognized in the consolidated balance sheets as it is probable that future taxable income will be available to the Company to utilize the benefits of those assets. The amount of deferred tax assets and deferred tax liabilities that are expected to be recovered or settled beyond the next 12 months is $210.2.

14. Provisions

May 4, 2019		Lease Contracts		Legal		Environmental		Restructuring		Onerous Contracts		Total
Opening balance	$	27.7	$	8.0	$	49.4	$	163.2	$	8.5	$	256.8
Provisions made		4.8		7.8		0.8		72.5		–		85.9
Provisions used		(11.6)		(5.6)		(1.6)		(90.4)		(2.8)		(112.0)
Provisions reversed		(2.3)		(3.1)		(7.1)		(11.4)		–		(23.9)
Change due to discounting		0.6		–		0.9		4.2		–		5.7
Closing balance	$	19.2	$	7.1	$	42.4	$	138.1	$	5.7	$	212.5
Current	$	10.2	$	7.1	$	1.8	$	97.2	$	3.1	$	119.4
Non-current		9.0		–		40.6		40.9		2.6		93.1
Total	$	19.2	$	7.1	$	42.4	$	138.1	$	5.7	$	212.5

LEASE CONTRACTS

Lease contract provisions are recorded when the expected benefits to be derived by the Company from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The Company records onerous contract provisions for closed store locations where it has entered into a lease contract. The provision is measured at the lower of the expected cost to terminate the lease and the expected net cost of continuing the contract. The net cost is derived by considering both the lease payment and sublease income received. Once the store is closed, a liability is recorded to reflect the present value of the expected liability associated with any lease contract and other contractually obligated costs. Onerous contract provisions for planned store or distribution centre closures as part of the Company's rationalization activities are classified as restructuring provisions and are measured and recorded using the same methodology. Discounting of provisions resulting from lease contracts has been calculated using pre-tax discount rates ranging between 7.0% and 9.0%.

LEGAL COSTS

Legal provisions relate to claims of $7.1 (2018 – $8.0) that are outstanding as at May 4, 2019 that arose in the ordinary course of business.

ENVIRONMENTAL COSTS

In accordance with legal and environmental policy requirements, the Company has recorded provisions for locations requiring environmental restoration. These provisions relate to decommissioning liabilities recorded for gas station locations owned by the Company and other sites where restoration will be incurred at the net present value of the estimated future remediation costs. Discounting of environmental related provisions has been calculated using pre-tax discount rates ranging between 4.0% and 6.0%.

RESTRUCTURING

Restructuring provisions made for fiscal year ended May 4, 2019 were $72.5. Of this amount, $35.0 relates to voluntary buyouts of union employees in British Columbia and an additional $11.2 to store closures. These costs have been recorded in selling and administrative expenses on the consolidated statements of earnings. Provisions used of $90.4 relate to the Company's initiatives to simplify organizational structures and reduce costs. Of this amount, $58.9 relates to a single organization restructuring initiative. Discounting of restructuring provisions has been calculated using a pre-tax discount rate of 7.0%.

15. Long-Term Debt

	May 4, 2019	May 5, 2018
First mortgage loans, weighted average interest rate 5.84%, due 2021 – 2033	$ 5.8	$ 6.7
Medium term notes, Series D, interest rate 6.06%, due October 29, 2035	175.0	175.0
Medium term notes, Series E, interest rate 5.79%, due October 6, 2036	125.0	125.0
Medium term notes, Series F, interest rate 6.64%, due June 7, 2040	150.0	150.0
Series 2013-1 Notes, interest rate 3.52%, due August 8, 2018	–	500.0
Series 2013-2 Notes, interest rate 4.70%, due August 8, 2023	500.0	500.0
Notes payable and other debt primarily at interest rates fluctuating with the prime rate	140.4	137.1
Credit facility, expiring November 4, 2020, floating interest rate tied to bankers' acceptance rates	500.0	–
Credit facility, expiring December 10, 2020, floating interest rate tied to bankers' acceptance rates	400.0	–
Credit facility, expiring November 4, 2022, floating interest rate tied to bankers' acceptance rates	–	43.1
	1,996.2	1,636.9
Unamortized transaction costs	(4.4)	(6.0)
Finance lease obligations, weighted average interest rate 6.05%, due 2019 – 2040	29.1	36.0
	2,020.9	1,666.9
Less amount due within one year	36.5	527.4
	$ 1,984.4	$ 1,139.5

First mortgage loans are secured by land, buildings, and specific charges on certain assets. Finance lease obligations are secured by the related finance lease asset. Medium term notes and Series 2013-1 and 2013-2 Notes are unsecured. Series 2013-1 Notes matured on August 8, 2018.

The Company has a $250.0 credit facility with a maturity date of November 4, 2022. As of May 4, 2019, the outstanding amount of the credit facility was $ nil (2018 – $43.1). Interest payable fluctuates with changes in the bankers' acceptance rate, Canadian prime rate, or the London Interbank Offered Rate ("LIBOR").

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

On December 5, 2018, Sobeys established a senior, unsecured non-revolving credit facility for $400.0. 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.

Sobeys has a revolving term credit facility ("RT Facility") with a $650.0 principal amount. As of May 4, 2019, the outstanding amount of the RT Facility was $ nil (2018 – $ nil), and Sobeys has issued $65.9 in letters of credit against the RT Facility (2018 – $39.5). Interest payable on the RT Facility fluctuates with changes in the bankers' acceptance rate, Canadian prime rate, or LIBOR, and the facility matures on November 4, 2022.

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

	May 4, 2019	May 5, 2018
Opening balance	$ 1,666.9	$ 1,870.8
Issuance of debt	58.3	63.7
Repayments of long-term debt and credit facility	(605.2)	(313.2)
Advances on credit facilities	900.0	43.1
Total cash flow from (used in) long-term debt financing activities	353.1	(206.4)
Deferred financing costs	0.9	2.5
Closing balance	$ 2,020.9	$ 1,666.9

Principal debt retirement in each of the next five fiscal years is as follows:

2020	$ 30.0
2021	908.7
2022	7.2
2023	6.4
2024	505.9
Thereafter	538.0

FINANCE LEASE LIABILITIES

Finance lease liabilities are payable in each of the next five fiscal years as follows:

	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
2020	$ 8.0	$ 1.5	$ 6.5
2021	5.4	1.2	4.2
2022	3.7	1.0	2.7
2023	2.5	0.8	1.7
2024	2.2	0.7	1.5
Thereafter	17.4	4.9	12.5
Total	$ 39.2	$ 10.1	$ 29.1

During fiscal 2019, there were no additions to the Company's finance lease obligation (2018 – $ nil).

