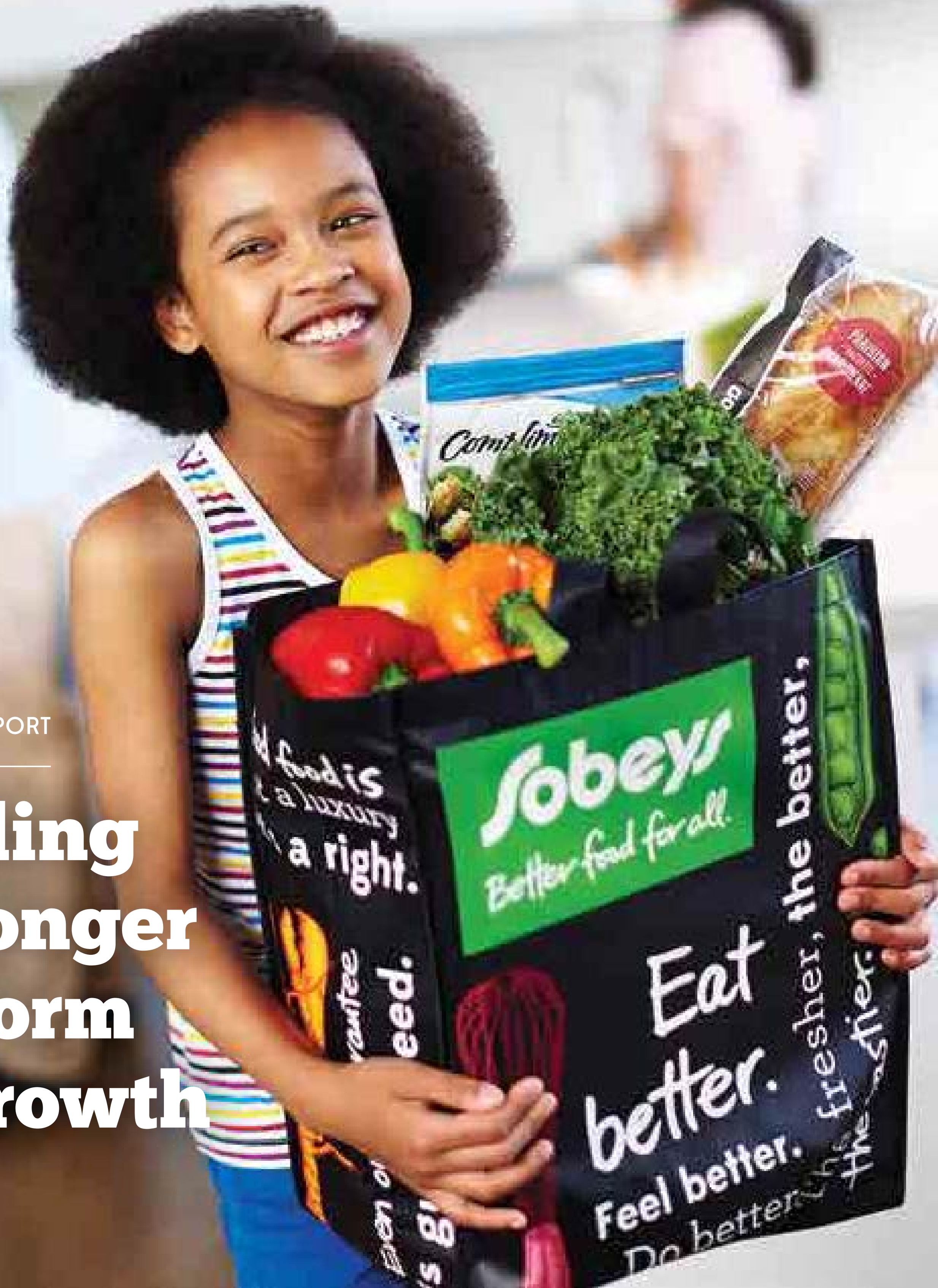
EMPIRE
COMPANY LIMITED



2015 ANNUAL REPORT

Building a stronger platform for growth

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Strong vision

Canadians want help making better food choices. Our mission is to make a difference in the lives of Canadians by helping them Eat Better, Feel Better and Do Better – see page 15.

Strong infrastructure

We're continuing to invest in state of the art technology and streamlining our processes so we can deliver our vision efficiently and cost-effectively from coast to coast – see page 22.

About forward-looking statements

This document includes statements about our objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities, including our anticipated benefits from the Canada Safeway acquisition.

These statements are *forward-looking* because they are based on management's expectations about the future – they are not historical facts. Forward-looking statements usually include words like *anticipates, expects, believes, estimates, could, intends, may, plans, predicts, projects, will, would, foresees* and other similar expressions, or the negative of these words. For more information and a caution about using forward-looking information, see *Forward-looking information* on page 31.

About non-GAAP measures

Certain financial measures in this document are not defined terms under GAAP, so they are not a reliable way to compare us to other companies. See *Non-GAAP financial measures* on page 73 for more information.

Strong team

A team of approximately 125,000 people have the passion, support and training they need to bring our vision to life – see page 24.

Helping Canadians Eat Better, Feel Better and Do Better

At Empire, we have a clear vision, a strong infrastructure to support it, and the team to make it happen.

The value to you, our shareholders, comes from delivering on that vision profitably.

Fiscal 2015 was a successful year. Sales, earnings and free cash flow helped contribute to solid returns for shareholders.

This year's annual report tells you about our many initiatives to improve the customer experience, the progress we've made on our integration of Safeway, and how we're executing our strategy to build a stronger platform for growth.

Helping Canadians Eat Better, Feel Better and Do Better

Proudly Canadian with 108 years in the food retailing business, Empire Company Limited (TSX: EMP.A) is headquartered in Stellarton, Nova Scotia. Our key businesses are food retailing and related real estate, through our wholly-owned subsidiary Sobeys Inc. and a 41.5% equity accounted interest in Crombie REIT.

Food

Five core retail food formats from full service to discount

- $23.9 billion in annual sales
- Approximately 1,500 stores in 10 provinces

Pharmacy

One of Canada's largest pharmacy retailers

- 348 in-store pharmacies
- 79 Lawtons Drug Stores

Liquor

Growing liquor business

- 2 banners in Western Canada
- 3 store formats to meet the needs of customers

Fuel

Over 350 retail fuel locations

- 3 banners
- Grocery purchases generate fuel discounts coast to coast

Wholesale

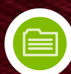
Only national full service wholesaler in Canada

- Servicing small convenience/gas sites to large full service retail locations
- over 5,000 independent and retail chain accounts

Real estate

Development and ownership

- Strong real estate development team
- 41.5% equity accounted interest in Crombie REIT

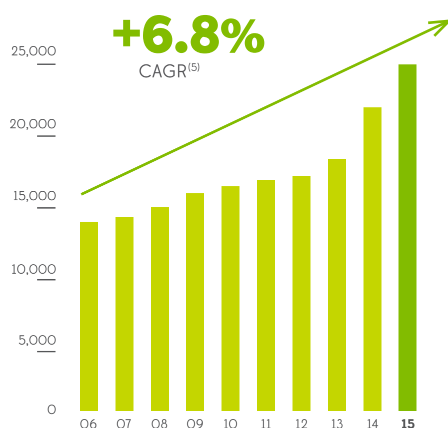


You'll find the recipes at www.sobeys.com/en/recipes

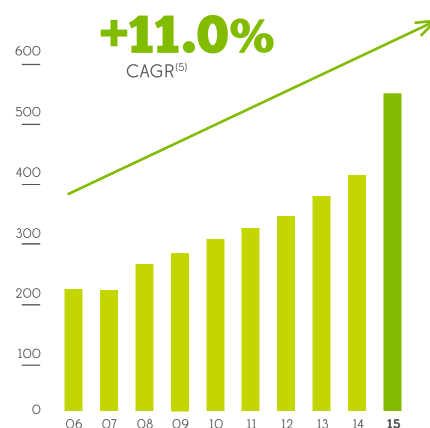
2015 financial highlights

($ in millions of dollars, except per share amounts)	For the 52 weeks ended May 2, 2015	May 3, 2014[1]	May 4, 2013[1][2]
Sales	**$ 23,928.8**	$ 20,957.8	$ 17,343.9
EBITDA[3]	**1,226.1**	755.3	918.1
Adjusted EBITDA[3]	**1,327.9**	1,055.6	942.9
Operating income[3]	**743.6**	328.5	573.2
Net earnings from continuing operations[4]	**419.0**	151.0	372.3
per share (fully diluted)	**4.54**	1.88	5.47
Net earnings[4]	**419.0**	235.4	379.5
per share (fully diluted)	**4.54**	2.93	5.58
Adjusted net earnings from continuing operations[3][4]	**518.9**	391.4	390.7
per share (fully diluted)	**5.62**	4.88	5.74
Book value per share	**64.81**	61.75	54.82
Dividends per share (DPS)	**1.08**	1.04	0.96

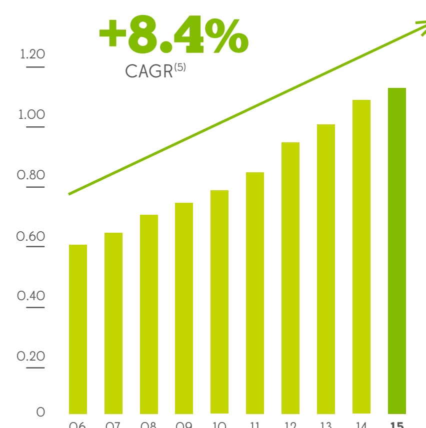
Sales
($ in billions)



Adjusted net earnings from continuing operations[3][4]
($ in millions)



Dividends
($ per share)



32.6% increase in adjusted net earnings[3][4][6]

100% technology integration complete

78.0% growth in net earnings[4]

34.4% reduction in funded debt[3]

27.4% growth in share value

(1) Amounts have been reclassified to correspond to the current period presentation on consolidated statement of earnings.
(2) Amounts have been restated as a result of a change in accounting policy and reclassification of discontinued operations.
(3) See "Non-GAAP Financial Measures" section of the Management's Discussion and Analysis ("MD&A").
(4) Net of non-controlling interest.
(5) Compound annual growth rate.
(6) From continuing operations.

We are on a mission to bring better food to Canadians.

At a time when processed food seems like the easiest choice, and fewer people are cooking and eating together, we want to improve the lives of Canadians by helping them Eat Better, Feel Better and Do Better.

Before we began this mission we conducted research with Canadians and learned that:

73%
of Canadians said they want to eat better than they currently do

1 in 5
Canadian youth aged 12 to 17 were overweight or obese

more than 62%
of dietary energy in Canada came from ultra-processed food

only 18%
of Canadians cooked meals from scratch

You'll find the recipes at www.sobeys.com/en/recipes

Our research has shown that Canadians want help making better food choices and are looking for leadership and advice from people they can trust. We're using our skills, experience and passion to change the relationship Canadians have with food.

Better food

We're helping our customers experience better food by giving them more choices from better sources – better ingredients, more selection, healthier options and better value.

Better service

We're making it easier for customers to make good food part of their daily lives – and serving that up with expertise and enthusiasm.

Delivered sustainably

We're offering customers more sustainable products and services – and backing them up with operations and responsible business practices that keep the future of our planet in mind.

Eat better.
Feel better.
Do better.

I'm helping Sobeys bring better food to Canadians
– Jamie Oliver

As an advocate for change and an international promoter of better food, Jamie Oliver is working with us to champion enhanced food knowledge, balanced nutrition, quality ingredients and cooking skills for Canadians.

Photography © 2015 David Loftus

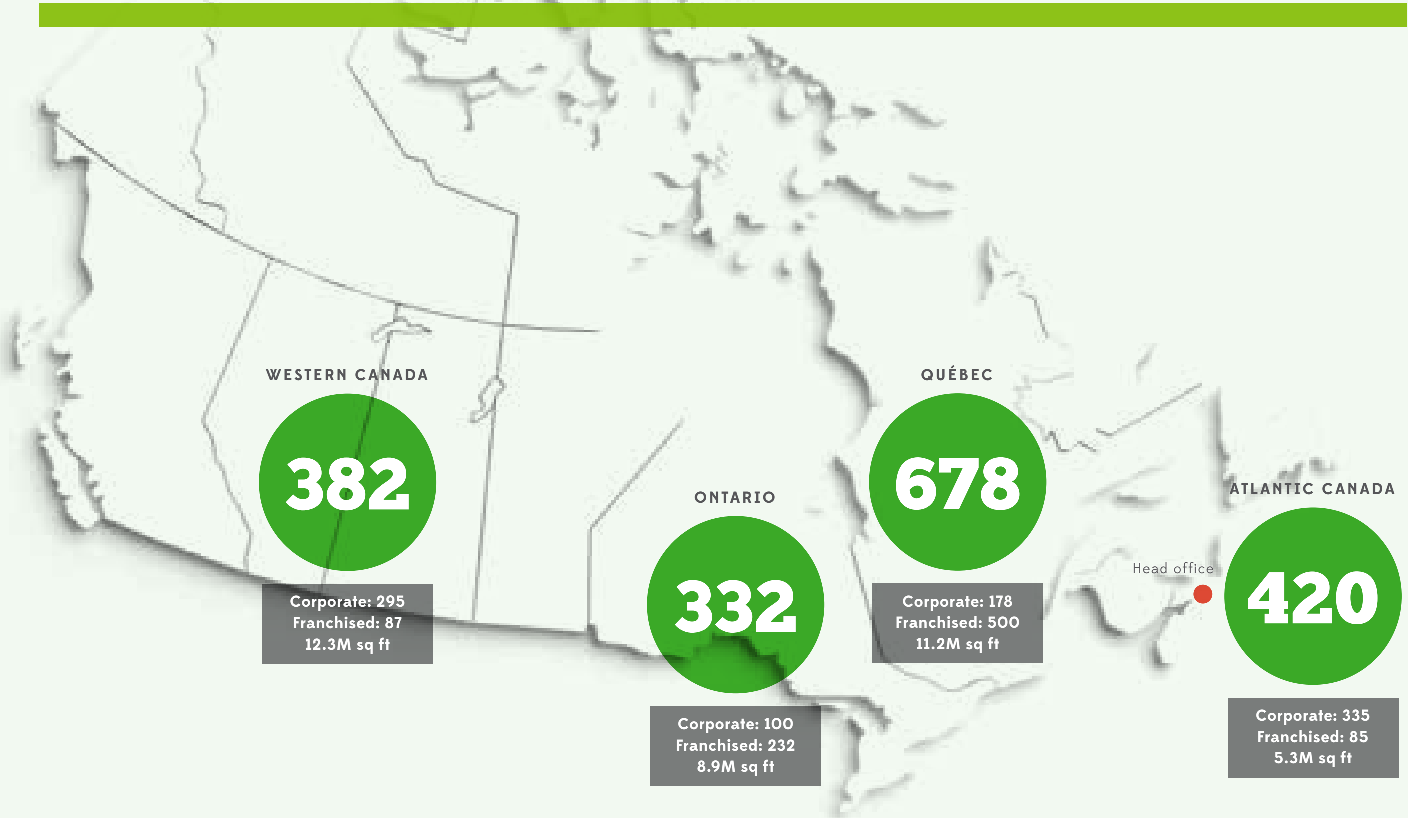
Le plaisir de mieux manger

We're making eating and cooking healthy, quick, simple and easy

Josée di Stasio, Christian Bégin and Stefano Faita – three Québec food celebrities – have teamed up with IGA in Québec as cartoon avatar ambassadors offering unique recipes and tips to get customers more interested in *le plaisir de mieux manger*, the *Joy of Eating Better.*

We reach Canadians from coast to coast.

Locations by region



Food	Pharmacy	Liquor	Fuel
Sobeys extra, IGA, Bonichoix, Sobeys, Foodland, Les Marchés Tradition, IGA extra, Sobeys Urban Fresh, FreshCo, Safeway, IGA Express, Needs convenience, Thrifty Foods, Rachelle-Béry	Sobeys Pharmacy, Safeway Pharmacy, Lawtons Drugs	Sobeys Liquor, Safeway Wine & Spirits	FastFuel, Safeway Gasoline, Shell

Shell Trade Marks reproduced by permission of Shell Brands International AG.

By the numbers

1,800+
locations*

38M
total sq. footage

900+
communities

125,000
people

Our reach

Our food retailing business under Sobeys Inc. is made up of a diversified and complementary group of businesses – food, pharmacy, wholesale, liquor and fuel – and we have a comprehensive logistics and distribution network to support it.

Our five core retail food formats ensure we have the right offering in the right-sized stores for each individual market we serve. From full service to discount, each format is tailored to satisfy the food shopping needs of Canadians.

*Includes over 350 retail fuel locations.

Extra

Our new concept Sobeys, Sobeys *extra* and IGA *extra* stores welcome customers into a world of food discovery and innovation with *extra* departments, products, services and savings that are designed to help them Eat Better, Feel Better and Do Better every day. From wellbeing counsellors and pharmacists, to chefs, expert butchers and cheese ambassadors, our employees bring added knowledge to help customers and enhance their overall experience.

We take a long-term view.

FISCAL
2006

$13.1
Sales ($ in billions)

$202.0
Adjusted net earnings from continuing operations ($ in millions)

$29.77
Book value ($ per share)

Fiscal year

2006

March 2006
- Crombie REIT completes its initial public offering.
- Empire sells 44 properties to Crombie REIT for $468.5 million and retains an initial 48.3% ownership interest.

2007

August 2006
- Sobeys acquires Achille de la Chevrotière Ltée, for $79.2 million.

2008

June 2007
- Empire acquires the outstanding common shares of Sobeys that it did not own for $1.06 billion, achieving 100% ownership.

September 2007
- Sobeys acquires Thrifty Foods for $253.6 million.

April 2008
- Empire sells 61 properties for $428.5 million to Crombie REIT.

2009

March 2009
- Empire issues 2.713 million Non-Voting Class A shares at $49.75 per share.
- Empire reduces its ratio of debt to capital to 32.7% from 39.8%.

November 2009
- Sobeys opens its first automated distribution centre in Vaughan, Ontario.

2010

May 2010
- Sobeys enjoys another record year and receives credit rating upgrades from Standard & Poor's and DBRS, with both ratings at investment grade.
- Empire reduces its ratio of debt to capital to 29.3% from 32.7%.

2011

October 2010

- Empire sells its investment in Wajax for net proceeds of $121.3 million.

May 2011

- Sobeys completes the first year of the FreshCo discount banner in Ontario with a network of 57 stores in operation by fiscal year-end.

2012

October 2011

- Sobeys initiates an organizational realignment to optimize productivity and fully capitalize on its scale.

March 2012

- Sobeys purchases 236 Shell branded retail gas locations in Québec and Atlantic Canada for $214.9 million.

2013

November 2012

- Sobeys begins shipping from its second fully-automated distribution centre in Terrebonne, Québec.

March 2013

- Sobeys completes its national implementation of the SAP business platform to fully capitalize on its scale as a $17 billion organization.

2014

September 2013

- Sobeys introduces the *Better Food For All* movement to Canadians.

November 2013

- Sobeys completes the purchase of Canada Safeway for $5.8 billion.
- Empire completes the sale of Empire Theatres for a net gain of $104.2 million.

2015

February 2015

- Sobeys implements SAP at Safeway, bringing SAP coast to coast.

March 2015

- Sobeys becomes the first Canadian grocer to issue AIR MILES® reward miles across Canada.

®™ Trademarks of AIR MILES International Trading B.V. Used under license by LoyaltyOne, Co. and Sobeys Capital.

We are building a stronger platform for growth.

Summary of the year

- Delivered solid returns for shareholders
- Sold non-core assets and used the proceeds to reduce our debt
- Exceeded our cost synergy targets from the Safeway integration, remain on track to meet our three-year goal
- Completed our IT integration and now have a common business platform for our operations coast to coast
- Introduced many new initiatives that support our mission of helping Canadians Eat Better, Feel Better and Do Better, adding value and making us stronger as we grow

Priorities for fiscal 2016

We are continuing to develop our vision, infrastructure and team as we build our strong platform for growth:

- Deliver cost synergies from our integration of Canada Safeway
- Improve our efficiencies by harmonizing processes and optimizing distribution
- Invest strategically in systems and innovation
- Improve our full service offering and shopping experience
- Increase employee training and engagement to deliver best-in-class customer service and loyalty

Letter to shareholders

Marc Poulin
President and
Chief Executive Officer

We all know it's a challenge to eat well in today's fast-paced world. We don't cook as often as we'd like and we rely too much on processed foods. The sad reality is that Canadian households don't cook or eat together as much as they used to, and in 2013, one in five Canadian youth aged 12 to 17 was overweight or obese.

Our research shows, however, that Canadians want help – they want people they can trust to make it easier to make better food choices for themselves and their families. We're meeting that need by bringing food back to the centre of Canadians' lives, as an ingredient in a healthy lifestyle. Our vision is to set ourselves apart by offering products and services that help Canadians enjoy food in a way that makes their lives better.

The value to you, our shareholders, comes from delivering on that vision profitably – on our ability to provide long-term, sustainable growth. And that's what this year's annual report is all about: the clarity of our vision, the strength of the infrastructure that supports it, and the commitment of a talented team with the expertise and the will to make it happen.

Summary of the year

We're very pleased with how we performed in fiscal 2015. Sales were up 14.2%, net earnings, net of non-controlling interest, increased by 78.0% and we were ahead of target for reducing our debt. Since the Canada Safeway acquisition we have reduced our funded debt by approximately $1.6 billion. Our share price increased by 27.4% by the end of the year and subsequent to year-end we increased our dividend by 11.1 %.

On track with the Safeway integration

We made considerable progress on the integration of Safeway in fiscal 2015.

We completed the technical integration of all Safeway stores, fuel stations and retail support centres in February 2015. This was a critical milestone for us in achieving the goal of uniform backend systems across our operations. Operating on a single system allows us to rationalize our operations, streamline our ordering and ultimately improve the service we provide to our customers – for example, getting fresher food into the right stores faster and more cost-effectively, and implementing promotions more quickly and efficiently.

Synergies

We're on target to meet our three-year synergy commitments. We know, however, that the second phase of our integration is going to be a lot of work and it won't happen overnight. We're working systematically to make sure we effectively realize the cost synergies from distribution and logistics (including building an automated warehouse in Alberta) and from harmonizing our store offerings and reducing sales, general and administrative costs.

Reducing our debt

This year we exceeded our debt reduction targets by using most of the proceeds from the sale of non-core assets to reduce debt. In fiscal 2015, we sold four Safeway dairy manufacturing facilities to Agropur for $344.2 million.

We also sold two Safeway bread manufacturing facilities to Canada Bread for proceeds of $27.8 million.

Synergies from real estate

Our relationship with Crombie REIT gives us access to capital that is accelerating the pace of Sobeys' expansion while, at the same time, allowing us to realize the fair value of our real estate assets. The relationship gives Crombie REIT preferred access to some of the most consistently performing real estate assets in the country – new, fully occupied and anchored by food and/or pharmacy retailers.

Sobeys, through its wholly-owned subsidiaries, sold 10 properties to and leased back eight from Crombie REIT for cash consideration of $105.8 million and applied most of this to debt reduction.

Building value

We know that differentiating ourselves in our food offering will define our long-term success, and this year we made some significant steps toward implementing our vision of helping Canadians Eat Better, Feel Better and Do Better.

We're working towards building our vision across all of our banners, from full service to discount, and in every region in which we operate, by offering better food and better service, and delivering them sustainably.

Better, fresher foods combined with effective marketing, superior in-store service and targeted promotions encourage customers to try new things. Online tools and a network of support through social media show customers how easy and affordable it is to cook at home. And our full range of sustainable products and services, backed by our operations and responsible business practices, mean that customers can adopt a healthier lifestyle just by shopping with us.

Our new concept stores present our vision of helping Canadians Eat Better, Feel Better and Do Better in a more powerful way – and we're very pleased by how well the new stores are resonating with customers and the positive effect that's having on our sales. We now have 15 new concept stores, including five new stores in the west, nine in Ontario, and one in Atlantic Canada.

In addition to the successful introduction of our new concept stores, we also made headway on many other initiatives that support our vision. For example, we spent time sampling, testing and refining our private label portfolio this year. Our line-up of almost 5,000 products offers great quality and excellent value. We redesigned our online shopping platform through our IGA stores in Québec and Thrifty Foods stores in British Columbia and are expanding it to other provinces. We made progress on an important initiative to streamline how we deal with produce – from vendor selection and shipping, to product knowledge and store handling – to be sure we can indeed offer the freshest produce at the best price. And as I mentioned earlier, we are now up and running on a single business platform which will allow us to deliver on our vision efficiently and cost-effectively across the country.

Part of our focus on customers is our relationship with AIR MILES®, and in March we became the first Canadian grocer to offer AIR MILES® reward miles across Canada, through many of our banners. This is important for us because it builds customer loyalty and gives us valable information that helps us tailor our offerings to make these relationships even stronger.

Better REWARDS are here

We've had a relationship with AIR MILES® reward miles for several years through our stores in Québec and Atlantic Canada, and Safeway in Western Canada has been an AIR MILES® partner for many years. In fiscal 2015, we consolidated all of our loyalty programs to AIR MILES® and now offer it in every region we operate in, through many of our banners.

Customers earn reward miles when they buy groceries, and can earn bonus reward miles on hundreds of products in-store and through cross-promotions with our other banners and Shell fuel locations, for example. Customers can redeem their reward miles for AIR MILES® Cash and get free groceries at the check-out, or build their AIR MILES® for dream rewards like vacations, electronics and more.

Our pharmacy, liquor and fuel banners, often located in or near our grocery stores, support our vision by offering our grocery customers a one-stop shopping experience. Our large network of convenience stores and our food wholesaling business – the largest full service wholesaler in Canada – extend our reach and add considerable value to our business. Subsequent to year-end our latest acquisition, completed on June 21, 2015, of five full service grocery stores, five fuel stations and other assets from Co-op Atlantic adds to the mix.

Positioned for growth

This has been a year of exciting initiatives that are adding value and making us stronger and helping drive growth.

But we also know that we're not just in the food business – we're in the retail business, which means we're in the people business. One of our key differentiators is our people, and we know that engaged employees improve the customer experience, which directly impacts our financial results. We focus on employee and customer engagement, and build that into our compensation programs to drive it home.

Having employees who are engaged is a top priority for Empire. I want to thank the approximately 125,000 people we and our franchisees and affiliates employ for their energy and enthusiasm, which we're depending on to make our vision a reality.

And there's plenty more to do – taking us through the next phase of our integration of Safeway, continuing to streamline our operations and reduce our costs, building out our retail locations, and refining the products and services we offer our customers.

The good news is there's lots of opportunity to continue to build long-term value for our shareholders – and we have the vision, the infrastructure and the team we need to make that happen.

On behalf of the management team and the dedicated employees across Empire and our franchisees and affiliates, I would like to thank David and Donald Sobey for their lifetime of commitment to this business and to the communities we serve. Their legacy to us is the strength of our culture and our commitment to Empire's long-term growth.

(signed) *"Marc Poulin"*

Marc Poulin
President and Chief Executive Officer
Empire Company Limited
June 24, 2015

Strong vision

We're on a mission to help Canadians Eat Better, Feel Better and Do Better

Sobeys wants to be Canada's destination for better food by delivering on our seven promises.

1. The fresher, the better, the tastier.
Sobeys is committed to helping you find and choose the best quality for everything you make and put on your table.

2. Save time. Eat well. Every day.
Being busy is no reason to settle for food that isn't good for us or doesn't taste good. Sobeys is going to make sure you have great ideas every week on how to cook good food fast.

3. Choose the healthy life.
You'll find more products made with natural sources arriving in Sobeys stores each week. These are products made without additives or preservatives.

4. We live here too.
Since J.W. Sobey began delivering refrigerated meat to people's homes in 1907, Sobeys has been focused on bringing fresh food innovation to its customers. That rich tradition continues today as Sobeys becomes Canada's better food destination: Helping Canadians Eat Better, Feel Better and Do Better.

5. We make sustainable attainable.
Feeding ourselves well doesn't mean we can't support our rich planet. Our oceans are precious, and you won't find any endangered species in our store.

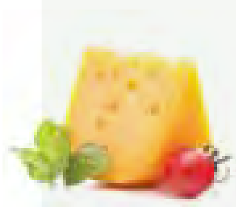
6. Good food is not a luxury. It's a right.
A community grocery store should bring its customers good food and good food ideas every week, affordably.

7. Even our guarantee is guaranteed.
Sobeys is proud to offer the freshest and best ingredients without condition or compromise. 100% Satisfaction. Zero Excuses.

Better food

We're helping our customers experience better food by giving them more choices from better sources, better ingredients, more selection, healthier options and better value.

Freshness and variety



We aim to set the standard for exceptional freshness, and scour the world for exciting ideas that will encourage our customers to go on a culinary journey to eat better and try new things.

Feature: Food is fresher when it's locally sourced

We buy local first when we can be sure that our food safety and quality standards are met and the supply is consistent, reliable and competitively priced.

For example, our relationship with Pentlatch Seafoods, a shellfish aquaculture company wholly-owned and operated by the K'ómoks First Nation, gives our customers exclusive access to the 'Komo Gway' brand of premium oysters and clams at all Thrifty Foods stores in British Columbia. The shellfish are harvested from the nutrient-rich waters of Baynes Sound, Vancouver Island, by the K'ómoks First Nation using traditional and sustainable harvesting practices to help preserve the beauty of those waters for generations to come.

Healthy

We offer more than 3,500 health and wellness products – including products from natural sources with no additives or preservatives, gluten-free and sugar-free products – and a full range of health and beauty, baby and eco-friendly household items.

Feature: Making ***Compliments*** even better

Over the past 18 months we've been harmonizing the *Compliments* private label portfolio of products with Safeway's private label offering. That process involved taste testing, reformulating and improving almost 1,500 different products. We now have a line of almost 5,000 *Compliments* private label products that offer the best quality and value.

We're also minimizing the use of sodium, sugars, transfats, hydrogenated fats or oils, and removing unnecessary additives and preservatives in many of our *Compliments* products – all while making sure we don't compromise on taste, food safety, quality and price.

Sustainable

We offer a wide selection of organic products, which are grown and harvested without pesticides, responsibly sourced and with the welfare of animals and the environment in mind.

Feature: Certified Humane™

Better food comes from better sources. Products that are Certified Humane™ are from animals treated with respect and raised right with no growth hormones, all-vegetable feed and no antibiotics or steroids.

"Sobeys tops our list as the most committed retailer to ethically-sourced food in North America. As the only major retailer offering Certified Humane™ beef, pork and poultry, Sobeys demonstrates its ongoing commitment to providing their customers with high-quality foods that meet only the highest of humane standards." – Adele Douglass, Executive Director, Humane Farm Animal Care.

Value

We deliver good food more affordably, without compromising on quality and experience, and that commitment extends across all of our banners – from full service to discount.

Feature: Quality for every budget

FreshCo stands behind its promise "Fresher. Cheaper." If our customers aren't satisfied with the freshness of our products, we'll refund their money, period. Prices are as low as, or lower than our discount competitors and we price check every week to make sure we're delivering on that promise.

Better service

We're making it easier for customers to make good food part of their daily lives – offering convenience, becoming part of the community and working to stay connected – and serving that up with expertise and enthusiasm.

Convenience

We want to make it easy for our customers to eat well at home. We offer prepared ingredients that make cooking faster and easier, as well as great tasting, restaurant-quality prepared meals that are a snap to stop by and pick up. Either way – our customers have all kinds of delicious, cost-effective alternatives to dining out.

Feature: Prepared foods for every appetite

We offer prepared food for every appetite – including Italian, Japanese, Indian, Mediterranean and many others – for customers who are time pressed, looking to satisfy a craving or not sure what to have for dinner that night.

For example, with more than 140 sushi counters in Québec alone, IGA customers can choose from a variety of sushi made fresh that day by highly trained sushi chefs. Or they can customize their order on the spot or even order ahead for dinner or a special occasion. Our sushi is made with sustainably harvested fish – we won't use any fish that doesn't meet our rigorous sustainable fishing criteria.

Community

One of the things that keeps customers coming back is customer interaction – and we view each of our stores as a hub for the community it serves. While all of our employees are knowledgeable and eager to help, the produce experts, cheese ambassadors, expert butchers, in-store chefs and wellbeing counsellors in our new concept Sobeys and Sobeys *extra* stores each have specialized expertise that make these stores unique.

Feature: Focus on healthy living

Our wellbeing counsellors are there to answer customer questions about healthy living – from balanced nutrition to special diets, food allergies and intolerances – and will work with our in-store chefs and pharmacists to provide comprehensive solutions that look at overall health. They're also experts in our Natural Source products – our comprehensive selection of products that are free from artificial colours, flavours and preservatives, and contain minimally processed, natural ingredients or are certified organic.