16. Other Long-Term Liabilities

	May 4, 2019	May 5, 2018
Deferred lease obligation	$ **165.4**	$ 148.2
Deferred revenue	**6.6**	7.0
Non-controlling interest liabilities	**90.1**	–
Other	**6.9**	3.4
Total	$ **269.0**	$ 158.6

17. Employee Future Benefits

The Company has several defined contribution, defined benefit, and multi-employer plans providing pension and other post-retirement benefits to most of its employees.

DEFINED CONTRIBUTION PENSION PLANS

The contributions required by the employee and the employer are specified. The employee's pension depends on what level of retirement income can be achieved with the combined total of employee and employer contributions and investment income over the period of plan membership, and annuity purchase rates at the time of the employee's retirement.

DEFINED BENEFIT PENSION PLANS

The ultimate retirement benefit is defined by a formula that provides a unit of benefit for each year of service. Employee contributions, if required, pay for part of the cost of the benefit, and employer contributions fund the balance. The employer contributions are not specified or defined within the pension plan text, but are based on the result of actuarial valuations which determine the level of funding required to meet the total obligation as estimated at the time of the valuation.

The defined benefit plan typically exposes the Company to actuarial risks such as interest rate risk, mortality risk and salary risk.

Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate that reflects the average yield, as at the measurement date, on high quality corporate bonds of similar duration to the plans' liabilities. A decrease in the market yield on high quality corporate bonds will increase the Company's defined benefit liability.

Mortality risk

The present value of the defined benefit plan is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salary of the plan participants. As such, an increase in the salary of plan participants will increase the plan's liability.

The Company uses either January 1 or December 31 as an actuarial valuation date and May 1 as a measurement date for accounting purposes, for its defined benefit pension plans.

	Most Recent Valuation Date	Next Required Valuation Date
Retirement pension plans	December 31, 2017	December 31, 2020
Senior management pension plans	December 31, 2016	December 31, 2019
Other benefit plans	January 1, 2019	January 1, 2022

MULTI-EMPLOYER PLANS

The Company participates in various multi-employer pension plans which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. Approximately 16% of employees in the Company and of its franchisees and affiliates participate in these plans. Defined benefit multi-employer pension plans are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements. The contributions made by the Company to multi-employer plans are expensed as contributions are due.

During the year ended May 4, 2019, the Company recognized an expense of $44.1 (2018 – $46.3) in operating income, which represents the contributions made in connection with multi-employer pension plans. During fiscal 2019, the Company expects to continue to make contributions into these multi-employer pension plans.

OTHER BENEFIT PLANS

The Company also offers certain employee post-retirement and post-employment benefit plans which are not funded and include health care, life insurance, and dental benefits.

DEFINED CONTRIBUTION PLANS

The total expense, and cash contributions, for the Company's defined contribution plans was $32.6 for the year ended May 4, 2019 (2018 – $32.1).

DEFINED BENEFIT PLANS

Information about the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans		Other Benefit Plans	
	May 4, 2019	May 5, 2018	**May 4, 2019**	May 5, 2018
Defined benefit obligation				
Balance, beginning of year	**$ 833.2**	$ 890.3	**$ 158.7**	$ 164.3
Current service cost, net of employee contributions	**1.2**	1.6	**3.5**	3.3
Interest cost	**27.2**	27.3	**5.3**	5.3
Benefits paid	**(55.4)**	(58.7)	**(5.9)**	(5.6)
Past service costs – curtailments	**(2.2)**	(2.9)	**–**	(0.4)
Settlements	**0.5**	1.3	**–**	–
Remeasurement – actuarial losses (gains) included in other comprehensive income	**15.3**	(25.7)	**(48.4)**	(8.2)
Balance, end of year	**$ 819.8**	$ 833.2	**$ 113.2**	$ 158.7

	Pension Benefit Plans		Other Benefit Plans	
	May 4, 2019	May 5, 2018	**May 4, 2019**	May 5, 2018
Plan assets				
Fair value, beginning of year	**$ 630.7**	$ 680.6	**$ –**	$ –
Interest income on plan assets	**20.5**	20.7	**–**	–
Remeasurement return (loss) on plan assets (excluding amount in net interest)	**33.0**	(19.4)	**–**	–
Employer contributions	**19.5**	9.3	**5.9**	5.6
Benefits paid	**(55.4)**	(58.7)	**(5.9)**	(5.6)
Administrative costs	**(1.4)**	(1.8)	**–**	–
Fair value, end of year	**$ 646.9**	$ 630.7	**$ –**	$ –

	Pension Benefit Plans		Other Benefit Plans	
	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Funded status				
Total fair value of plan assets	$ 646.9	$ 630.7	$ –	$ –
Present value of unfunded obligations	(92.8)	(93.2)	(113.2)	(158.7)
Present value of partially funded obligations	(727.0)	(740.0)	–	–
Accrued benefit liabilities	$ (172.9)	$ (202.5)	$ (113.2)	$ (158.7)

	Pension Benefit Plans		Other Benefit Plans	
	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Expenses				
Current service cost, net of employee contributions	$ 1.2	$ 1.6	$ 3.5	$ 3.3
Net interest on net defined benefit liability	6.7	6.6	5.3	5.3
Administrative costs	1.4	1.8	–	–
Past service costs – curtailments	(2.2)	(2.9)	–	(0.4)
Settlement loss	0.5	1.3	–	–
Expenses	$ 7.6	$ 8.4	$ 8.8	$ 8.2

Current and past service costs have been recognized within selling and administrative expenses, whereas interest costs and return on plan assets (excluding amounts in net interest costs) have been recognized within finance costs, net on the consolidated statements of earnings.