Connection

More people are using social media to discover new things and keep informed. We connect with our customers in every market – and help them connect with each other – through websites, Instagram, Facebook, Twitter, and other apps and tools. The result is a sophisticated digital network of useful information about food and special dietary needs, videos, recipes, meal planning ideas, online shopping tools and more – all of which inspire and motivate our customers to Eat Better, Feel Better and Do Better.

Feature: Shopping online

In February 2015, we re-launched IGA Online in Québec with a new, sophisticated platform that offers over 30,000 products and integrates flyer specials, recipes, AIR MILES® Bonus Miles and a handy tool for making special requests like local products or the ripeness of fruit. Customers can shop by category, theme, product or their own shopping list from any digital device, and have the products delivered or ready for pick up from the store.

We now have close to 300 stores offering online ordering in Québec and British Columbia (through Thrifty Foods) – all fully integrated with our systems so our customers get better quality information and our stores can pick products more efficiently.

Putting customers first

Experience has shown us that there's a direct correlation between customer experience and financial performance. That's why we track customer engagement across the country, and motivate and train our employees to keep their focus on the customer.

We hear from customers across the country, three times a year, and use what we learn to improve the products and services we offer – all to help us achieve our vision of helping Canadians Eat Better, Feel Better and Do Better.

In fiscal 2015, we heard from more than 200,000 customers from coast to coast, and our customer KPIs showed solid progress, telling us that we're on the right track.

Delivered sustainably

We're helping our customers adopt a more sustainable lifestyle by offering more sustainable products and services – and backing them up with operations and responsible business practices that keep the future of our planet in mind.

Our sustainability strategy is a part of how we function every day – from the products we offer and the communities we work with, to the way we operate. You can read more about our approach to sustainability at *sobeyssustainability*.com/en/home.apsx

Supply chain

We focus our efforts on the responsible sourcing of products, packaging and ingredients.

Animal welfare – we're committed to the humane and respectful treatment of all livestock animals and their products in our supply chain: beef, milk, eggs, poultry and pork. Sobeys is the only major Canadian retailer to offer beef, pork, turkey and chicken that meet Certified Humane™ standards. Certified Humane™ raised and handled meat and poultry meets the Humane Farm Animal Care Program standards, which include a nutritious diet without antibiotics, animals raised with shelter, resting areas, sufficient space and the ability to engage in natural behaviours. In the case of beef, this also includes not using any hormones or other growth promotants in cattle raising.

Deforestation – we support the Consumer Goods Forum's initiative of net zero deforestation by 2020. Our current focus is on the amount and sources of palm oil and soy we use in our private label products.

Feature: Using palm oil responsibly

The growing use of palm oil as a fat source in food, cosmetics and other products has increased the development of new palm plantations, resulting in significant tropical deforestation in Southeast Asia. This has eliminated valuable biodiversity and resulted in the release of large amounts of CO_2 from clear cutting and slash burning. Palm oil production also contributes to issues related to soil degradation, land rights and endangered species.

As a member of the Roundtable on Sustainable Palm Oil, we're mapping our sources of palm oil, building a list of responsible palm producers and implementing responsible sourcing guidelines for our procurement teams, with the goal of having a palm oil supply chain by 2020 that is sourced entirely from responsible and sustainable sources.

Packaging and material stewardship – we're becoming increasingly active with industry organizations such as Stewardship Ontario in looking to improve the systems and processes used to manage end-of-life consumer packaging.

Communities – we care about the impact we have on the local, national and international communities we source our products from, and work collaboratively with suppliers, industry groups, factories and non-governmental organizations to continuously improve our approach.

Feature: Dealing fairly with Fairtrade

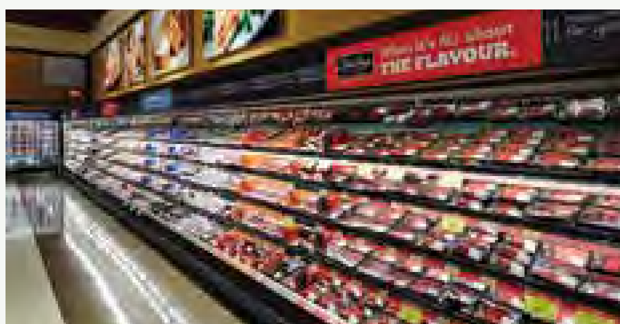
IGA and IGA *extra* are the only major grocery stores in Canada to sell Fairtrade bananas across the store network. Fairtrade stimulates economic activity for marginalized small producers in the developing world, because it makes sure growers are paid fairly, and pricing includes a $1 per case premium that is pooled by members of the cooperative, and invested in community development projects and improving working conditions on the plantations.

The IGA and IGA *extra* Fairtrade banana programs have provided income to several hundred banana producers and in fiscal 2015, contributed nearly $30,000 in social premiums to the development of those communities.

Operations

With approximately 1,500 food stores from coast to coast, our operations and business practices can have a significant impact on the environment. We work to reduce our impact by reducing our greenhouse gas (GHG) emissions and the waste we generate.

Greenhouse gas emissions – we reduce our GHG emissions by reducing electricity consumption in our stores, reducing the carbon footprint of our fleet, and reducing refrigerant losses. We introduced a new paperless system that automates the scheduling of facility maintenance and energy management, and will eliminate the paper used for 70,000 work orders, 4,400 utility bills and 7,700 technicians every year.



Feature: Reducing GHG across our operations

Traditional refrigerant systems are known for their high greenhouse gas impact, and were contributing nearly 25% of our carbon footprint – in 2010, we committed to replacing them with natural refrigeration systems in all new builds by 2015.

The natural refrigeration systems have also reduced energy, maintenance and installation costs and we've received recognition for our leadership from the United Nations Environmental Program, the United States Environmental Protection Agency and the Retail Council of Canada winning their Excellence in Retailing award for Energy and Environmental Sustainability in 2013. In May of 2015, Sobeys success in this area was featured in the Climate Change booklet published by the Consumer Goods Forum.

Waste management – reducing and diverting waste from landfills has environmental, social and financial benefits. In the past year we, and our waste management partners have reduced the amount of paper, cardboard, plastic and organic waste sent to landfill.

Feature: New Mississauga office designed for sustainability

We've designed our new office in Mississauga, Ontario to minimize the building's carbon footprint and create a healthy and comfortable indoor environment. It uses 20% less energy and 40% less water than traditional buildings, and staff are provided with recycling options to maximize the amount of waste that can be diverted from landfills and waste incineration. The building also features a reflective white roof to limit the amount of solar radiation and provide a habitat for birds. The building was designed to meet the Leadership in Energy and Environmental Design (LEED®) certification, a voluntary, consensus-based standard administered by the Canada Green Building Council that represents environmental sustainability and corporate responsibility.

Strong infrastructure

We're investing in technology and streamlining our processes so we can deliver our vision efficiently and cost effectively – from coast to coast.

Fully integrated IT

In February, we achieved a significant milestone in our technology integration by successfully bringing our Safeway stores, fuel sites, and retail support centres acquired in the Canada Safeway acquisition on to the SAP platform ahead of schedule.

We also integrated key finance processes, transitioned employees to a new payroll system and converted 10 retail support centres to the EXE warehouse management system. The last phase of the SAP implementation included training 20,000 employees. All of our businesses in all regions now operate on the same business platform. And we're the only major food retailer in Canada with SAP coast to coast, giving us a distinct competitive advantage.

SAP supports all aspects of our business, including operations, merchandising, distribution, human resources and administration, and is at the core of our system-wide business process optimization initiative. It gives us a complete view of the business, which gives us better information that helps us make better decisions. It has already helped improve our performance over the past five years and we expect to realize more benefits now that the full implementation is complete.

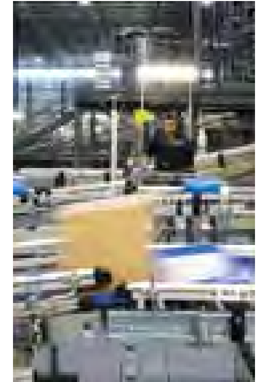
Building state-of-the-art distribution

Integrating our point-of-sale infrastructure with distribution and logistics is key to making sure we deliver the right products to our stores at the right time.

Our two automated distribution centres for dry groceries (Vaughan, Ontario and Terrebonne, Québec) are the first of their kind in Canada and are scalable as our business grows. Our transportation department and fleet management professionals use sophisticated technology to support the way we fulfill deliveries, mapping the most efficient routes for travel and managing information for the many tonnes of grocery products destined for approximately 1,500 stores in over 900 communities.

In January 2014, we announced the expansion of the Vaughan distribution centre adding 270,000 sq ft, to be completed in the summer of 2016. The expansion will allow it to handle frozen, dairy and deli products in addition to the current range of products.

After year-end we acquired a distribution centre in Rocky View, Alberta, just north of Calgary, that we're retro-fitting to become our third automated distribution centre, opening in 2017.



TERREBONNE DISTRIBUTION CENTRE

Our automated distribution centre in Terrebonne, Québec uses WITRON Integrated Logistics warehousing and picking technology to improve the accuracy and timing of deliveries. Technological advancements include the ability to pick even a single box of product, a distinct inventory management advantage.

Working smart with SAP

We use the following SAP-enabled tools to help us manage our business more efficiently:

- workforce management – to analyze historical shopping patterns so we can understand customer behaviour and make better decisions about staffing;
- fresh item management – to make sure we always have the freshest products in-store; and
- computer assisted ordering – to manage inventory more precisely, improving in-store service and lowering distribution costs.

Focus on produce: bringing freshness from farm to plate

From our procurement practices to our shipping methods and produce displays, we're working on improving every aspect of how we deal with produce, so our customers will always have the freshest produce at the best possible value:

We're spending more time in the fields with growers to ensure quality control right at the source and create the relationships that will guarantee access to their best products.

We're combining the purchasing power of all our business units so we can leverage our scale to secure the best quality produce at an affordable price for our customers.

We're focusing on logistics and transportation so we can bring great produce to our stores faster, reducing spoilage and providing customers with a longer shelf life at home.

We're providing employees in-depth training so they learn how to handle produce to keep it fresher, how to merchandise and display it in the most impactful way, and have the knowledge they need to offer expert advice to our customers in-store.

Strong team

Our people have the passion, support and training they need to bring our vision to life.

A dedicated team of approximately 125,000 people across Empire and our franchisees and affiliates have a common passion and shared values that guide our actions every day:

- always place the customer first
- get it done with passion and integrity
- stay real
- proudly serve our communities.

Our pride in our knowledge, experience, dedication and commitment are what set us apart in creating a fulfilling shopping experience for our customers and a great place to work. We believe these elements are key in achieving our goal to help Canadians *Eat Better, Feel Better and Do Better.*

Customer-focused culture

Strong and enduring relationships with customers help us differentiate their shopping experience, whether it's online or in-store. Surveying customers for their insights and feedback, building our product knowledge and using new technology in strategic ways are playing a key role in strengthening our relationships with customers.

The importance of employee engagement

Engaged employees are more enthusiastic and committed to our success – and they engage more with customers, which improves customer service, earns customer loyalty, and has a direct impact on our financial results.

Several years ago, we launched a program to help employees learn and grow as individuals and as a team, to increase employee engagement. A large part of this process is measuring what matters most to employees and helping them understand our strategy and our progress. Formal on-the-job training, leadership and other programs provide coaching and other tools to help employees enhance their knowledge and skills.

We're also building strong leaders by focusing on individual development – meeting foundational needs, providing constructive feedback and increasing leader accountability – while using team action planning and follow-up to encourage strong teamwork, leadership development and increase accountability index scores.

Measuring engagement

We measure employee engagement every year based on 12 elements that matter most to employees to assess how engaged our employee teams are. We know from experience strong engagement helps us deliver the best food shopping experience for customers, ultimately driving stronger financial performance.

The **Sobeys & Empire Work Experience & Scholarship Program** offers scholarships to student employees every year across Canada. In addition to tuition assistance scholarships, the Company offers Future Leader Awards which provide financial support and summer internship employment opportunities. In fiscal 2015, there were 60 scholarships granted or renewed.

The **Sobeys' Chartered Professional Accountant Training Office program** gives new graduates the opportunity to earn their CPA designation while gaining experience working with us. Since its launch in 2008, nine students have successfully completed the CPA program and six remain employees of Sobeys Inc. Today, we have four CPA and three CA students in various Finance rotations and two more students beginning in September 2015.

We're bringing our vision to every Canadian through the *Sobeys Inc. Better Food Fund.*

Launched in October 2014, the **Sobeys Inc. Better Food Fund** and our company-wide community investment strategy focuses our efforts on helping Canadians nationally, regionally and locally. Every Canadian – regardless of income, age or ability – should have access to affordable wholesome food, basic cooking skills and nutrition education that will help them reach their greatest potential.

- **Eat Better** – we support local food banks and meal programs across the country by donating money and food
- **Feel Better** – we aim to fund research that focuses on the prevention of food-related diseases and conditions
- **Do Better** – in partnership with community groups and organizations across the country, we help to increase food literacy through nutrition education and cooking skills programs for a diverse group of Canadians.

The Sobeys Inc. Better Food Fund and our strategy ensures our community giving is aligned with our purpose to help Canadians Eat Better, Feel Better and Do Better. Together we will:

- Bring together the efforts of all our businesses
- Leverage our size to make a meaningful difference in the communities we proudly serve
- Harmonize our approach to make the greatest impact
- Increase our presence in the community and build from the tremendous legacy of supporting our neighbours

You can read more about the *Sobeys Inc. Better Food Fund* at *sobeys.com/betterfoodfund*

Change begins with reaching children – by giving them the tools and support to improve their relationship with food.

Sobeys has partnered with Free The Children to develop a curriculum-based program that will provide students aged 12 to 17 years from across Canada with nutrition literacy food awareness and better cooking skills.

The program supports the Do Better pillar of the *Sobeys Inc. Better Food Fund*, helping young people:

- Learn: providing nutrition literacy to understand what we consume and the impact it has on our minds and bodies.
- Make: creating a healthy connection and relationship with food through the development of cooking skills and learning how to prepare meals.
- Change: inspiring local and global action by directing food and nutrition literacy in a positive way (by using cooking skills and nutrition literacy to make the world a better place).

Our hope is that by providing young people with these essential skills, through the Home Cook Heroes Program we will inspire more Canadians to establish a healthier long-term relationship with food. You can read more about our partnership at *Home Cook Heroes* at *weday.com/home-cook-heroes.*

The value of strong governance

Robert P. Dexter
Chair
Empire Company Limited

At Empire, our goal is to create long-term, sustainable value through our steadfast focus on food retailing and related real estate, and a commitment to excellent customer service.

Empire shares delivered a total return of 29.1% in fiscal 2015, compared to 6.9% for the S&P/TSX Composite Index, and an average annual compound return of 15.3% for the last 20 years.

Empire's Board includes members of the Sobey family, but the majority of directors are independent. All of the directors are passionate about food and the food business, and the Board is committed to strong stewardship and Empire's continued success.

To that end, the Board is actively involved in setting Empire's long-term goals and objectives, and overseeing management in the development and execution of the corporate strategy.

Empire has national reach and a presence in key markets coast to coast. Yet despite our size and the benefit of our many decades of experience in this business, food retailing in Canada is more competitive than ever.

Strategic focus

We know that operational excellence and a differentiated food offering that resonates with customers are critical to long-term success in this business.

The long-term investment made in Sobeys' infrastructure several years ago provided an important foundation for building future growth because we now have a scalable national business platform and a modern distribution infrastructure that supports all of our businesses and ensures operating efficiency.

This year's successful integration of the Safeway operations to a common business platform marks the completion of a significant milestone. Through the Safeway integration and the system-wide business process optimization and rationalization initiative, we are achieving operational efficiencies and cost synergies. The work continues to realize even further benefits from an expanded, yet streamlined network.

Empire is striving to be Canada's Better Food destination through a compelling and highly differentiated food experience that helps Canadians Eat Better, Feel Better and Do Better every day.

Our focus on delivering *Better Food for All* in our full service stores under the Sobeys banner and *le plaisir de mieux manger* in IGA stores in Québec is striking a chord with consumers, due in large part to our investments in our infrastructure and a workforce that is knowledgeable, enthusiastic and highly engaged. Plans are already underway to expand our new concept Sobeys *extra* stores and expanded brand positioning.