Actuarial gains and losses recognized directly in other comprehensive income:

	Pension Benefit Plans		Other Benefit Plans	
	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Remeasurement effects recognized in other comprehensive income				
(Return) loss on plan assets (excluding amounts in net interest)	$ (33.0)	$ 19.4	$ –	$ –
Actuarial gain – experience changes	(6.9)	(4.1)	(49.1)	–
Actuarial loss (gain) – financial assumptions	22.2	(21.6)	0.7	(8.2)
Remeasurement effects recognized in other comprehensive income	$ 17.7	$ 6.3	$ 48.4	$ 8.2

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of May 4, 2019):

	Pension Benefit Plans		Other Benefit Plans	
	May 4, 2019	May 5, 2018	May 4, 2019	May 5, 2018
Discount rate	3.20%	3.40%	3.10%	3.40%
Rate of compensation increase	3.50%	3.50%		

For measurement purposes, a 5.25% fiscal 2019 annual rate of increase in the per capita cost of covered health care benefits was assumed (2018 – 5.50%). The cumulative rate expectation to 2020 and thereafter is 5.00%.

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions are used in the determination of the Company's defined benefit obligations and should be regarded as management's best estimate. However, the actual outcome may vary. Estimation uncertainties exist especially regarding medical cost trends, which may vary significantly in future appraisals of the Company's obligations.

The table below outlines the sensitivity of the fiscal 2019 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's pension and other benefit plans. The sensitivity of each key assumption has been calculated independently. Changes to more than one assumption simultaneously may amplify or reduce impact on the accrued benefit obligations or benefit plan expenses.

	Pension Benefit Plans		Other Benefit Plans	
	Benefit Obligations	Benefit Cost[1]	Benefit Obligations	Benefit Cost[1]
Discount rate[2]	3.20%	3.20%	3.10%	3.10%
Impact of: 1% increase	$ (100.9)	$ (2.7)	$ (13.1)	$ 0.3
Impact of: 1% decrease	$ 120.5	$ 1.2	$ 16.1	$ (0.4)
Growth rate of health care costs[3]			5.25%	5.25%
Impact of: 1% increase			$ 6.0	$ 1.2
Impact of: 1% decrease			$ (5.2)	$ (1.0)

(1) Reflects the impact on the current service cost, interest cost, and net interest on defined benefit liability (asset).
(2) Based on weighted average of discount rates related to all plans.
(3) Gradually decreasing to 5.00% in 2020 and remaining at that level thereafter.

The asset mix of the defined benefit pension plans as at year end is as follows:

	May 4, 2019	May 5, 2018
Canadian equity funds	**6.7%**	6.6%
Foreign equity funds	**14.9%**	14.1%
Fixed income funds	**78.1%**	79.1%
Net working capital	**0.3%**	0.2%
Total investments	**100.0%**	100.0%

Within these securities are investments in Empire Non-Voting Class A shares. The pro-rata market value of these shares at year end is as follows:

	May 4, 2019	% of Plan Assets	May 5, 2018	% of Plan Assets
Empire Company Limited Non-Voting Class A shares	$ 9.2	1.4%	$ 9.9	1.5%

All the securities are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The actual return (loss) on plan assets was $52.1 for the year ended May 4, 2019 (2018 – ($0.5)).

Management's best estimate of contributions expected to be paid to the defined benefit pension plans during the annual period beginning on May 5, 2019 and ending on May 2, 2020 is $12.1.

18. Capital Stock

	Number of Shares	
Authorized	May 4, 2019	May 5, 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	**768,105,849**	768,105,849
Class B common shares, without par value, voting	**122,400,000**	122,400,000

Issued and outstanding	Number of Shares	May 4, 2019	May 5, 2018
Non-Voting Class A shares, without par value	**173,661,495**	**$ 2,040.6**	$ 2,038.2
Class B common shares, without par value, voting	**98,138,079**	**7.3**	7.3
Shares held in trust	**(271,968)**	**(5.3)**	(6.0)
Total		**$ 2,042.6**	$ 2,039.5

Under certain circumstances, where an offer (as defined in the share conditions) is made to purchase Class B common shares, the holders of the Non-Voting Class A shares shall be entitled to receive a follow-up offer at the highest price per share paid, pursuant to such offer to purchase Class B common shares.

During fiscal 2019, the Company paid common dividends of $119.5 (2018 – $114.0) to its equity holders. This represents a payment of $0.44 per share (2018 – $0.42 per share) for common share holders.

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

Shares held in trust	Number of Shares	May 4, 2019	May 5, 2018
Balance, beginning of year	(308,504)	$ (6.0)	$ (10.7)
Purchased	(3,777)	(0.1)	(0.1)
Issued	40,313	0.8	4.8
Balance, end of year	(271,968)	$ (5.3)	$ (6.0)

19. Other Income

	May 4, 2019	May 5, 2018
Net gain on disposal of assets	$ 48.9	$ 37.3
Lease income from owned property	19.4	23.9
Total	$ 68.3	$ 61.2

20. Employee Benefits Expense

	May 4, 2019	May 5, 2018
Wages, salaries and other short-term employment benefits	$ 3,156.2	$ 3,101.7
Post-employment benefits	37.0	36.8
Termination benefits	9.8	121.6
Total	$ 3,203.0	$ 3,260.1

21. Finance Costs, Net

	May 4, 2019	May 5, 2018
Finance income		
Interest income from cash and cash equivalents	$ 8.3	$ 1.9
Fair value gains on forward contracts	3.7	3.2
Investment income	–	0.2
Accretion income on loans and other receivables	0.6	0.7
Total finance income	12.6	6.0
Finance costs		
Interest expense on financial liabilities measured at amortized cost	86.5	96.9
Net pension finance costs	12.0	11.9
Accretion expense on provisions	5.7	7.7
Total finance costs	104.2	116.5
Finance costs, net	$ 91.6	$ 110.5

22. Earnings per Share

	May 4, 2019	May 5, 2018
Weighted average number of shares – basic (Note 18)	**271,940,649**	271,783,850
Shares deemed to be issued for no consideration in respect of stock-based payments	**614,062**	278,417
Weighted average number of shares – diluted	**272,554,711**	272,062,267

23. Business Acquisitions

During fiscal 2019, the Company completed the acquisition of Farm Boy, an Ontario-based grocery chain and acquired franchise and non-franchise stores, including Kim Phat, an Asian food retailer. The results of these acquisitions have been included in the consolidated financial results of the Company since their acquisition dates and were accounted for through the use of the acquisition method. Goodwill recorded on the acquisitions of franchise and non-franchise stores relate to the acquired workforce and customer base of the existing store location, along with the synergies expected from combining the efforts of the acquired stores with existing stores.

The following table represents the amounts of identifiable assets acquired, liabilities assumed, and non-controlling interest resulting from acquisitions, including Kim Phat, but excluding Farm Boy, during the year ended May 4, 2019. The estimated fair value of identifiable net assets and goodwill acquired have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

Receivables	$	1.7
Inventories		8.4
Prepaid expenses		0.5
Property and equipment		5.5
Intangibles		8.8
Goodwill		28.0
Accounts payable and accrued liabilities		(6.3)
Other assets and liabilities		(2.4)
Deferred tax liability		(2.5)
Non-controlling interest		(18.1)
Total consideration	$	23.6

From the date of acquisition, the above acquired businesses contributed sales of $75.1 and net losses of ($0.5) for the year ended May 4, 2019.

In connection with Sobeys' 51% acquisition of Kim Phat, the parties entered into put and call options such that Sobeys may acquire the remaining 49% nine years after the date of acquisition. In addition to recognizing non-controlling interest, Sobeys recognized a financial liability of $9.1 at the date of acquisition.

Farm Boy Acquisition

On September 24, 2018, Sobeys, 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 $800.0, subject to customary closing adjustments. The Company financed the transaction through a combination of cash on hand and a new $400.0 senior, unsecured non-revolving credit facility. The acquisition closed effective December 10, 2018.

The following table represents the amounts of identifiable assets acquired, liabilities assumed, and non-controlling interest resulting from the acquisition of Farm Boy, at December 10, 2018. These amounts have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting adjustments.

Receivables	$	3.2
Inventories		16.1
Prepaid expenses		2.0
Property and equipment		80.2
Intangibles		265.4
Goodwill		541.6
Accounts payable and accrued liabilities		(32.4)
Other assets and liabilities		5.0
Deferred tax liability		(75.0)
Non-controlling interest		(48.8)
Total consideration	$	757.3

From the date of acquisition, the business acquired contributed sales of $212.7 and net earnings of $7.9 for the year ended May 4, 2019.

Goodwill of $541.6 was recognized as the excess of the acquisition cost over the fair value of net identifiable assets at the date of acquisition. The goodwill recognized is attributable mainly to the expected future growth potential of the business and the customer base of the acquired retail store locations. The goodwill recognized is not expected to be deductible for tax purposes. Intangibles of $265.0 relate to the fair value of Farm Boy's banner and private label brand.

Acquisition costs of $6.5 for the year ended May 4, 2019, were incurred related to external legal, consulting, due diligence, financial advisory and other closing costs. These costs have been included in selling and administrative expenses in the consolidated statements of earnings.

As part of the Farm Boy acquisition, Farm Boy's co-CEOs, together with members of their senior management team, have reinvested for a combined 12% interest of the continuing Farm Boy business, resulting in non-controlling interest. Concurrent with the reinvestment, all parties entered into put and call options such that Sobeys may 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 $70.0, based on the present value of the amount payable on exercise of the non-controlling interest put liability in accordance with 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 will be recorded through retained earnings.

24. Guarantees, Commitments and Contingent Liabilities

GUARANTEES

Franchisees and affiliates

Sobeys is party to several franchise and operating agreements as part of its business model. These agreements contain clauses which require Sobeys to provide support to franchisee and affiliate operators to offset or mitigate retail store losses, reduce store rental payments, minimize the impact of promotional pricing, and assist in covering other store related operating expenses. Not all of the financial support noted above will apply in each instance as the provisions of the agreements vary. Sobeys will continue to provide financial support pursuant to the franchise and operating agreements in future years.

During fiscal 2009, Sobeys entered into an additional credit enhancement contract in the form of a standby letter of credit for certain franchisees and affiliates for the purchase and installation of equipment. Under the terms of the contract, should franchisees and affiliates be unable to fulfill their lease obligations or provide an acceptable remedy, Sobeys would be required to fund the greater of $6.0 or 10.0% (2018 – $6.0 or 10.0%) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to provide a letter of credit in the amount of the outstanding guarantee, to be renewed each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain franchisees and affiliates. As at May 4, 2019, the amount of the guarantee was $6.0 (2018 – $6.0).

Other

At May 4, 2019, the Company had entered into letters of credit issued in an aggregate amount of $79.5 (2018 – $52.7) to support the Company's obligations.

Sobeys, through its subsidiaries, has guaranteed the payment of obligations under certain commercial development agreements. As at May 4, 2019, Sobeys has guaranteed $43.5 (2018 – $43.5) in obligations related to these agreements.

Upon entering into the lease of its Mississauga distribution centre, in March 2000, Sobeys guaranteed to the landlord the performance, by SERCA Foodservice Inc. (formerly a subsidiary of Sobeys Inc.), of all its obligations under the lease. The remaining term of the lease is one year with an aggregate obligation of $4.3 (2018 – $7.4). At the time of the sale of assets of SERCA Foodservice Inc. to Sysco Corp., the lease of the Mississauga distribution centre was assigned to and assumed by the purchaser, and Sysco Corp. agreed to indemnify and hold Sobeys harmless from any liability it may incur pursuant to its guarantee.

COMMITMENTS

Operating leases, as lessee

The Company leases various retail stores, distribution centres, offices, and equipment under non-cancellable operating leases. These leases have varying terms, escalation clauses, renewal options, and bases on which contingent rent is payable.