Strong leadership

Empire made significant progress in fiscal 2015 under the strong leadership of Marc Poulin. Working as one team with a clear vision and focus, management achieved a number of strategic priorities that provide a strong foundation for building our future growth.

The Board is also tasked with overseeing succession planning and is confident that Empire has a strong team in place to advance the strategy.

Committed to strong governance

The Board has also focused on its own skills and has added more diversity over the past few years.

This year, we welcomed two new directors to the Board to expand the unique mix of skills. Sue Lee is a seasoned business executive with more than 30 years experience in human resources, compensation, communications and the energy sector. Bill Linton brings more than 30 years of business experience in telecommunications and systems and finance.

We are also taking pause to extend our sincere appreciation to three directors who are retiring from the Board.

David Ferguson retired this month after nine years of distinguished service. David joined the Sobeys Board in 2006 and the Empire Board in 2007, and currently serves as a member of the Human Resources, Corporate Governance and Nominating Committees. He brought extensive insights to Canadian and international retailing as a former President and CEO of Walmart Canada and Walmart Europe.

David Sobey, Chair Emeritus of Sobeys Inc., and Donald Sobey, Chair Emeritus of Empire Company Limited, are retiring from the Board this year. Both David and Donald have been directors of Empire since 1963, and together with their late brother Bill have been the driving force behind what we have come to know as Empire Company Limited. They have left a tremendous legacy in business, education, the arts and broader community. On behalf of the Board, I would like to extend our deep gratitude and appreciation for their guidance and wisdom over the many years. On a personal note, I have known David and Donald and the Sobey family for many years and would like to thank them for their trust and support.

I would also like to thank the thousands of people throughout Empire's operations, franchisees and affiliates for their extraordinary work over the past year and their commitment to our future success.

Sincerely,

(signed) *"Robert P. Dexter"*

Robert P. Dexter
Chair
Empire Company Limited
June 24, 2015

With sincere thanks

This year, Empire Company Limited pays distinct tribute to David Sobey, CM and Donald Sobey, CM for their service to Empire Company Limited and Sobeys Inc.

With careers spanning childhood duties at their father's stores in Pictou County, Nova Scotia to their roles in Empire and Sobeys, David and Donald exemplify the Sobey family's commitment to long-term growth. Through each of their roles in management and in governance, David and Donald have made enduring contributions to the stewardship of Empire and Sobeys.

Their tenure has been marked by a legacy of long-term growth, as well as an enduring belief in supporting communities through personal and corporate philanthropy. Since 1963, David and Donald have ensured that Empire has always remembered to give back to the people and communities who have helped us achieve our success.

As proud Atlantic Canadians, each of them has championed access to post-secondary education for Atlantic Canadians and they have personally touched the lives of countless individuals through numerous commitments to communities across their home region.

The Board, shareholders, employees, franchisees and affiliates of Empire and Sobeys sincerely thank David and Donald for their lifetime commitment to this business and to the communities that have helped it to thrive.

Committed to strong stewardship and the continued success of Empire

Directors of Empire Company Limited as of June 24, 2015

Robert P. Dexter, Chair
Halifax, Nova Scotia
• Director since 1987
• Chair & Chief Executive Officer of Maritime Travel Inc.

Bonnie Brooks[3,5,7]
Toronto, Ontario
• Director since 2012
• Vice Chairman of Hudson's Bay Company

Cynthia Devine[2,5,7]
Toronto, Ontario
• Director since 2013
• Chief Financial Officer of RioCan Real Estate Investment Trust

David S. Ferguson[3,5,7]
Atlanta, Georgia, U.S.A.
• Director since 2007
• Principal of D.S. Ferguson Enterprises, LLC

Sue Lee[3]
Calgary, Alberta
• Director since 2014
• Corporate director

William Linton[1]
Toronto, Ontario
• Director since 2015
• Corporate director

Kevin Lynch[3,6,8]
Ottawa, Ontario
• Director since 2013
• Vice Chairman of BMO Financial Group

Marc Poulin
Montréal, Québec
• Director since 2012
• President and Chief Executive Officer of Empire Company Limited and Sobeys Inc.

Stephen J. Savidant[4,5,7]
Calgary, Alberta
• Director since 2004
• Chair of the Board of Enerflex Ltd.

David F. Sobey
New Glasgow, Nova Scotia
• Director since 1963
• Chair Emeritus of Sobeys Inc.

Donald R. Sobey
Pictou County, Nova Scotia
• Director since 1963
• Chair Emeritus of Empire Company Limited

Frank C. Sobey[5]
Pictou County, Nova Scotia
• Director since 2007
• Chairman of Crombie REIT

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

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

Martine Turcotte[1,5,7]
Verdun, Québec
• Director since 2012
• Vice Chair, Québec of BCE Inc. and Bell Canada

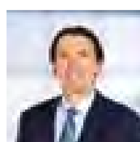
1 Audit Committee member
2 Audit Committee Chair
3 Human Resources Committee member
4 Human Resources Committee Chair
5 Corporate Governance Committee member
6 Corporate Governance Committee Chair
7 Nominating Committee member
8 Nominating Committee Chair

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

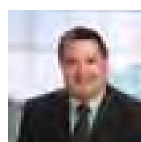
Corporate Officers as of June 24, 2015

Robert P. Dexter
Chair

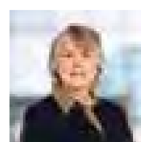
Marc Poulin
President and Chief Executive Officer



François Vimard
Chief Financial and Administrative Officer



Clinton Keay
Executive Vice President, Finance



Karin McCaskill
Senior Vice President, General Counsel and Secretary

L. Jane McDow
Assistant Secretary

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The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial results of Empire Company Limited and its subsidiaries, including wholly-owned Sobeys Inc. ("Empire", "Sobeys" or the "Company") for the 13 and 52 weeks ended May 2, 2015 compared to the 13 and 52 weeks ended May 3, 2014. It should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the 52 weeks ended May 2, 2015, compared to the 52 weeks ended May 3, 2014. 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" or "GAAP") and are reported in Canadian dollars ("CAD"). These consolidated financial statements include the accounts of Empire and its subsidiaries and structured entities ("SEs") which the Company is required to consolidate. The information contained in this MD&A is current to June 24, 2015, unless otherwise noted.

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking statements which reflect management's expectations regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities. 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 the following items:

- Continued realization of benefits from the Canada Safeway ULC ("Canada Safeway") acquisition such as growth prospects, benefits from economies of scale, future business strategy, and expectations regarding operations and strategic fit which may be impacted by the ability of the Company to predict and adapt to changing consumer tastes, preferences and spending patterns;
- The Company's expectation that its operational and capital structure is sufficient to meet its ongoing business requirements, which could be impacted by a significant change in the current economic environment in Canada;
- The Company's belief 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-term and long-term obligations, all of which could be impacted by changes in the economic environment;
- The Company's expected contributions to its registered defined benefit plans, which could be impacted by fluctuations in capital markets due to uncertainties;
- The Company's expected use and estimated fair values of financial instruments which could be impacted by, among other things, changes in interest rates, foreign exchange rates and commodity prices;
- The Company's expectations relating to administrative and business rationalization initiatives which could be impacted by the final scope and scale of these initiatives;
- The Company's expectations regarding the retail store network rationalization including the impact on future sales and net earnings, which may be impacted by the timing of closures and realization of synergies;
- Timing and value of expected synergies from the Canada Safeway acquisition, which may be impacted by a number of factors, including the effectiveness of integration efforts;
- The Company's expectations regarding the value and timing of goodwill deductibility for income tax purposes, as it relates to the Canada Safeway acquisition, which is subject to assessment by the Canada Revenue Agency ("CRA");
- The Company's expectations regarding the cost savings related to the distribution centre restructuring, which could be impacted by the number of closures and positions eliminated; and
- The Company's expectations regarding the cost savings related to the organizational realignment, which could be impacted by the number of positions eliminated.

These statements are based on management's assumptions and beliefs in light of the information currently available to them. The forward-looking information contained in this MD&A is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operations as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives, and may not be appropriate for other purposes. By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties which give rise to the possibility that the Company's predictions, forecasts, expectations or conclusions will not prove to be accurate, that the Company's assumptions may not be correct and that the Company's objectives, strategic goals and priorities will not be achieved. Although the Company believes that the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Such forward-looking information is not fact but only reflects management's estimates and expectations.

These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These factors include but are not limited to changes in general industry, market and economic conditions, competition from existing and new competitors, energy prices, supply issues, inventory management, changes in demand due to seasonality of the business, interest rates, changes in laws and regulations, operating efficiencies and cost saving initiatives. In addition, these uncertainties and risks are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risk Management" section of this MD&A.

Empire cautions that the list of factors is not exhaustive and other factors could also adversely affect its results. 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. Forward-looking statements do not take into account the effect of transactions occurring after the statements have been made on the Company's business. For example, dispositions, acquisitions, asset write-downs or other changes announced or occurring after such statements are made may not be reflected in forward-looking statements. The forward-looking information in this MD&A reflects the Company's expectations as of June 24, 2015, and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company other than as required by applicable securities laws.

STRATEGIC DIRECTION

Management's primary objective is to maximize the long-term sustainable value of Empire through enhancing the worth of the Company's net assets. This is accomplished through direct ownership and equity participation in businesses that management understands and believes to have the potential for long-term sustainable growth and profitability, principally food retailing and related real estate.

The Company focuses on its core strengths in food retailing and related real estate by continuing to direct its energy and capital towards growing long-term sustainable value through cash flow, income growth and cost reductions. While our core businesses are well established and profitable in their own right, they also offer Empire geographical diversification across Canada, which is considered by management to be a source of strength. Together, our core businesses reduce Empire's overall risk and volatility, thereby contributing to greater consistency in consolidated earnings growth over the long term. Going forward, the Company intends to continue to direct its resources towards the most promising opportunities within these core businesses in order to maximize long-term shareholder value.

In carrying out the Company's strategic direction, management defines its role as having four fundamental responsibilities: first, to support the development and execution of sound strategic plans for each of its operating companies; second, to regularly monitor the development and the execution of business plans within each operating company; third, to ensure that Empire is well governed as a public company; and fourth, to prudently manage its capital in order to augment the growth in its core operating businesses.

OVERVIEW OF THE BUSINESS

Empire's key businesses are food retailing and related real estate. The Company's financial results are segmented into two separate reportable segments: (1) Food Retailing and (2) Investments and Other Operations.

With $23.9 billion in sales and $11.5 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 125,000 people.

Food Retailing

Empire's food retailing segment is carried out through its wholly-owned subsidiary, Sobeys Inc., which as of May 2, 2015, conducted business through approximately 1,500 retail stores (corporate franchise, affiliate) as well as more than 350 retail fuel locations, operating in every province and in over 900 communities across Canada.

Sobeys' strategy is focused on delivering the best food shopping experience to its customers in the right-format, right-sized stores, supported by superior customer service. Sobeys operates distinct store formats to better tailor its offering to the various customer segments it serves and to satisfy its customers' principal shopping requirements. Sobeys remains focused on improving the product, service and merchandising offerings within each format by expanding and renovating its current store base, while continuing to build new stores. The primary focus of these format development efforts are Sobeys' eight major banners: Sobeys, Sobeys *extra*, IGA, IGA *extra*, Safeway, Thrifty Foods, Foodland and FreshCo.

In fiscal 2014 Sobeys launched its *Better Food for All* movement to empower Canadians to *Eat Better, Feel Better and Do Better* through a variety of better food experiences and as an advocate for better food education.

As part of this commitment, Sobeys Inc. launched the *Better Food Fund* (the "Fund") in fiscal 2015. The Fund supports access to and the advancement of better food through donations and partnerships with national and regional charities. The Fund's areas of focus are: food access through the support of food banks and breakfast programs; research on food-related health issues; and food literacy through nutrition education and cooking skills programs in schools and communities.

The Company continued to execute a number of initiatives in support of this food-focused strategy including product and service innovations, productivity initiatives and business process, supply chain and system upgrades.

During the 13 and 52 weeks ended May 2, 2015, Sobeys opened, relocated, acquired, expanded, rebannered, and/or redeveloped the banners in 22 and 90 stores (2014 – 41 and 332). The decrease is primarily due to the Canada Safeway acquisition of 213 full service grocery stores and 10 liquor stores which occurred in fiscal 2014, as further discussed in the "Significant Items" section of this MD&A.

Significant Items

Divestiture of Manufacturing Facilities

On July 8, 2014, Sobeys announced that it entered into an agreement with Agropur Cooperative to sell four Safeway dairy manufacturing facilities. In addition, long-term milk, yogurt and ice cream supply agreements came into effect upon transfer of the facilities to Agropur Cooperative. During the year ended May 2, 2015, all of the facilities were sold and aggregate proceeds of $344.2 million were attributed to the sales resulting in a gain of $27.0 million. All proceeds were used to repay bank borrowings.

On December 2, 2014, Sobeys entered into an agreement with Canada Bread Company, Limited to sell two bread manufacturing facilities. During the fourth quarter of fiscal 2015, the two bread manufacturing facilities were sold for proceeds of $27.8 million, resulting in a gain of $4.4 million.

Real Estate Divestitures

During the year ended May 2, 2015, Sobeys through its wholly-owned subsidiaries sold ten properties and leased back eight properties from Crombie Real Estate Investment Trust ("Crombie REIT"). Cash consideration received for the properties sold was $105.8 million, resulting in a pre-tax gain of $1.2 million, which has been recognized in the consolidated statements of earnings. The majority of proceeds received were used to repay bank borrowings.

On February 13, 2015, Sobeys sold and leased back 22 properties from Econo-Malls Holdings #19 Inc. ("Econo-Malls"). Total proceeds from the transaction were $61.6 million resulting in a gain of $24.9 million. All proceeds were used to repay bank borrowings.

Distribution Centre Restructuring

During fiscal 2015, Sobeys performed a critical review of its excess distribution centre capacity, which identified restructuring opportunities that are expected to improve net earnings as a result of cost savings within its distribution network. For the 13 weeks ended May 2, 2015, the Company recognized $53.4 million in restructuring costs associated with this initiative. The restructuring costs included $27.7 million for severance, $15.7 million in onerous leases, write downs of $9.7 million to property and equipment and intangible assets, $2.5 million in other restructuring expenses and a $2.2 million reversal of straight-line lease provisions.

Subsequent to May 2, 2015, Sobeys made a successful bid to purchase a former Target Canada Co. warehouse in Rocky View, Alberta for $50.0 million. The facility will be retro-fitted for automation and when renovations are complete, it will have the capacity to efficiently distribute dry grocery to stores in Alberta, Saskatchewan and part of Manitoba.

Co-op Atlantic Acquisition

Subsequent to the close of the fourth quarter, on May 12, 2015, an agreement for Sobeys to purchase certain assets and select liabilities of Co-op Atlantic's food and fuel business for $24.5 million plus standard working capital adjustments and holdbacks was approved by Co-op Atlantic's member-owners. The agreement provides for the purchase of five full service grocery stores, five fuel stations (two co-located with grocery stores), other real estate assets, and other assets and select liabilities. On June 12, 2015, regulatory clearance was obtained from the Competition Bureau and the transaction closed effective June 21, 2015.

Canada Safeway Acquisition

On June 12, 2013, Sobeys entered into an Asset Purchase Agreement with Safeway Inc. and its subsidiaries to acquire substantially all of the assets and select liabilities of Canada Safeway for a cash purchase price of $5.8 billion, subject to a working capital adjustment. The agreement provided for the purchase of 213 full service grocery stores under the Safeway banner in Western Canada, 200 in-store pharmacies, 62 co-located fuel stations, 10 liquor stores, 4 primary distribution centres and 12 manufacturing facilities plus the assumption of certain liabilities. The Canada Safeway acquisition closed effective November 3, 2013.

Acquisition costs of $1.3 million and $3.8 million (2014 – $3.2 million and $97.8 million) relating to external legal, consulting, due diligence, financial advisory and other closing costs incurred during the 13 and 52 weeks ended May 2, 2015 have been included in selling and administrative expenses in the consolidated statements of earnings.

Business Process

Following the close of the Canada Safeway acquisition, the Company began the process of integrating the acquired business with the Company's current operations. For the 13 and 52 weeks ended May 2, 2015, the Company recorded pre-tax integration costs of $11.3 million and $39.4 million (2014 – $8.0 million and $10.6 million), which have been included in selling and administrative expenses in the consolidated statement of earnings. In addition, Sobeys recognized synergies of $145.0 million (2014 – $29.3 million) associated with the acquisition during fiscal 2015.

During the fourth quarter of fiscal 2015, Sobeys completed a review of its business support network, which identified restructuring opportunities. This organizational realignment will strengthen the business support network and is expected to improve net earnings as a result of cost savings and maximize the efficiency of the network. For the 13 weeks ended May 2, 2015, Sobeys recognized $49.6 million in severance costs associated with the organizational realignment.

During the year, all retail stores and distribution centres have been converted to Sobeys based systems. In the fourth quarter, Sobeys converted the remaining legacy Safeway systems to the Sobeys SAP functionality which completes the technical integration phase of the Canada Safeway acquisition.

Competition Bureau Imposed Divestitures

As a condition of the regulatory clearance from the Competition Bureau for Sobeys' acquisition of substantially all of the assets and select liabilities of Canada Safeway, the Company was required to divest 23 retail stores. On February 13, 2014, Sobeys announced that it entered into binding purchase agreements with Overwaitea Food Group LP and Federated Co-operatives Limited to purchase 22 of the 23 retail stores that were required to be divested as a result of the Canada Safeway acquisition. In addition to the required divestitures, the Company agreed to sell an additional seven stores in British Columbia comprised of both Safeway and Sobeys locations. Sobeys also signed a binding purchase agreement with another retailer for the sale of one retail store which was also required to be divested as part of the Canada Safeway acquisition. The purchase agreements all received approval from the Competition Bureau.

During fiscal 2014, the Company divested 19 of the retail stores for cash proceeds of $337.7 million. The remaining 11 retail stores were divested during the first quarter of fiscal 2015 for cash proceeds of $111.3 million. All proceeds were used to repay bank borrowings.

Retail Store Network Rationalization

During the fourth quarter of fiscal 2014, Sobeys completed a detailed review of its retail store network. This review aligns with management's ongoing focus of enhancing the productivity and performance of the network and logically follows the acquisition of Canada Safeway. Based on this detailed review, Sobeys determined that consistently underperforming retail stores, representing approximately 50 stores (1.5 million of total gross square footage) and 3.8 percent of the total retail network gross square footage, were to close. Approximately sixty percent of the affected stores are located in Western Canada. This rationalization will strengthen the quality of Sobeys' store network and is expected to improve net earnings as a result of cost savings; however, it will result in a reduction in future sales of approximately $400 million or 1.9 percent of total sales on an annual basis. As of May 2, 2015, 42 retail stores, representing approximately 1.3 million square feet, have been closed.

The rationalization and restructuring costs associated with these store closures amounted to $169.8 million and were included in selling and administrative expenses for the fourth quarter ended May 3, 2014. This expense consisted of $137.1 million for severance, site closing and other costs, $35.8 million associated with the write-down of property, equipment and intangible assets, and a $3.1 million reversal of straight-line lease provisions.

During fiscal 2015, the Company reversed its decision regarding two stores that were previously identified for closure and also reviewed outstanding provisions on severance. As a result, $17.4 million in restructuring costs were reversed.

During the 13 and 52 weeks ended May 2, 2015, $1.0 million and $4.4 million (2014 – $ nil and $ nil) in financing costs, after tax, were incurred in relation to the network rationalization.

Investments and Other Operations

Empire's investments and other operations segment includes its equity investments in real estate, which are focused on: (i) the ownership of income-producing retail, office and mixed-use properties through an equity accounted ownership interest in Crombie REIT and (ii) residential land development principally in select communities in Ontario, Western Canada and the United States through its investments in Genstar.

Empire's investments and other operations segment, as of May 2, 2015 specifically included:

1. A 41.5 percent (40.2 percent fully diluted) equity accounted interest in Crombie REIT, an open-ended Canadian real estate investment trust. Crombie REIT currently owns a portfolio of 255 retail and office properties across Canada, comprising approximately 17.4 million square feet with a strategy to own and operate a portfolio of high quality grocery and drug store anchored shopping centres and freestanding stores primarily in Canada's top 36 markets; and
2. A 40.7 percent equity accounted interest in Genstar Development Partnership, a 48.6 percent equity accounted interest in Genstar Development Partnership II, a 42.1 percent equity accounted interest in each of GDC Investments 4, L.P. and GDC Investments 6, L.P., a 45.8 percent equity accounted interest in GDC Investments 7, L.P., a 43.7 percent equity accounted interest in GDC Investments 8, L.P., and a 49.0 percent equity accounted interest in The Fraipont Partnership (collectively referred to as "Genstar").

DISCONTINUED OPERATIONS

On June 27, 2013, the Company announced that it had reached a definitive agreement with Cineplex Inc. for the sale of 24 theatres and 170 screens in Atlantic Canada and 2 theatres with 48 screens in Ontario. The Company had also reached a separate definitive agreement with Landmark Cinemas for the sale of 20 theatres and 179 screens in Ontario and Western Canada. On November 1, 2013, the Company announced that Empire Theatres completed the sale of 46 theatres with 397 screens in separate transactions with Cineplex Inc. and Landmark Cinemas. The aggregate gross purchase price paid to Empire Theatres in the two transactions was approximately $259.2 million in cash.

As a result of the sale, financial results related to Empire Theatres, as previously reported in the investments and other operations segment, have been included in discontinued operations in the audited consolidated statements of earnings for the 52 weeks ended May 3, 2014. Discontinued operations are discussed and referenced throughout this MD&A. Please refer to Note 22 of the audited annual consolidated financial statements for the 52 weeks ended May 2, 2015 for greater detail on the operating results from discontinued operations.

CONSOLIDATED OPERATING RESULTS

Fiscal 2015 Highlights

- Sales of $23,928.8 million, up $2,971.0 million or 14.2 percent from fiscal 2014.
- Sobeys' same-store sales[(1)] increased 1.4 percent from the same period last year. Excluding the negative impact of oil prices on fuel sales, same-store sales would have increased by 1.9 percent.
- Net earnings from continuing operations, net of non-controlling interest, of $419.0 million ($4.54 per diluted share) compared to $151.0 million ($1.88 per diluted share) last year.
- Adjusted net earnings, net of non-controlling interest, of $518.9 million ($5.62 per diluted share) compared to $391.4 million ($4.88 per diluted share) last year.
- Opened, relocated or acquired 67 corporate and franchised stores, expanded 9 stores, rebannered/redeveloped 14 stores, divested 11 stores imposed by the Competition Bureau, closed 42 stores as a result of the network rationalization and 30 stores in the normal course of operations.
- Free cash flow[(1)] of $1,444.5 million versus $875.3 million in fiscal 2014.
- Annual dividend per Non-Voting Class A and Class B common share increased to $1.08 from $1.04 last year.

The following table is a summary of selected financial information from the Company's audited annual consolidated financial statements for the 52 weeks ended May 2, 2015 compared to the 52 weeks ended May 3, 2014 and May 4, 2013.

	52 Weeks Ended					
	May 2, 2015		May 3, 2014[2]		May 4, 2013[2][3]	
($ in millions, except per share amounts)		**% of Sales**		% of Sales		% of Sales
Sales	**$ 23,928.8**	**100.00%**	$ 20,957.8	100.00%	$ 17,343.9	100.00%
EBITDA[1]	**1,226.1**	**5.12%**	755.3	3.60%	918.1	5.29%
Adjusted EBITDA[1]	**1,327.9**	**5.55%**	1,055.6	5.04%	942.9	5.44%
Operating income[1]	**743.6**	**3.11%**	328.5	1.57%	573.2	3.30%
Finance costs, net	**156.3**	**0.65%**	133.2	0.64%	55.4	0.32%
Income taxes	**150.4**	**0.63%**	36.3	0.17%	136.4	0.79%
Net earnings from continuing operations[4]	**419.0**	**1.75%**	151.0	0.72%	372.3	2.15%
Net earnings from discontinued operations	**–**	**–**	84.4	0.40%	7.2	0.04%
Net earnings[4]	**419.0**	**1.75%**	235.4	1.12%	379.5	2.19%
Adjusted net earnings from continuing operations[1][4]	**518.9**	**2.17%**	391.4	1.87%	390.7	2.25%
Basic earnings per share						
Net earnings from continuing operations[4]	**$ 4.54**		$ 1.89		$ 5.48	
Net earnings from discontinued operations	**$ –**		$ 1.05		$ 0.11	
Net earnings[4]	**$ 4.54**		$ 2.94		$ 5.59	
Adjusted net earnings from continuing operations[1][4]	**$ 5.62**		$ 4.89		$ 5.75	
Basic weighted average number of shares outstanding (in millions)	**92.3**		80.0		67.9	
Diluted earnings per share						
Net earnings from continuing operations[4]	**$ 4.54**		$ 1.88		$ 5.47	
Net earnings from discontinued operations	**$ –**		$ 1.05		$ 0.11	
Net earnings[4]	**$ 4.54**		$ 2.93		$ 5.58	
Adjusted net earnings from continuing operations[1][4]	**$ 5.62**		$ 4.88		$ 5.74	
Diluted weighted average number of shares outstanding (in millions)	**92.4**		80.2		68.1	
Dividend per share	**$ 1.08**		$ 1.04		$ 0.96	

(1) See "Non-GAAP Financial Measures" section of this MD&A.
(2) Amounts have been reclassified to correspond to the current period presentation on the consolidated statement of earnings.
(3) Amounts have been restated as a result of a change in accounting policy and reclassification of discontinued operations.
(4) Net of non-controlling interest.

OUTLOOK

Empire maximizes value by supporting Sobeys' purpose to help *Canadians Eat Better, Feel Better and Do Better* while also strengthening our related real estate investments.

Management is clearly focused on directing its energy and capital towards growing the long-term sustainable value of its food retailing and related real estate. In doing so, we remain committed to supporting Sobeys in its goal to be widely recognized as a champion in the better food movement and the best workplace environment in Canada and capitalizing on opportunities afforded as a result of the existing strong relationships between our food retailing and our real estate businesses. Management is committed to the continued strengthening of our financial condition through the prudent management of working capital and free cash flow in each operating company.

Food Retailing

Sobeys will continue to invest in infrastructure and productivity improvements in a manner consistent with its expressed intention to build a healthy and sustainable retail business and infrastructure for the long term. This includes continuing to build a strong management team while improving the customers' in-store experience and our productivity.

Sobeys also plans to focus on its workforce management and in-store programs in fiscal 2016 to further improve store productivity. These key customer driven initiatives will assist Sobeys' retail store network in delivering the best food shopping experience, building on the strong foundation that has already been put in place.

Investments and Other Operations

Empire remains committed to its investment in Crombie REIT. We are confident that the strength of Sobeys' relationship with Crombie REIT, combined with our strict investment discipline, will prove to be a sustainable competitive advantage and positively correlate to the enhancement of Empire's shareholder value.

Empire expects to continue to benefit from the distinguishing advantage inherent in Sobeys' real estate development operations, whereby it provides robust in-house expertise in the selection and development of commercial locations, which will be offered for sale to Crombie REIT.

SHAREHOLDER RETURN

The Company delivered a total shareholder return of 29.1 percent in fiscal 2015, as outlined in the following table. The compound annual return on the Company's shares over the past five years has averaged 12.2 percent and over the past ten years has averaged 10.7 percent. This compares to the compound annual return of the S&P/TSX Composite Index over the past five and ten years of 7.7 percent and 7.8 percent, respectively.

In fiscal 2015, the Company increased its dividend by 3.8 percent to $1.08 per share. On June 24, 2015, the Board approved a further dividend increase of 11.1 percent to $0.30 per share quarterly, which amounts to $1.20 per share on an annualized basis. This marks the twentieth consecutive year of Empire dividend increases. Empire's dividends are declared quarterly at the discretion of the Board.

The following table outlines Empire's total annual shareholder return for the five most recent fiscal years.

For the fiscal year ended:	**May 2, 2015**	May 3, 2014	May 4, 2013	May 5, 2012	May 7, 2011	5-Year CAGR[1]
Closing market price per share	**$ 87.45**	$ 68.63	$ 68.58	$ 57.62	$ 54.14	10.5%
Dividend paid per share	**$ 1.08**	$ 1.04	$ 0.96	$ 0.90	$ 0.80	7.9%
Dividend yield on prior year closing price	**1.6%**	1.5%	1.7%	1.7%	1.5%	
Increase in closing share price	**27.4%**	0.1%	19.0%	6.4%	2.2%	
Total annual shareholder return[2]	**29.1%**	1.5%	21.0%	8.1%	3.7%	12.2%

(1) Compound annual growth rate ("CAGR").

(2) Total annual shareholder return assumes reinvestment of quarterly dividends, and therefore may not equal the sum of dividend and share price returns in the table.

MANAGEMENT'S EXPLANATION OF CONSOLIDATED OPERATING RESULTS

The following is a review of the Company's consolidated financial performance for the 52 weeks ended May 2, 2015 compared to the 52 weeks ended May 3, 2014.

The financial performance of each of the Company's segments (food retailing and investments and other operations) is discussed in detail in the section entitled "Financial Performance by Segment" of this MD&A.

Sales

Consolidated sales for fiscal 2015 were $23,928.8 million compared to $20,957.8 million in fiscal 2014, an increase of $2,971.0 million or 14.2 percent. The increase in sales was primarily the result of sales from Safeway operations and food inflation, slightly offset by retail store divestures, store closures associated with the network rationalization and the decline in oil prices impacting fuel sales in the food retailing segment during the third and fourth quarters in the current year. During fiscal 2015, same-store sales in the food retailing segment increased 1.4 percent from the same period last year. Excluding the negative impact of oil prices on fuel sales, same-store sales would have increased by 1.9 percent.

The table below presents Empire's segmented and consolidated sales for the 52 weeks ended May 2, 2015 relative to the 52 weeks ended May 3, 2014.

	52 Weeks Ended			
($ in millions)	**May 2, 2015**	May 3, 2014[1]	($) Change	(%) Change
Segmented sales				
Food retailing	**$ 23,928.8**	$ 20,961.5	$ 2,967.3	14.2%
Investments and other operations	**–**	3.4	(3.4)	
	23,928.8	20,964.9	2,963.9	14.1%
Elimination of sales to discontinued operations	**–**	(7.1)	7.1	
Empire's consolidated sales	**$ 23,928.8**	$ 20,957.8	$ 2,971.0	14.2%

(1) Amounts have been reclassified to correspond to the current presentation on the consolidated statement of earnings.

EBITDA

Consolidated EBITDA for the 52 weeks ended May 2, 2015 was $1,226.1 million compared to $755.3 million last year, an increase of $470.8 million or 62.3 percent. EBITDA margin increased to 5.12 percent in fiscal 2015 from 3.60 percent in fiscal 2014. The increase in EBITDA is largely attributed to Safeway operations, reduced transaction costs associated with the Canada Safeway acquisition, a reduction of network rationalization costs and a gain on the disposal of manufacturing facilities. This increase was offset by costs associated with the distribution centre restructuring and organizational realignment.

The following table adjusts the Company's EBITDA for items which are considered not indicative of underlying business operating performance.

	52 Weeks Ended	
($ in millions)	**May 2, 2015**	May 3, 2014
EBITDA[1] (consolidated)	**$ 1,226.1**	$ 755.3
Adjustments:		
Distribution centre restructuring	**53.4**	–
Organizational realignment costs	**49.6**	12.1
Inventory adjustment	**30.5**	17.1
Gain on disposal of manufacturing facilities	**(19.1)**	–
Network rationalization (reversals)	**(17.4)**	169.8
Transaction costs associated with the Canada Safeway acquisition	**3.8**	97.8
Plant closure	**1.0**	1.0
Non-operating charge from equity accounted investment[2]	**–**	2.5
	101.8	300.3
Adjusted EBITDA (consolidated)	**$ 1,327.9**	$ 1,055.6

(1) EBITDA generated from Empire Theatres has been recorded in discontinued operations for fiscal 2014.

(2) Equity earnings from Crombie REIT for the 52 weeks ended May 3, 2014 included a non-recurring cost of $2.5 million related to arranging financing on the 70 properties acquired by Crombie REIT as part of the Canada Safeway acquisition.

After adjusting for items which are considered not indicative of underlying business operating performance, consolidated adjusted EBITDA for fiscal 2015 was $1,327.9 million compared to $1,055.6 million last year, an increase of $272.3 million or 25.8 percent. Adjusted EBITDA margin was 5.55 percent at the end of fiscal 2015 compared to 5.04 percent in fiscal 2014.