The total net, future minimum rent payable under the Company's operating leases as of May 4, 2019 is approximately $4,825.2. This reflects a gross lease obligation of $5,837.8 reduced by expected sub-lease income of $1,012.6. The net commitments over the next five fiscal years are:

	Third Parties		Related Parties	
	Net Lease Obligation	Gross Lease Obligation	Net Lease Obligation	Gross Lease Obligation
2020	$ 286.6	$ 411.8	$ 162.9	$ 162.9
2021	267.8	384.9	163.6	163.6
2022	243.8	353.3	164.0	164.0
2023	214.9	316.1	164.7	164.7
2024	189.0	276.4	166.6	166.6
Thereafter	1,204.5	1,676.7	1,596.8	1,596.8

The Company recorded $596.9 (2018 – $575.6) as an expense for minimum lease payments for the year ended May 4, 2019. The expense was partly offset by sub-lease income of $125.2 (2018 – $118.3), and a further $12.1 (2018 – $5.3) of expense was recognized for contingent rent.

Operating leases, as lessor

The Company leases most investment properties under operating leases. These leases have varying terms, escalation clauses, renewal options and bases on which contingent rent is receivable.

Rental income for the year ended May 4, 2019 was $18.8 (2018 – $23.6) and was recognized within other income on the consolidated statements of earnings. In addition, the Company recognized $0.2 of contingent rent for the year ended May 4, 2019 (2018 – $0.3).

The lease payments expected to be received over the next five fiscal years are:

	Third Parties
2020	$ 10.5
2021	8.8
2022	8.4
2023	7.5
2024	6.5
Thereafter	34.6

CONTINGENT LIABILITIES

On June 21, 2005, Sobeys received a notice of reassessment from Canada Revenue Agency ("CRA") for fiscal years 1999 and 2000 related to Lumsden Brothers Limited, a wholesale subsidiary of Sobeys, and the Goods and Service Tax ("GST"). The reassessment related to GST on sales of tobacco products to status Indians. CRA asserts that Sobeys was obliged to collect GST on sales of tobacco products to status Indians. The total tax, interest and penalties in the reassessment was $13.6 (2018 – $13.6). Sobeys has reviewed this matter, has received legal advice, and believes it was not required to collect GST. During fiscal 2006, Sobeys filed a Notice of Objection with CRA. The matter is still under dispute and Sobeys has filed a Notice of Appeal with the Tax Court of Canada. Accordingly, Sobeys has not recorded on its statements of earnings any of the tax, interest or penalties in the notice of reassessment. Sobeys has deposited with CRA funds equal to the total tax, interest and penalties in the reassessment and has recorded this amount as an other long-term receivable from CRA pending resolution of the matter.

There are various claims and litigation, with which the Company is involved, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

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.

25. Financial Instruments

CREDIT RISK

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and cash equivalents, receivables, loans and other receivables, derivative contracts and guarantees.

The Company's maximum exposure to credit risk corresponds to the carrying amount for all cash and cash equivalents, loans and receivables, and guarantee contracts for franchisees and affiliates (Note 24).

The Company mitigates credit risk associated with its trade receivables and loans receivables through established credit approvals, limits and a regular monitoring process. The Company generally considers the credit quality of its financial assets that are neither past due or impaired to be solid. The Company regularly monitors collection performance and pledged security for all of its receivables and loans and other receivables to ensure adequate payments are being received and adequate security is available. Pledged security can vary by agreement, but generally includes inventory, fixed assets including land and/or building, as well as personal guarantees. Credit risk is further mitigated due to the large number of customers and their dispersion across geographic areas. The Company only enters into derivative contracts with counterparties that are dual rated by recognized credit rating agencies and have a credit rating of "A" or better to minimize credit risk.

Receivables are substantially comprised of balances due from independent accounts, franchisee or affiliate locations as well as rebates and allowances from vendors. The due date of these amounts can vary by agreement but in general balances over 30 days are considered past due. The aging of the receivables is as follows:

	May 4, 2019	May 5, 2018
0 – 30 days	$ 386.8	$ 344.9
31 – 90 days	10.9	24.3
Greater than 90 days	73.3	91.5
Total receivables before allowance for credit losses	471.0	460.7
Less: allowance for credit losses	(26.8)	(27.5)
Receivables	$ 444.2	$ 433.2

Interest earned on past due accounts is recorded as a reduction to selling and administrative expenses on the consolidated statements of earnings. Receivables are classified as current on the consolidated balance sheets as of May 4, 2019.

Allowance for credit losses is reviewed at each balance sheet date. An allowance is taken on receivables from independent accounts, as well as receivables, loans and other receivables from franchisee or affiliate locations and is recorded as a reduction to its respective receivable account on the consolidated balance sheets. The change in allowance for credit losses is recorded as selling and administrative expenses on the consolidated statements of earnings and is presented as follows:

	May 4, 2019	May 5, 2018
Allowance, beginning of year	$ 27.5	$ 27.6
Provision for losses	7.4	4.1
Recoveries	(1.9)	(1.7)
Write-offs	(6.2)	(2.5)
Allowance, end of year	$ 26.8	$ 27.5

LIQUIDITY RISK

Liquidity risk is the risk that the Company may not have cash available to satisfy financial liabilities as they come due. The Company actively maintains a committed credit facility to ensure that it has sufficient available funds to meet current and foreseeable future financial requirements at a reasonable cost.

The Company monitors capital markets and the related conditions, and monitors its cash flows in order to assist in optimizing its cash position and evaluate longer term cash and funding requirements. Market conditions allowing, the Company will access debt capital markets for various long-term debt maturities and as other liabilities come due or as assessed to be appropriate in order to minimize risk and optimize pricing.

The following table summarizes the amount and the contractual maturities of both the interest and principal portion of significant financial liabilities on an undiscounted basis as at May 4, 2019:

	2020	2021	2022	2023	2024	Thereafter	Total
Derivative financial liabilities							
Foreign currency swaps	$ 24.1	$ 13.3	$ –	$ –	$ –	$ –	$ 37.4
Non-controlling interest liabilities	–	–	–	–	81.0	9.1	90.1
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	2,496.4	–	–	–	–	–	2,496.4
Long-term debt	123.8	977.2	65.0	63.0	541.8	942.4	2,713.2
Total	$ 2,644.3	$ 990.5	$ 65.0	$ 63.0	$ 622.8	$ 951.5	$ 5,337.1

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the estimated amount that the Company would receive to sell financial assets or pay to transfer financial liabilities in an orderly transaction between market participants at the measurement date.

The book value of cash and cash equivalents, receivables, current portion of loans and other receivables, and accounts payable and accrued liabilities approximates fair value at the balance sheet dates due to the short-term maturity of these instruments.