Operating Income

For the 52 weeks ended May 2, 2015, operating income increased $415.1 million or 126.4 percent to $743.6 million from $328.5 million reported last year. Operating income increased primarily due to Safeway operations and the factors noted in the sales and EBITDA sections above, partially offset by increased depreciation and amortization expenses related to the Canada Safeway acquisition.

Finance Costs

During fiscal 2015, finance costs, net of finance income, increased $23.1 million to $156.3 million compared to $133.2 million during the same period last year. This increase is mainly due to the Canada Safeway acquisition which resulted in higher debt levels, on average, throughout fiscal 2015 compared to the prior year. Please refer to the "Consolidated Financial Condition" section of this MD&A for further details on debt arrangements.

Interest coverage[1] increased to 5.4 times from 2.5 times for the same period last year, as a result of increased operating income due to the factors discussed in the above sections.

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

Income Taxes

The Company's effective income tax rate on continuing operations for the 52 weeks ended May 2, 2015 was 25.6 percent compared to 18.6 percent in fiscal 2014. The increase in the effective tax rate is primarily attributed to a partial re-measurement of the Company's deferred income tax provision completed in the prior period offset with a reduction in partial non-deductible acquisition costs attributed to the Canada Safeway acquisition.

Net Earnings and Adjusted Net Earnings from Continuing Operations

Consolidated net earnings from continuing operations, net of non-controlling interest, for the 52 weeks ended May 2, 2015 equaled $419.0 million ($4.54 per diluted share) compared to $151.0 million ($1.88 per diluted share) reported last year.

The table below adjusts net earnings from continuing operations, net of non-controlling interest, for items which are considered not indicative of underlying business operating performance.

	52 Weeks Ended	
($ in millions, except per share amounts, net of tax)	**May 2, 2015**	May 3, 2014
Net earnings from continuing operations by segment[1]:		
Food retailing	**$ 343.5**	$ 121.8
Investments and other operations	**75.5**	29.2
Net earnings from continuing operations[1]	**$ 419.0**	$ 151.0
EPS[2] from continuing operations (fully diluted)[3]	**$ 4.54**	$ 1.88
Adjustments[4]:		
Distribution centre restructuring	**39.1**	–
Organizational realignment costs	**36.2**	8.5
Inventory adjustment	**23.0**	12.7
Intangible amortization associated with the Canada Safeway acquisition	**20.5**	10.2
Gain on disposal of manufacturing facilities	**(14.1)**	–
Network rationalization (reversals)	**(12.7)**	123.8
Finance costs associated with the network rationalization	**4.4**	–
Transaction costs associated with the Canada Safeway acquisition	**2.8**	76.0
Plant closure	**0.7**	0.8
Finance costs associated with the Canada Safeway acquisition	**–**	6.6
Non-operating charge from equity accounted investment[5]	**–**	1.8
	99.9	240.4
Adjusted net earnings from continuing operations[1]	**$ 518.9**	$ 391.4
Adjusted net earnings from continuing operations by segment[1]:		
Food retailing	**$ 443.4**	$ 354.1
Investments and other operations	**75.5**	37.3
Adjusted net earnings from continuing operations[1]	**$ 518.9**	$ 391.4
Adjusted EPS[2] from continuing operations (fully diluted)[3]	**$ 5.62**	$ 4.88

(1) Net of non-controlling interest.
(2) Earnings per share ("EPS").
(3) Empire had a weighted average number of shares outstanding (fully diluted) of 92.4 million in fiscal 2015, compared to 80.2 million in fiscal 2014.
(4) All adjustments are net of income taxes.
(5) 52 weeks ended May 3, 2014 included a non-recurring cost of $1.8 million, net of tax, related to arranging financing on the 70 properties acquired by Crombie REIT as part of the Canada Safeway acquisition.

Net Earnings

The following table reconciles Empire's segmented net earnings from continuing operations, net of non-controlling interest, to net earnings, net of non-controlling interest, for 52 weeks ended May 2, 2015 compared to the 52 weeks ended May 3, 2014.

	52 Weeks Ended		($)
($ in millions, except per share amounts, net of tax)	**May 2, 2015**	May 3, 2014	Change
Net earnings from continuing operations[1]	**$ 419.0**	$ 151.0	$ 268.0
Net earnings from discontinued operations	**–**	84.4	(84.4)
Net earnings[1]	**$ 419.0**	$ 235.4	$ 183.6
Net earnings by segment[1]:			
Food retailing	**$ 343.5**	$ 121.8	$ 221.7
Investments and other operations	**75.5**	113.6	(38.1)
Net earnings[1]	**$ 419.0**	$ 235.4	$ 183.6
EPS (fully diluted)[2]	**$ 4.54**	$ 2.93	$ 1.61

(1) Net of non-controlling interest.

(2) Empire had a weighted average number of shares outstanding (fully diluted) of 92.4 million compared to 80.2 million in fiscal 2014.

Net earnings from discontinued operations for the 52 weeks ended May 2, 2015 equaled $ nil ($ nil per diluted share) compared to $84.4 million ($1.05 per diluted share) reported last year.

FINANCIAL PERFORMANCE BY SEGMENT

Food Retailing

The following is a review of Empire's food retailing segment's financial performance for the 52 weeks ended May 2, 2015 compared to the 52 weeks ended May 3, 2014.

The table below summarizes Sobeys' contribution to Empire's consolidated sales, gross profit, EBITDA, adjusted EBITDA, operating income, net earnings, net of non-controlling interest, and adjusted net earnings, net of non-controlling interest.

	52 Weeks Ended[1]					
	May 2, 2015		May 3, 2014[2]		May 4, 2013[2][3]	
($ in millions)		**% of Sales**		% of Sales		% of Sales
Sales	**$ 23,928.8**	**100.0%**	$ 20,961.5	100.00%	$ 17,345.8	100.00%
Gross profit	**5,962.5**	**24.92%**	5,016.1	23.93%	4,013.1	23.14%
EBITDA	**1,121.9**	**4.69%**	717.9	3.42%	858.6	4.95%
Adjusted EBITDA	**1,223.7**	**5.11%**	1,006.6	4.80%	875.1	5.05%
Operating income	**639.9**	**2.67%**	291.6	1.39%	514.4	2.97%
Net earnings[4]	**343.5**	**1.44%**	121.8	0.58%	334.2	1.93%
Adjusted net earnings[4]	**443.4**	**1.85%**	354.1	1.69%	346.7	2.00%

(1) Net of consolidation adjustments which include a purchase price allocation from the privatization of Sobeys.

(2) Amounts have been reclassified to correspond to the current presentation on the consolidated statement of earnings.

(3) Amounts have been restated as a result of a change in accounting policy.

(4) 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. The primary financial performance and condition measures reported by Sobeys are set out below.

	52 Weeks Ended		
($ in millions)	**May 2, 2015**	May 3, 2014[1]	May 4, 2013[2]
Sales growth	**14.2%**	20.8%	8.3%
Same store sales growth	**1.4%**	0.0%	1.3%
Return on equity[3]	**7.1%**	3.1%	12.6%
Funded debt to total capital[3]	**31.6%**	41.7%	20.9%
Funded debt to EBITDA[3]	**2.0x**	4.7x	0.9x
Property, equipment and investment property purchases[4]	**$ 497.2**	$ 553.8	$ 508.1

(1) Amounts have been restated as a result of the finalized purchase price allocation related to the Canada Safeway acquisition; see the "Business Acquisition" section of this MD&A.

(2) Amounts have been restated as a result of a change in accounting policy.

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

(4) This amount reflects the property, equipment and investment property purchases by Sobeys, excluding amounts purchased from the Company and its wholly-owned subsidiaries.

Sales

In fiscal 2015, Sobeys reported sales of $23,928.8 million, an increase of $2,967.3 million or 14.2 percent, from $20,961.5 million recorded in fiscal 2014. The increase was primarily the result of sales from Safeway operations and food inflation, slightly offset by retail store divestures, store closures associated with the network rationalization and the decline in oil prices impacting fuel sales during the third and fourth quarters in the current year. During fiscal 2015, same-store sales increased 1.4 percent from the same period last year. Excluding the negative impact of oil prices on fuel sales, same-store sales would have increased by 1.9 percent.

Gross Profit

Gross profit for the 52 weeks ended May 2, 2015, was $5,962.5 million, an increase of $946.4 million or 18.9 percent compared to $5,016.1 million for the same period in the prior year. For the year ended May 2, 2015, gross margin increased 99 basis points to 24.92 percent compared to 23.93 for the year ended May 3, 2014. The increase in gross profit is mainly the result of Safeway operations combined with synergies realized during the fiscal year relating to the Canada Safeway acquisition and new retail selling square footage, which was partially offset, as expected, by the store divestitures, network rationalization and a one-time inventory adjustment.

Overall gross profit and gross margin were impacted during the 52 weeks ended May 2, 2015 by the following factors:

(i) The Canada Safeway acquisition, store divestitures, network rationalization and related synergies;

(ii) Inflation;

(iii) Inventory adjustment due to revising certain estimates and assumptions in the determination of cost of retail inventories;

(iv) Continued competitive intensity; and

(v) A weaker CAD relative to the United States dollar ("USD") which affected the CAD cost of USD purchases.

For the 52 weeks ended May 2, 2015, the decline in the price of oil, which had an impact on fuel sales, did not have a material impact on gross profit.

EBITDA

EBITDA for the 52 weeks ended May 2, 2015 was $1,121.9 million, an increase of $404.0 million or 56.3 percent compared to $717.9 million for the same period last year. The increase in EBITDA is largely attributed to Safeway operations, reduced transaction costs associated with the Canada Safeway acquisition, a reduction of network rationalization costs and a gain on the disposal of manufacturing facilities. This increase was offset by costs associated with the distribution centre restructuring and organizational realignment. These combined with the factors affecting sales and gross profit, as previously mentioned, had a net positive effect on EBITDA in the current period.

Sobeys' contributed EBITDA margin for the 52 weeks ended May 2, 2015 increased 127 basis points to 4.69 percent from 3.42 percent. Excluding items which are considered not indicative of underlying business operating performance as summarized in the following table, adjusted EBITDA for the 52 weeks ended May 2, 2015 and May 3, 2014 was $1,223.7 million and $1,006.6 million, respectively. Adjusted EBITDA margin for the 52 weeks ended May 2, 2015 was 5.11 percent, an increase of 31 basis points over the same period last year.

The following table adjusts Sobeys' contributed EBITDA for items which are considered not indicative of underlying business operating performance.

	52 Weeks Ended	
($ in millions)	**May 2, 2015**	May 3, 2014
EBITDA (contributed by Sobeys)	**$ 1,121.9**	$ 717.9
Adjustments:		
Distribution centre restructuring	**53.4**	–
Organizational realignment costs	**49.6**	3.0
Inventory adjustment	**30.5**	17.1
Gain on disposal of manufacturing facilities	**(19.1)**	–
Network rationalization (reversals)	**(17.4)**	169.8
Transaction costs associated with the Canada Safeway acquisition	**3.8**	97.8
Plant closure	**1.0**	1.0
	101.8	288.7
Adjusted EBITDA	**$ 1,223.7**	$ 1,006.6

Operating Income

For the 52 weeks ended May 2, 2015, Sobeys' contribution to operating income increased $348.3 million or 119.4 percent, to $639.9 million from $291.6 million reported in the same period last year. Operating income increased primarily due to Safeway operations and the factors noted in the sales and EBITDA sections above, partially offset by increased depreciation and amortization expenses related to the Canada Safeway acquisition.

Net Earnings

Sobeys contributed net earnings, net of non-controlling interest, for the 52 weeks ended May 2, 2015 were $343.5 million, an increase of $221.7 million over the same period last year. This increase is mainly due to Safeway operations, synergies realized, reduced costs associated with the network rationalization and reduced transaction costs, offset by increases in costs associated with the distribution centre restructuring and organizational realignment. Adjusted net earnings for the current fiscal year were $443.4 million, or $89.3 million higher than the same period last year.

The following table adjusts Sobeys' contributed net earnings, net of non-controlling interest, for items which are considered not indicative of underlying business operating performance.

($ in millions)	52 Weeks Ended May 2, 2015	52 Weeks Ended May 3, 2014
Net earnings (contributed by Sobeys)[1]	**$ 343.5**	$ 121.8
Adjustments[2]:		
Distribution centre restructuring	**39.1**	–
Organizational realignment costs	**36.2**	2.2
Inventory adjustment	**23.0**	12.7
Intangible amortization associated with the Canada Safeway acquisition	**20.5**	10.2
Gain on disposal of manufacturing facilities	**(14.1)**	–
Network rationalization (reversals)	**(12.7)**	123.8
Finance costs associated with the network rationalization	**4.4**	–
Transaction costs associated with the Canada Safeway acquisition	**2.8**	76.0
Plant closure	**0.7**	0.8
Finance costs associated with the Canada Safeway acquisition	**–**	6.6
	99.9	232.3
Adjusted net earnings[1]	**$ 443.4**	$ 354.1

(1) Net of non-controlling interest.
(2) All adjustments are net of income taxes.

Investments and Other Operations

The table below presents sales, EBITDA, operating income (loss), net earnings from continuing operations, net earnings from discontinued operations, and net earnings, for the investments and other operations segment.

($ in millions)	52 Weeks Ended May 2, 2015	52 Weeks Ended May 3, 2014	($) Change
Sales[1]	**$ –**	$ 3.4	$ (3.4)
EBITDA[1]	**104.2**	37.4	66.8
Operating income (loss)			
Crombie REIT[2][3]	**30.6**	19.2	11.4
Real estate partnerships[4]	**54.7**	30.4	24.3
Other operations, net of corporate expenses[1][5]	**18.4**	(12.7)	31.1
	103.7	36.9	66.8
Net earnings from continuing operations	**75.5**	29.2	46.3
Net earnings from discontinued operations	**–**	84.4	(84.4)
Net earnings	**75.5**	113.6	(38.1)

(1) Results generated from Empire Theatres have been recorded in discontinued operations for fiscal 2014.
(2) 41.5 percent equity accounted interest in Crombie REIT (May 3, 2014 – 41.6 percent interest).
(3) Equity earnings from Crombie REIT for the 52 weeks ended May 3, 2014 included a non-recurring cost of $2.5 million related to arranging financing on the 70 properties acquired by Crombie REIT as part of the Canada Safeway acquisition.
(4) Interests in Genstar.
(5) 52 weeks ended May 3, 2014 included organizational realignment and restructuring costs of $9.1 million.

At May 2, 2015, Empire's investment portfolio, including equity accounted investments in Crombie REIT and Genstar, consisted of:

	May 2, 2015			May 3, 2014		
($ in millions)	Fair Value	Carrying Value	Unrealized Gain	Fair Value	Carrying Value	Unrealized Gain
Investment in associates						
Crombie REIT	**$ 724.3**	**$ 365.6**	**$ 358.7**	$ 682.9	$ 333.5	$ 349.4
Canadian real estate partnerships[1]	**143.4**	**143.4**	**–**	143.7	143.7	–
U.S. real estate partnerships[1]	**59.3**	**59.3**	**–**	67.3	67.3	–
Investment in joint ventures						
Canadian Digital Cinema Partnership[1]	**9.5**	**9.5**	**–**	9.7	9.7	–
	$ 936.5	**$ 577.8**	**$ 358.7**	$ 903.6	$ 554.2	$ 349.4

(1) Assumes fair value equals carrying value.

In fiscal 2015, Crombie REIT's market capitalization surpassed $1,746.0 million with Empire's investment carrying a fair value of $724.3 million.

Operating Income

For the 52 weeks ended May 2, 2015, investments and other operations reported operating income of $103.7 million compared to $36.9 million in the same period last year, an increase of $66.8 million.

The contributors to operating income in fiscal 2015 were as follows:

- Equity accounted earnings from the Company's investment in Crombie REIT were $30.6 million for the 52 weeks ended May 2, 2015, up $11.4 million from the $19.2 million recorded in the same period last year. This was driven primarily by gains on property sales and improved year-over-year operating results.
- Equity accounted earnings from the Company's investments in real estate partnerships (Genstar) were $54.7 million in the 52 weeks ended May 2, 2015, an increase of $24.3 million compared to $30.4 million recorded in the same period last year, primarily as a result of stronger lot and housing sales.
- Other operations, net of corporate expenses, contributed operating income of $18.4 million in the 52 weeks ended May 2, 2015, an improvement of $31.1 million from the $(12.7) million loss recorded in the same period last year. The improvement can be attributed to organizational realignment and restructuring costs of $ nil in the current year compared to costs incurred of $9.1 million in the prior year combined with the reversal of deferred gains on properties sold by Crombie REIT.

Net Earnings

For the 52 weeks ended May 2, 2015, investments and other operations contributed $75.5 million to Empire's consolidated net earnings compared to $113.6 million in the same period last year. The $38.1 million decline is attributed to a decrease in net earnings from discontinued operations of $84.4 million and is partially offset by an increase in net earnings from continuing operations of $46.3 million. The $84.4 million decrease in net earnings from discontinued operations is primarily attributed to a $104.2 million gain on disposal of assets relating to the sale of Empire Theatres in fiscal 2014.

QUARTERLY RESULTS OF OPERATIONS

The following table is a summary of selected financial information from the Company's unaudited interim condensed consolidated financial statements for each of the eight most recently completed quarters:

	Fiscal 2015				Fiscal 2014[1]			
($ in millions, except per share amounts)	**Q4 May 2, 2015**	Q3 Jan. 31, 2015	Q2 Nov. 1, 2014	Q1 Aug. 2, 2014	Q4 May 3, 2014	Q3 Feb. 1, 2014	Q2 Nov. 2, 2013	Q1 Aug. 3, 2013
Sales	**$ 5,770.5**	$ 5,940.5	$ 5,995.1	$ 6,222.7	$ 5,944.3	$ 6,003.9	$ 4,414.3	$ 4,595.3
EBITDA	**236.6**	322.5	324.3	342.7	147.4	188.9	196.8	222.2
Operating income	**116.2**	203.6	204.2	219.6	22.9	65.3	106.4	133.9
Net earnings from continuing operations[2]	**55.4**	123.6	116.9	123.1	1.5	6.4	60.5	82.6
Net earnings (loss) from discontinued operations	**–**	–	–	–	(0.7)	(6.0)	108.7	(17.6)
Net earnings[2]	**$ 55.4**	$ 123.6	$ 116.9	$ 123.1	$ 0.8	$ 0.4	$ 169.2	$ 65.0
Per share information, basic								
Net earnings from continuing operations[2]	**$ 0.60**	$ 1.34	$ 1.27	$ 1.33	$ 0.02	$ 0.07	$ 0.89	$ 1.22
Net earnings (loss) from discontinued operations	**–**	–	–	–	(0.01)	(0.07)	1.60	(0.26)
Net earnings[2]	**$ 0.60**	$ 1.34	$ 1.27	$ 1.33	$ 0.01	$ –	$ 2.49	$ 0.96
Basic weighted average number of shares outstanding (in millions)	**92.3**	92.3	92.3	92.3	92.3	92.0	68.0	67.9
Per share information, diluted								
Net earnings from continuing operations[2]	**$ 0.60**	$ 1.34	$ 1.27	$ 1.33	$ 0.02	$ 0.07	$ 0.89	$ 1.21
Net earnings (loss) from discontinued operations	**–**	–	–	–	(0.01)	(0.07)	1.59	(0.26)
Net earnings[2]	**$ 0.60**	$ 1.34	$ 1.27	$ 1.33	$ 0.01	$ –	$ 2.48	$ 0.95
Diluted weighted average number of shares outstanding (in millions)	**92.5**	92.4	92.3	92.3	92.4	92.1	68.2	68.2

(1) Amounts have been reclassified to correspond to the current period presentation on condensed consolidated statement of earnings.
(2) Net of non-controlling interest.

Sales have decreased this quarter over the comparable quarter in the prior year by 2.9 percent. This decrease aligns with the expectation that the network rationalization would result in a reduction in sales on a yearly basis of approximately $400 million, combined with the negative impact of declining oil price on fuel sales during the quarter and decreased sales due to the Competition Bureau imposed divestitures. This was consistent with the third quarter which had similar factors affecting its sales decrease. For the remaining two comparative quarters shown above, the Company's sales show improvement compared to the same quarter of the prior year. The ongoing improvement in sales is driven primarily by acquisition activity and organic growth as a result of the Company's adherence to a competitive pricing posture, increased retail selling square footage from new stores and enlargements, improved store level execution, and product and services innovation.

Sales include fluctuations in quarter-to-quarter inflationary and deflationary market pressures. Sobeys does experience some seasonality as evidenced in the results presented above, in particular during the summer months and over the holidays.

The quarter ended February 1, 2014 was the first quarter which included Safeway operations. Consolidated sales and net earnings, net of non-controlling interest, have been influenced by Safeway operations, the Company's other investing activities, the competitive environment, cost management initiatives, food price and general industry trends, the cyclicality of both residential and commercial real estate, and by other risk factors as outlined in the "Risk Management" section of this MD&A.

RESULTS OF FOURTH QUARTER OPERATIONS

Consolidated Operating Results

The following is a review of Empire's consolidated financial performance for the 13 weeks ended May 2, 2015 compared to the 13 weeks ended May 3, 2014.

	13 Weeks Ended			
	May 2, 2015		May 3, 2014[1]	
($ in millions, except per share amounts)		% of Sales		% of Sales
Sales	**$ 5,770.5**	**100.00%**	$ 5,944.3	100.00%
Gross profit[2]	**1,455.9**	**25.23%**	1,513.2	25.45%
EBITDA	**236.6**	**4.10%**	147.4	2.48%
Adjusted EBITDA	**340.9**	**5.91%**	321.4	5.41%
Operating income	**116.2**	**2.01%**	22.9	0.39%
Finance costs, net	**34.6**	**0.60%**	47.6	0.80%
Income taxes	**22.9**	**0.40%**	(26.7)	(0.45)%
Net earnings from continuing operations[3]	**55.4**	**0.96%**	1.5	0.03%
Net earnings (loss) from discontinued operations	**–**	**–**	(0.7)	(0.01)%
Net earnings[3]	**55.4**	**0.96%**	0.8	0.01%
Adjusted net earnings from continuing operations[3]	**138.7**	**2.40%**	132.1	2.22%
Basic earnings per share				
Net earnings from continuing operations[3]	**$ 0.60**		$ 0.02	
Net earnings (loss) from discontinued operations	**$ –**		$ (0.01)	
Net earnings[3]	**$ 0.60**		$ 0.01	
Adjusted net earnings from continuing operations[3]	**$ 1.50**		$ 1.43	
Basic weighted average number of shares outstanding (in millions)	**92.3**		92.3	
Diluted earnings per share				
Net earnings from continuing operations[3]	**$ 0.60**		$ 0.02	
Net earnings (loss) from discontinued operations	**$ –**		$ (0.01)	
Net earnings[3]	**$ 0.60**		$ 0.01	
Adjusted net earnings from continuing operations[3]	**$ 1.50**		$ 1.43	
Diluted weighted average number of shares outstanding (in millions)	**92.5**		92.4	

(1) Amounts have been reclassified to correspond to the current presentation on the consolidated statement of earnings.
(2) Gross profit amounts and corresponding ratios are calculated using food retail segment results.
(3) Net of non-controlling interest.

Sales

Consolidated sales for fourth quarter were $5,770.5 million compared to $5,944.3 million last year, a decrease of $173.8 million or 2.9 percent. The decline in sales, as expected, was primarily the result of retail store divestitures, store closures associated with the network rationalization and the decline in oil prices impacting fuel sales in the food retailing segment. These negative pressures on sales have been partially offset by food inflation in the food retailing segment. During the fourth quarter of fiscal 2015, same-store sales increased 0.8 percent from the same period last year. Excluding the negative impact of oil prices on fuel sales, same-store sales would have increased by 2.1 percent.

Gross Profit

For the fourth quarter of fiscal 2015, gross profit was $1,455.9 million, a decrease of $57.3 million or 3.8 percent compared to $1,513.2 million for the same period in the prior year. The decrease in gross profit for the 13 weeks ended May 2, 2015, as compared to the prior year, was mainly the result of a one-time inventory adjustment of $30.5 million (2014 – $ nil), associated with a change in estimate in the costing of retail inventory. This adjustment was coupled with store divestitures and network rationalization, partially offset by synergies realized during the fourth quarter related to the Canada Safeway acquisition. For the fourth quarter of fiscal 2015, gross margin decreased 22 basis points to 25.23 percent compared to 25.45 percent for the fourth quarter of fiscal 2014. Excluding the negative impact of the inventory adjustment, gross margin would have increased by 31 basis points over the same period in the prior year to 25.76 percent.

Overall gross profit and gross margin were impacted during the 13 weeks ended May 2, 2015 by the following factors:

(i) The Canada Safeway acquisition, store divestitures, network rationalization and related synergies;

(ii) Inflation;

(iii) Inventory adjustment due to revising certain estimates and assumptions in the determination of cost of retail inventories;

(iv) Continued competitive intensity; and

(v) A weaker CAD relative to the USD which affected the CAD cost of USD purchases.

For the 13 weeks ended May 2, 2015, the decline in the price of oil, which had an impact on fuel sales, did not have a material impact on gross profit.

EBITDA

Consolidated EBITDA for the fourth quarter of fiscal 2015 was $236.6 million compared to $147.4 million in the same period last year, an increase of $89.2 million or 60.5 percent. EBITDA margin increased to 4.10 percent in fiscal 2015 from 2.48 percent in the same period last year. The increase in EBITDA was primarily the result of synergies realized of $46.1 million (2014 – $23.0 million) related to the Canada Safeway acquisition, reduced costs associated with the network rationalization and a gain on the disposal of manufacturing facilities, offset by an increase in distribution centre restructuring and organizational realignment costs. These, combined with the factors affecting sales and gross profit, as mentioned previously, had a net positive effect on EBITDA in the current quarter.

The following table adjusts the Company's EBITDA for items which are considered not indicative of underlying business operating performance.

	13 Weeks Ended	
($ in millions)	**May 2, 2015**	May 3, 2014
EBITDA[1] (consolidated)	**$ 236.6**	$ 147.4
Adjustments:		
Distribution centre restructuring	**53.4**	–
Organizational realignment costs	**49.6**	–
Inventory adjustment	**30.5**	–
Gain on disposal of manufacturing facilities	**(20.7)**	–
Network rationalization (reversals)	**(9.8)**	169.8
Transaction costs associated with the Canada Safeway acquisition	**1.3**	3.2
Plant closure	**–**	1.0
	104.3	174.0
Adjusted EBITDA (consolidated)	**$ 340.9**	$ 321.4

(1) EBITDA generated from Empire Theatres has been recorded in discontinued operations for fiscal 2014.

After adjusting for items which are considered not indicative of underlying business operating performance, consolidated adjusted EBITDA for the fourth quarter of fiscal 2015 was $340.9 million compared to $321.4 million last year, an increase of $19.5 million or 6.1 percent. Adjusted EBITDA margin was 5.91 percent at the end of the fourth quarter compared to 5.41 percent in the same period last year.

Operating Income

Operating income increased $93.3 million to $116.2 million in the fourth quarter of fiscal 2015 compared to $22.9 million reported in the same period last year. Operating income was impacted primarily by the factors noted in the sales and EBITDA sections above.

Finance Costs

For the fourth quarter of fiscal 2015, finance costs, net of finance income, decreased $13.0 million to $34.6 million compared to $47.6 million during the same period last year. This decrease is primarily the result of a lower interest expense due to decreased debt levels from the repayment of debt. Interest coverage increased to 3.8 times from 0.5 times for the same period last year as a result of increased operating income and decreased interest expense.

Please refer to the "Consolidated Financial Condition" section of this MD&A for further description of the debt arrangements.

Income Taxes

The Company's effective income tax rate on continuing operations for the fourth quarter of fiscal 2015 was 28.1 percent compared to 108.1 percent in fiscal 2014. The decrease in the effective tax rate is primarily attributed to a reduction in partial non-deductible acquisition costs attributed to the Canada Safeway, combined with a lower earnings before income taxes on which to calculate the effective tax rate in the prior period, offset with a re-measurement of the Company's deferred income tax provision completed in the fourth quarter of fiscal 2014.

Net Earnings and Adjusted Net Earnings from Continuing Operations

Consolidated net earnings from continuing operations, net of non-controlling interest for the 13 weeks ended May 2, 2015 equaled $55.4 million ($0.60 per diluted share) compared to $1.5 million ($0.02 per diluted share) in the same period last year.

The following table adjusts the Company's net earnings, net of non-controlling interest, for items which are considered not indicative of underlying business operating performance.

	13 Weeks Ended	
($ in millions, except per share amounts, net of tax)	**May 2, 2015**	May 3, 2014
Net earnings (loss) from continuing operations by segment[1]:		
Food retailing	**$ 34.1**	$ (17.6)
Investments and other operations	**21.3**	19.1
Net earnings from continuing operations[1]	**$ 55.4**	$ 1.5
EPS from continuing operations (fully diluted)[2]	**$ 0.60**	$ 0.02
Adjustments[3]:		
Distribution centre restructuring	**39.1**	–
Organizational realignment costs	**36.2**	–
Inventory adjustment	**23.0**	–
Gain on disposal of manufacturing facilities	**(14.7)**	–
Network rationalization (reversals)	**(7.2)**	123.8
Intangible amortization associated with the Canada Safeway acquisition	**4.9**	3.5
Transaction costs associated with the Canada Safeway acquisition	**1.0**	2.5
Finance costs associated with the network rationalization	**1.0**	–
Plant closure	**–**	0.8
	83.3	130.6
Adjusted net earnings from continuing operations[1]	**$ 138.7**	$ 132.1
Adjusted net earnings from continuing operations by segment[1]:		
Food retailing	**$ 117.4**	$ 113.0
Investments and other operations	**21.3**	19.1
Adjusted net earnings from continuing operations[1]	**$ 138.7**	$ 132.1
Adjusted EPS from continuing operations (fully diluted)[2]	**$ 1.50**	$ 1.43

(1) Net of non-controlling interest.

(2) Empire had a weighted average number of shares outstanding (fully diluted) of 92.5 million in the fourth quarter of fiscal 2015, compared to 92.4 million in fiscal 2014.

(3) All adjustments are net of income taxes.

Net Earnings

The following table reconciles Empire's segmented net earnings from continuing operations, net of non-controlling interest, to net earnings, net of non-controlling interest, for 13 weeks ended May 2, 2015 compared to the 13 weeks ended May 3, 2014.

	13 Weeks Ended		($)
($ in millions, except per share amounts, net of tax)	**May 2, 2015**	May 3, 2014	Change
Net earnings from continuing operations[1]	**$ 55.4**	$ 1.5	$ 53.9
Net (loss) earnings from discontinued operations	**–**	(0.7)	0.7
Net earnings[1]	**$ 55.4**	$ 0.8	$ 54.6
Net earnings (loss) by segment[1]:			
Food retailing	**$ 34.1**	$ (17.6)	$ 51.7
Investments and other operations	**21.3**	18.4	2.9
Net earnings[1]	**$ 55.4**	$ 0.8	$ 54.6
EPS (fully diluted)[2]	**$ 0.60**	$ 0.01	$ 0.59

(1) Net of non-controlling interest.
(2) Empire had a weighted average number of shares outstanding (fully diluted) of 92.5 million compared to 92.4 million in fiscal 2014.

Net earnings (loss) from discontinued operations for the 13 weeks ended May 2, 2015 equaled $ nil ($ nil per diluted share) compared to $(0.7) million ($(0.01) per diluted share) in the comparable period last year.

LIQUIDITY AND CAPITAL RESOURCES

The table below highlights major cash flow components for the 13 and 52 weeks ended May 2, 2015 compared to the 13 and 52 weeks ended May 3, 2014.

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	**May 2, 2015**	May 3, 2014	**May 2, 2015**	May 3, 2014[1]
Net earnings	**$ 58.7**	$ 1.3	**$ 436.9**	$ 243.4
Non-cash and other cash items	**210.3**	315.5	**829.5**	717.2
Net change in non-cash working capital	**23.2**	165.0	**(15.7)**	36.3
Income taxes paid, net	**(34.5)**	(43.1)	**(90.2)**	(211.6)
Cash flows from operating activities	**257.7**	438.7	**1,160.5**	785.3
Cash flows from (used in) investing activities	**283.5**	178.0	**146.6**	(4,865.6)
Cash flows (used in) from financing activities	**(568.1)**	(472.0)	**(1,440.5)**	4,054.4
(Decrease) increase in cash and cash equivalents	**$ (26.9)**	$ 144.7	**$ (133.4)**	$ (25.9)

(1) Amounts have been restated as a result of the finalized purchase price allocation related to the Canada Safeway acquisition; see the "Business Acquisition" section of this MD&A.