The book value of the long-term portion of loans and other receivables approximate fair values at the balance sheet dates due to the current market rates associated with these instruments.

The fair value of the variable rate long-term debt approximates its carrying amount based on current market rates and consistency of credit spread. The fair value of long-term debt has been estimated by discounting future cash flows at a rate offered for borrowings of similar maturities and credit quality.

The fair value of derivative financial assets and liabilities, classified as Level 2, is estimated using valuation models that utilize market based observable inputs. Management believes that its valuation technique is appropriate.

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 fair value of these options is classified as Level 3 within the three-level hierarchy of IFRS 13.

There were no transfers between classes of the fair value hierarchy during the year ended May 4, 2019.

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

Long-term debt	May 4, 2019	May 5, 2018
Total carrying amount	$ 2,020.9	$ 1,666.9
Total fair value	$ 2,086.8	$ 1,707.6

As at May 4, 2019, the fair value hierarchy includes financial assets at fair value through profit or loss of $ nil, $1.4, and $ nil for Levels 1, 2 and 3 respectively (2018 – $ nil, $ nil, and $ nil).

As at May 4, 2019, the fair value hierarchy includes financial liabilities at fair value through profit or loss of $ nil, $0.1, and $90.1 for Levels 1, 2 and 3 respectively (2018 – $ nil, $0.2, and $ nil).

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recorded on the consolidated balance sheets at fair value unless the derivative instrument is a contract to buy or sell a non-financial item in accordance with the Company's expected purchase, sale or usage requirements, referred to as a "normal purchase" or "normal sale". Changes in the fair values of derivative financial instruments are recognized in net earnings or loss unless it qualifies and is designated as an effective cash flow hedge or a normal purchase or normal sale. Normal purchases and normal sales are exempt from the application of the standard and are accounted for as executory contracts. Changes in fair value of a derivative financial instrument designated as a cash flow hedge are recorded in other assets and other long-term liabilities with the effective portion recorded in other comprehensive income or loss.

CASH FLOW HEDGES

The Company's cash flow hedges consist principally of foreign currency swaps, electricity sales agreements, and natural gas sales agreements. Foreign exchange contracts are used to hedge future purchases or expenditures of foreign currency denominated goods or services. Electricity and natural gas sales agreements are used to mitigate the risk of changes in market prices of electricity and natural gas. Gains and losses are initially recognized directly in other comprehensive income or loss and are transferred to net earnings or loss when the forecast cash flows affect income or expense for the year.

As of May 4, 2019, the fair values of the outstanding derivatives designated as cash flow hedges of forecast transactions were assets of $1.4 (2018 – $ nil) and liabilities of $0.1 (2018 – $0.2).

Cash flows from cash flow hedges are expected to flow over the next two years until fiscal 2021, and are expected to be recognized in net earnings or loss over this period, and, in the case of foreign currency swaps, over the life of the related debt in which a portion of the initial cost is being hedged.

INTEREST RATE RISK

Interest rate risk is the potential for financial loss arising from changes in interest rates. Financial instruments that potentially subject the Company to interest rate risk include financial liabilities with floating interest rates.

The Company manages interest rate risk by monitoring market conditions and the impact of interest rate fluctuations on its debt. The majority of the Company's long-term debt is at fixed interest rates. Approximately 30.3% (2018 – 8.4%) of the Company's long-term debt is exposed to interest rate risk due to floating rates.

Net earnings or loss is sensitive to the impact of a change in interest rates on the average balance of interest bearing financial liabilities during the year. For the year ending May 4, 2019, the Company's average outstanding unhedged floating rate debt was $567.4 (2018 – $151.5). An increase (decrease) of 25 basis points would have impacted net earnings by $1.0 ($1.0) (2018 – $0.3 ($0.3)) as a result of the Company's exposure to interest rate fluctuations on its unhedged floating rate debt.

FOREIGN CURRENCY EXCHANGE RISK

The Company conducts the vast majority of its business in Canadian dollars. The Company's foreign currency exchange risk principally relates to purchases made in U.S. dollars. In addition, the Company also uses forward contracts to fix the exchange rate on some of its expected requirements for foreign currencies. Amounts received or paid related to instruments used to hedge foreign exchange, including any gains and losses, are recognized in the cost of purchases. The Company does not consider its exposure to foreign currency exchange risk to be material.

The Company has entered into foreign currency forward contracts and foreign currency swaps for the primary purpose of limiting exposure to exchange rate fluctuations relating to expenditures denominated in foreign currencies. These contracts are designated as hedging instruments for accounting purposes. Accordingly, the effective portion of the change in the fair value of the forward contracts are accumulated in other comprehensive income or loss until the variability in cash flows being hedged is recognized in net earnings or loss in future accounting periods.

The Company estimates that a 10% increase (decrease) in applicable foreign currency exchange rates would impact net earnings by $ nil ($ nil) (2018 – $ nil ($ nil)) and other comprehensive income by $2.7 ($2.7) (2018 – $1.1 ($1.1)) for foreign currency derivatives in place at year end.

26. 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.

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

	May 4, 2019	May 5, 2018
Segmented operating income		
Food retailing	$ **561.8**	$ 273.6
Investments and other operations		
Crombie REIT	**63.6**	39.5
Real estate partnerships	**23.4**	33.9
Other operations, net of corporate expenses	**3.5**	(0.5)
	90.5	72.9
Total	$ **652.3**	$ 346.5

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

	May 4, 2019	May 5, 2018
Total operating income	$ **652.3**	$ 346.5
Finance costs, net	**91.6**	110.5
Total	$ **560.7**	$ 236.0

	May 4, 2019	May 5, 2018
Total assets by segment		
Food retailing	$ **8,921.4**	$ 8,010.4
Investments and other operations	**681.0**	651.6
Total	$ **9,602.4**	$ 8,662.0

27. 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 specific 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 $24.48 per PSU issued during the current year was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$25.16
Expected life	1.58 years
Risk-free interest rate	1.93%
Expected volatility	18.45%
Dividend yield	1.75%

At May 4, 2019, there were 338,275 (2018 – 471,693) PSUs outstanding. The compensation expense for the year ended May 4, 2019 related to PSUs was $3.0 (2018 – $4.3).

STOCK OPTION PLAN

During fiscal 2019, the Company granted 800,573 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 $5.78 per option issued during the year was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$25.97
Expected life	7.97 years
Risk-free interest rate	1.95%
Expected volatility	22.15%
Dividend yield	1.70%

The compensation expense for the year ended May 4, 2019 related to the issuance of options was $3.7 (2018 – $2.6).

The outstanding options at May 4, 2019 were granted at prices between $15.60 and $30.87 and expire between June 2021 and June 2026 with a weighted average remaining contractual life of 4.88 years. Stock option transactions during fiscal 2019 and 2018 were as follows:

	2019			2018		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	**4,686,155**	$	**22.81**	4,949,863	$	24.27
Granted	**800,573**		**25.97**	1,338,980		19.43
Exercised	**(746,346)**		**22.30**	(122,805)		22.26
Expired	**(250,116)**		**27.49**	(749,971)		25.92
Forfeited	**(196,978)**		**20.63**	(729,912)		23.45
Balance, end of year	**4,293,288**	$	**23.31**	4,686,155	$	22.81
Stock options exercisable, end of year	**2,201,160**			2,301,032		

The following table summarizes information related to stock options outstanding at May 4, 2019:

	Options Outstanding			Options Exercisable	
Year Granted	Number of Outstanding Options	Weighted Average Remaining Contractual Life[(1)]	Weighted Average Exercise Price	Number Exercisable at May 4, 2019	Weighted Average Exercise Price
2014	1,045,380	2.16	$ 26.29	1,045,380	$ 26.29
2015	254,975	3.17	22.49	254,975	22.49
2016	272,405	4.17	29.97	204,304	29.97
2017	859,023	5.18	20.15	427,161	20.14
2018	1,077,358	6.18	19.52	269,340	19.52
2019	784,147	7.18	25.98	–	–
Total	4,293,288	4.88	$ 23.31	2,201,160	$ 24.17

(1) Weighted average remaining contractual life is expressed in years.

DEFERRED STOCK UNIT PLANS

Deferred stock units ("DSUs") issued to employees, under the Executive DSU Plan, vest dependent on time and the achievement of specific performance measures. At May 4, 2019, there were 1,063,299 (2018 – 803,777) DSUs outstanding related to this plan and the total carrying amount of the liability was $20.8 (2018 – $8.2). The compensation expense for the year ended May 4, 2019 related to DSUs was $14.2 (2018 – $7.4).

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 May 4, 2019, there were 247,605 (2018 – 198,240) DSUs outstanding and the total carrying amount of the liability was $7.4 (2018 – $4.9). During the year ended May 4, 2019, the compensation expense recorded was $2.7 (2018 – $2.1).

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.

28. Related Party Transactions

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

The Company leased certain real property from Crombie REIT during the year at amounts which in management's opinion approximate fair market value that would be incurred if leased from a third party. Management has determined these amounts to be fair value based on the significant number of leases negotiated with third parties in each market it operates. The aggregate net payments under these leases, which are measured at exchange amounts, totaled approximately $206.2 (2018 – $199.7).

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

On July 4, 2017, Crombie REIT redeemed its 5.00% Series D Convertible Unsecured Subordinate Debentures. In exchange for its investment in the Series D convertible debentures, the Company received $24.3 in principal and interest payments. There was no gain or loss recognized on the redemption. During the year ended May 4, 2019, the Company received interest from Crombie REIT of $ nil (2018 – $0.2).

On April 11, 2019, Crombie REIT announced an agreement to sell an 89% interest in a 26 property portfolio to a third party purchaser. 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. The lease amending agreements became effective on April 25, 2019, the closing date of the property disposal. Sobeys has accrued a total of $9.5 in current and long-term receivables related to these amounts.

On September 28, 2018, Sobeys, through a wholly-owned subsidiary, sold one property to Crombie REIT for cash consideration of $3.7. This resulted in a pre-tax gain of $1.5, which has been recognized in other income on the consolidated statements of earnings.

On June 29, 2018, Sobeys, through a wholly-owned subsidiary, sold and leased back one property to Crombie REIT for cash consideration of $12.5. This resulted in a pre-tax gain of $5.6, which has been recognized in other income on the consolidated statements of earnings.

On April 6, 2018, Sobeys and its wholly-owned subsidiaries entered into an agreement with Crombie REIT to sell a portfolio of 11 properties, nine of which were leased back. Total cash proceeds to the Company and its wholly-owned subsidiaries from this transaction were $88.1, resulting in a pre-tax gain of $13.2 which has been recognized on the consolidated statements of earnings.

On September 29, 2017, Sobeys sold one property to Crombie REIT for cash consideration of $6.4. This resulted in a pre-tax gain of $0.2, which has been recognized in other income on the consolidated statements of earnings.

KEY MANAGEMENT PERSONNEL COMPENSATION

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

Key management personnel compensation is comprised of:

	May 4, 2019	May 5, 2018
Salaries, bonus and other short-term employment benefits	$ 13.4	$ 13.3
Post-employment benefits	3.4	1.5
Termination benefits	2.8	0.8
Share-based payments	8.6	9.8
Total	$ 28.2	$ 25.4

INDEMNITIES

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

29. Capital Management

The Company's objectives when managing capital are: (i) to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans; (ii) to minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions; (iii) to maintain an optimal capital structure that provides necessary financial flexibility while also ensuring compliance with any financial covenants; and (iv) to maintain an investment grade credit rating with each rating agency that assesses the credit worthiness of the Company. There have been no changes to the Company's objectives during the year ended May 4, 2019.

The Company monitors and makes adjustments to its capital structure, when necessary, in light of changes in economic conditions, the objectives of its shareholders, the cash requirements of the business and the condition of capital markets.

The Company considers its total capitalization to include all interest-bearing debt, including bank loans, long-term debt (including the current portion thereof) and shareholders' equity, net of cash and cash equivalents. The calculation is set out in the following table:

	May 4, 2019	May 5, 2018
Long-term debt due within one year	$ **36.5**	$ 527.4
Long-term debt	**1,984.4**	1,139.5
Funded debt	**2,020.9**	1,666.9
Less cash and cash equivalents	**(553.3)**	(627.9)
Net funded debt	**1,467.6**	1,039.0
Shareholders' equity, net of non-controlling interest	**4,003.3**	3,702.8
Capital under management	$ **5,470.9**	$ 4,741.8

Although the Company does not include operating leases in its definition of capital, the Company does give consideration to its obligations under operating leases when assessing its total capitalization.

The primary investments undertaken by the Company include additions to the selling square footage and renovations of its store network via the construction, expansion, and improvements to existing stores. These additions and modifications to the store network include related leasehold improvements and the purchase of land bank sites for future store construction. The Company makes capital investments in information technology and its distribution capabilities to support an expanding store network. In addition, the Company makes capital expenditures in support of its investments and other operations. The Company largely relies on its cash flow from operations to fund its capital investment program and dividend distributions to its shareholders. The cash flow is supplemented, when necessary, through the incurrence of additional debt or the issuance of additional capital stock.

Management monitors certain key ratios to effectively manage the capital structure and debt obligations of the Company:

	May 4, 2019	May 5, 2018
Funded debt to total capital[1]	**33.5%**	31.0%
Funded debt to EBITDA[2]	**1.9 x**	2.1 x
EBITDA to interest expense[2]	**12.4 x**	8.1 x

(1) Total capital is funded debt plus shareholders' equity, net of non-controlling interest.

(2) EBITDA and interest expense are comprised of EBITDA and interest expense for each of the 52 week periods then ended. EBITDA consists of operating income plus depreciation and amortization of intangibles, while interest expense consists of interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income or loss.

Under the terms of existing debt agreements, three financial covenants are monitored on a quarterly basis by management to ensure compliance with the agreements. The covenants are: (i) adjusted total debt/EBITDA – calculated as net funded debt plus letters of credit, guarantees and commitments divided by EBITDA (as defined by the credit agreements and for the previous 52 weeks); (ii) lease adjusted debt/EBITDAR – calculated as adjusted total debt plus eight times rent divided by EBITDAR (as defined by the credit agreements and for the previous 52 weeks); and (iii) debt service coverage ratio – calculated as EBITDA divided by interest expense plus repayments of long-term debt (as defined by the credit agreements and for the previous 52 weeks). The Company was in compliance with these covenants during the year.

Eleven-Year Financial Review

SUPPLEMENTAL INFORMATION – UNAUDITED

Year Ended[1]	2019	2018	2017	2016
Financial Results ($ in millions)				
Sales	$ 25,142.0	$ 24,214.6	$ 23,806.2	$ 24,618.8
Operating income (loss)	652.3	346.5	333.0	(2,418.5)
Finance costs, net	91.6	110.5	118.0	137.4
Income tax expense (recovery)	144.3	56.2	42.5	(441.3)
Non-controlling interest	29.1	20.3	14.0	16.4
Net earnings (loss)[2]	387.3	159.5	158.5	(2,131.0)
Adjusted net earnings[2]	410.0	344.3	191.3	410.2
Financial Position ($ in millions)				
Total assets	9,602.4	8,662.0	8,695.5	9,138.5
Long-term debt (excluding current portion)	1,984.4	1,139.5	1,736.8	2,017.0
Shareholders' equity[2]	4,003.3	3,702.8	3,644.2	3,623.9
Per Share Data on a Fully Diluted Basis ($ per share)				
Net earnings (loss)[2]	1.42	0.59	0.58	(7.78)
Adjusted net earnings[2]	1.50	1.27	0.70	1.50
Dividends				
Non-Voting Class A shares	0.440	0.420	0.410	0.400
Class B common shares	0.440	0.420	0.410	0.400
Book value	14.72	13.62	13.40	13.23
Share Price, Non-Voting Class A Shares ($ per share)				
High	31.11	26.15	22.56	30.79
Low	22.69	18.74	15.00	20.23
Close	29.94	25.01	21.50	21.09
Diluted weighted average number of shares outstanding (in millions)	272.6	272.1	272.0	274.0

(1) Fiscal years end the first Saturday in May, consistent with the fiscal year-end of Sobeys Inc. Financial data for fiscal 2009 to 2010, with the exception of the balances noted for financial position for fiscal 2010, were prepared using CGAAP and have not been restated to IFRS. Fiscal 2011 and 2016 are 53-week years.

(2) Net of non-controlling interest.

2015	2014	2013	2012	2011	2010	2009
$ 23,928.8	$ 20,957.8	$ 17,343.9	$ 16,249.1	$ 15,956.8	$ 15,516.2	$ 15,015.1
742.4	326.7	573.2	534.3	525.7	479.7	466.2
155.1	131.4	55.4	59.9	75.4	72.5	80.6
150.4	36.3	136.4	122.3	122.0	99.1	115.4
17.9	8.0	9.1	12.7	9.0	5.6	8.3
419.0	235.4	379.5	339.4	400.6	301.9	264.7
511.0	390.6	390.7	322.7	303.2	284.5	261.7
11,497.2	12,236.6	7,140.4	6,913.1	6,518.6	6,248.3	5,891.1
2,230.2	3,282.1	915.9	889.1	1,090.3	821.6	1,124.0
5,986.7	5,700.5	3,724.8	3,396.3	3,162.1	2,952.4	2,678.8
1.51	0.98	1.86	1.66	1.96	1.47	1.34
1.84	1.62	1.91	1.58	1.48	1.39	1.33
0.360	0.347	0.320	0.300	0.267	0.247	0.233
0.360	0.347	0.320	0.300	0.267	0.247	0.233
21.61	20.59	18.27	16.66	15.49	14.36	13.02
31.60	27.75	22.88	21.00	19.71	17.98	18.26
21.67	21.68	17.85	17.57	17.02	13.23	12.21
29.15	22.88	22.86	19.21	18.05	17.66	16.33
277.2	240.6	204.2	204.2	204.6	205.4	197.4

Shareholder and Investor Information

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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).

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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.

Shareholders' Annual General Meeting

September 12, 2019 at 11:00 a.m. (ADT)
Cineplex Cinemas
612 East River Road
New Glasgow, Nova Scotia

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 June 25, 2019	
Non-Voting Class A shares	173,663,969
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

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