Operations

Cash flows from operating activities for the fourth quarter generated $257.7 million compared to $438.7 million in the same period in fiscal 2014, a decrease of $181.0 million. This decrease was mainly the result of decreases in the net change in non-cash working capital and non-cash and other items for the fourth quarter of 2015.

During the 52 weeks ended May 2, 2015, cash flows from operating activities were $1,160.5 million compared to $785.3 million in the prior year, an increase of $375.2 million. This increase was mainly the result of an increase in net earnings for the 52 weeks ended May 2, 2015.

The following table presents non-cash working capital and the breakdown of net change in non-cash working capital in the fourth quarter of fiscal 2015 compared to the net change in the fourth quarter of fiscal 2014.

			13 Weeks Ended	
($ in millions)	May 2, 2015	January 31, 2015	Q4 F2015 Change	Q4 F2014 Change
Receivables	$ 507.4	$ 482.0	$ (25.4)	$ (36.0)
Inventories	1,260.6	1,342.2	81.6	13.0
Prepaid expenses	120.5	83.5	(37.0)	(20.8)
Accounts payable and accrued liabilities	(2,265.8)	(2,247.5)	18.3	205.7
Provisions	(122.1)	(69.8)	52.3	49.9
Impact of reclassifications on working capital	66.6	–	(66.6)	(46.8)
Total	$ (432.8)	$ (409.6)	$ 23.2	$ 165.0

In the fourth quarter of fiscal 2015:

- Inventories decreased $81.6 million compared to a decrease of $13.0 million during the same period last year, due to a one-time inventory adjustment described in the "Gross Profit" section of this MD&A and the sale of six manufacturing facilities that were held during the fourth quarter of fiscal 2014.
- Accounts payable and accrued liabilities increased $18.3 million compared to an increase of $205.7 million during the same period last year due to the change in how inventories are secured due to divestiture of manufacturing facilities.

Investment

Cash from investing activities of $283.5 million in the fourth quarter of fiscal 2015 increased $105.5 million compared to $178.0 million in the comparable period last year. The increase was primarily due to an increase in proceeds from the disposal of property, equipment and investment property.

For the 52 weeks ended May 2, 2015, cash from investing activities was $146.6 million compared to cash used of $4,865.6 million last year, an increase of $5,012.2 million. The increase was primarily due to a reduction in business acquisition costs to $11.7 million (2014 – $5,825.0 million), partially offset by a decrease in proceeds from the disposal of property, equipment and investment property related to the Canada Safeway acquisition in the prior year.

The table below outlines the number of stores Sobeys invested in during the 13 and 52 weeks ended May 2, 2015 compared to the 13 and 52 weeks ended May 3, 2014.

	13 Weeks Ended		52 Weeks Ended	
# of stores	May 2, 2015	May 3, 2014	May 2, 2015	May 3, 2014
Opened/relocated/acquired	17	37	67	94
Acquired in Canada Safeway Acquisition	–	–	–	223
Expanded	3	1	9	4
Rebannered/redeveloped	2	3	14	11
Closed – normal course of operations	12	23	30	45
Divested – Competition Bureau imposed	–	19	11	19
Closed – network rationalization	4	–	42	–

The following table shows Sobeys' square footage changes for the 13 and 52 weeks ended May 2, 2015, by type:

Square feet (in thousands)	**13 Weeks Ended May 2, 2015**	52 Weeks Ended May 2, 2015
Opened	**74**	466
Relocated	**134**	134
Acquired	**5**	145
Converted	**–**	(2)
Expanded	**10**	39
Closed – normal course of operations	**(66)**	(125)
Net change before the impact of the Competition Bureau imposed divestitures and network rationalization	**157**	657
Divested – Competition Bureau imposed	**–**	(421)
Closed – network rationalization	**(87)**	(1,295)
Net change with the impact of the Competition Bureau imposed divestitures and network rationalization	**70**	(1,059)

At May 2, 2015, Sobeys' square footage totaled 37.7 million square feet, a 2.6 percent decrease over the 38.7 million square feet operated at the end of the fourth quarter last year. This decrease in square footage over the same period last year was primarily due to the required divestitures as imposed by the Competition Bureau and from the network rationalization.

Excluding the impact of the Competition Bureau imposed divestitures and the network rationalization, Sobeys' square footage at May 2, 2015 increased 1.8 percent compared to square footage operated at May 3, 2014.

Financing

During the fourth quarter of fiscal 2015, financing activities resulted in cash used of $568.1 million compared to $472.0 million used in the fourth quarter of fiscal 2014. The increase in cash used was primarily attributable to the increase in repayment of long-term debt in the current fiscal year.

For the 52 weeks ended May 2, 2015, cash used in financing activities equaled $1,440.5 million compared to cash generated from financing activities of $4,054.4 million in the same period last year. The decrease was attributable to the issuance of long-term debt and common shares in fiscal 2014, and the increase in repayment of long-term debt in the current fiscal year. The funds obtained from the issuance of the long-term debt and common shares in fiscal 2014 were used to partially finance the Canada Safeway acquisition.

During the 52 weeks ended May 2, 2015, Sobeys completed a private placement of $300.0 million aggregate principal amount of floating rate senior unsecured notes. The net proceeds from this issuance of debt, combined with cash from operations and proceeds from the sale of divested stores were applied against bank borrowings.

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 2, 2015.

($ in millions)	2016	2017	2018	2019	2020	Thereafter	Total
Guarantees							
Franchisees and affiliates	$ 13.4	$ –	$ –	$ –	$ –	$ –	$ 13.4
Commitments							
Long-term debt[1]	42.7	324.1	207.3	607.9	15.9	1,066.9	2,264.8
Finance lease liabilities[2]	11.2	11.0	8.9	7.2	5.9	21.6	65.8
Third party operating leases, as lessee[3]	226.2	209.8	192.6	178.2	164.7	920.7	1,892.2
Related party operating leases, as lessee[3]	128.1	126.7	126.4	127.6	127.3	1,492.2	2,128.3
Contractual obligations	421.6	671.6	535.2	920.9	313.8	3,501.4	6,364.5
Operating leases, as lessor	(19.5)	(17.3)	(15.6)	(13.7)	(11.1)	(67.1)	(144.3)
Contractual obligations, net	$ 402.1	$ 654.3	$ 519.6	$ 907.2	$ 302.7	$ 3,434.3	$ 6,220.2

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

Guarantees

Franchisees and Affiliates

Sobeys is party to a number of franchise and operating agreements as part of its business model. These agreements contain clauses which require the Company to provide support to franchisees and affiliates 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. The Company will continue to provide financial support pursuant to the franchise and operating agreements in future years.

Sobeys has a guarantee contract under the terms of which, should certain franchisees and affiliates be unable to fulfill their lease obligations, Sobeys would be required to fund the greater of $7.0 million or 9.9 percent (2014 – $7.0 million or 9.9 percent) of the authorized and outstanding obligation. The terms of the guarantee contract are reviewed annually each August. As at May 2, 2015, the amount of the guarantee was $7.0 million (2014 – $7.0 million).

Sobeys has guaranteed certain equipment leases of its franchisee and affiliates. Under the terms of the guarantee, should franchisee and affiliates be unable to fulfill their equipment lease obligations, Sobeys would be required to fund the difference of the lease commitments up to a maximum of $145.0 million on a cumulative basis. Sobeys approves each of the contracts.

During fiscal 2009, Sobeys entered into an additional credit enhancement contract in the form of a standby letter of credit for certain franchisee and affiliates for the purchase and installation of equipment. Under the terms of the contract, should franchisee 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 million or 10.0 percent (2014 – $6.0 million or 10.0 percent) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to obtain a letter of credit in the amount of the outstanding guarantee, to be revisited each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain independent franchisee and affiliates. The contract terms have been reviewed and Sobeys determined that there were no material implications with respect to the consolidation of SEs. As at May 2, 2015, the amount of the guarantee was $6.0 million (2014 – $6.0 million).

Commitments

Finance Lease Liabilities

During fiscal 2015, the Company increased its finance lease obligation by $5.8 million (2014 – $2.4 million) with a similar increase in assets under finance leases. These additions are non-cash in nature, therefore have been excluded from the statements of cash flows.

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 2, 2015 is approximately $4,020.5 million. This reflects a gross lease obligation of $4,939.8 million reduced by expected sub-lease income of $919.3 million.

The Company recorded $517.4 million (2014 – $500.0 million) as an expense for minimum lease payments for the year ended May 2, 2015 in the consolidated statements of earnings. The expense was offset by sub-lease income of $161.8 million (2014 – $155.9 million), and a further $11.5 million (2014 – $11.9 million) of expense was recognized for contingent rent.

Operating Leases, as Lessor

The Company also 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 2, 2015 was $29.7 million (2014 – $34.3 million) and was recognized as other income in the consolidated statements of earnings. In addition, the Company recognized $1.7 million of contingent rent for the year ended May 2, 2015 (2014 – $0.9 million).

Other

At May 2, 2015, the Company was contingently liable for letters of credit issued in the aggregate amount of $69.8 million (2014 – $94.6 million).

Upon entering into the lease of its new Mississauga distribution centre, in March 2000, Sobeys guaranteed to the landlord the performance, by SERCA Foodservice Inc., of all of its obligations under the lease. The remaining term of the lease is five years with an aggregate obligation of $16.5 million (2014 – $19.5 million). 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.

Free Cash Flow

Free cash flow is used to measure the change in the Company's cash available for debt repayment, dividend payments and other investing and financing activities. The following table reconciles free cash flow to GAAP cash flows from operating activities for the 13 and 52 weeks ended May 2, 2015 and the 13 and 52 weeks ended May 3, 2014.

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	**May 2, 2015**	May 3, 2014	**May 2, 2015**	May 3, 2014[1]
Cash flows from operating activities	**$ 257.7**	$ 438.7	**$ 1,160.5**	$ 785.3
Add: proceeds on disposal of property, equipment and investment property[2]	**460.9**	354.2	**781.2**	653.1
Less: property, equipment and investment property purchases	**(133.8)**	(166.8)	**(497.2)**	(563.1)
Free cash flow	**$ 584.8**	$ 626.1	**$ 1,444.5**	$ 875.3

(1) Amounts have been restated as a result of the finalized purchase price allocation related to the Canada Safeway acquisition; see the "Business Acquisition" section of this MD&A.

(2) 52 weeks ended May 3, 2014 excluded $991.3 million related to the sale-leaseback of acquired real estate with Crombie REIT, which was simultaneously used to partially fund the Canada Safeway acquisition.

Free cash flow for the fourth quarter of fiscal 2015 was $584.8 million compared to $626.1 million in the fourth quarter of fiscal 2014. This decrease in free cash flow was the result of a decrease in cash flows from operating activities, offset by an increase in proceeds on disposal of property, equipment and investment property associated with the sales noted in the divestiture of manufacturing facilities paragraphs in the "Significant Items" section of this MD&A.

For the 52 weeks ended May 2, 2015, free cash flow was $1,444.5 million compared to $875.3 million in the same period last year. This increase in free cash flow was attributed to the increase in cash flow from operating activities combined with an increase in proceeds on disposal of property, equipment and investment property associated with:

(1) The sale of ten properties to Crombie REIT;

(2) The sale of 22 properties to Econo-Malls; and

(3) The divestiture of manufacturing facilities.

CONSOLIDATED FINANCIAL CONDITION

Capital Structure

The Company's share capital was comprised of the following on May 2, 2015:

	Authorized Number of Shares	Issued and Outstanding Number of Shares	$ in Millions
2002 Preferred shares, par value of $25 each, issuable in series	991,980,000	–	$ –
Non-Voting Class A shares, without par value	257,044,056	59,620,737	2,102.1
Class B common shares, without par value, voting	40,800,000	32,712,693	7.3
			$ 2,109.4

Key Financial Condition Measures

The key financial condition measures are presented in the table below.

($ in millions, except per share and ratio calculations)	May 2, 2015	May 3, 2014[1]	May 4, 2013[2]
Shareholders' equity, net of non-controlling interest	**$ 5,983.8**	$ 5,700.5	$ 3,724.8
Book value per common share[3]	**$ 64.81**	$ 61.75	$ 54.82
Long-term debt, including current portion	**$ 2,295.9**	$ 3,500.1	$ 969.5
Funded debt to total capital[3]	**27.7%**	38.0%	20.7%
Net funded debt to net total capital[3]	**25.1%**	35.0%	12.1%
Funded debt to EBITDA[3]	**1.9x**	4.6x	1.1x
EBITDA to interest expense[3]	**8.9x**	5.8x	19.0x
Current assets to current liabilities	**0.9x**	1.0x	1.0x
Total assets	**$ 11,473.4**	$ 12,243.7	$ 7,140.4

(1) Amounts have been restated as a result of the finalized purchase price allocation related to the Canada Safeway acquisition; see the "Business Acquisition" section of this MD&A.

(2) Amounts have been restated as a result of a change in accounting policy and reclassification of discontinued operations.

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

The ratio of funded debt to total capital decreased 10.3 percentage points to 27.7 percent at May 2, 2015 from 38.0 percent at May 3, 2014. This reduction largely reflects a decline in long-term debt as a result of $1,635.5 million (2014 – $798.6 million) in debt repayments in the 52 weeks ended May 2, 2015; a decrease in the issuance of long-term debt of $2,923.2 million from the same period last year; and an increase in retained earnings for the year.

The funded debt to EBITDA ratio declined to 1.9 times compared to 4.6 times at May 3, 2014 as a result of the decrease in long-term debt as noted in the paragraph above and increased earnings for the year. An increase in the EBITDA to interest expense coverage ratio (8.9 times versus 5.8 times at May 3, 2014) was the result of higher interest expense in fiscal 2015 ($137.3 million versus $129.5 million at May 3, 2014), and a higher EBITDA ($1,226.1 million versus $755.3 million at May 3, 2014).

The Company's ratio of current assets to current liabilities was 0.9 times at May 2, 2015 compared to 1.0 times at May 3, 2014.

On November 4, 2013, the Company extended the term of its credit facilities to a maturity date of November 4, 2017. On June 6, 2014, an amendment was made to the credit facility to reduce the amount available from $450.0 million to $250.0 million.

On August 8, 2013, in connection with the Canada Safeway acquisition, Sobeys completed a private placement of $500.0 million aggregate principal amount of 3.52 percent Notes, Series 2013-1 due August 8, 2018 (the "Series 2013-1 Notes") and $500.0 million aggregate principal amount of 4.70 percent Notes, Series 2013-2 due August 8, 2023 (the "Series 2013-2 Notes" and together with the Series 2013-1 Notes, the "Notes"). The aggregate net proceeds were approximately $987.1 million after deducting underwriting fees and the purchase discount on the 2013-1 Notes. Upon closing of the Canada Safeway acquisition, the net proceeds of $987.1 million were released from escrow and used to partially finance the acquisition.

Pursuant to an agreement dated October 30, 2013, Sobeys established new credit facilities in connection with the Canada Safeway acquisition. The agreement provides for a non-revolving, amortizing term credit facility (the "Acquisition Facility") in the amount of $1,825.0 million; a non-revolving, non-amortizing term bridge facility (the "Bridge Facility") in the amount of $1,327.9 million; and a revolving term credit facility (the "RT Facility") in the amount of $450.0 million.

On November 4, 2013, the RT Facility replaced Sobeys' previous unsecured revolving term credit facility of $450.0 million, the Acquisition Facility was fully drawn for $1,825.0 million and the Bridge Facility was drawn for $200.0 million in order to partially finance the Canada Safeway acquisition. As of May 2, 2015, the outstanding amount of the Acquisition Facility was $200.0 million, the Bridge Facility was fully repaid and matured, and the Company had issued $57.3 million in letters of credit against the RT facility (May 3, 2014 – $79.0 million). Interest payable on the Acquisition and RT Facilities fluctuates with changes in the bankers' acceptance rate or Canadian prime rate, and both facilities mature on November 4, 2017.

On July 14, 2014, Sobeys completed a private placement of $300.0 million aggregate principal amount of floating rate senior unsecured notes, due July 14, 2016. The senior unsecured notes will bear an interest rate equal to the three-month bankers' acceptance rate plus 63 basis points, to be set quarterly. The net proceeds were used to repay outstanding debt on the Acquisition Facility. Deferred financing fees in the amount of $0.9 million were incurred on the draw down of the senior unsecured notes and have been offset against long-term debt amounts for presentation purposes.

Sobeys current credit ratings are BBB (low) with a stable trend from Dominion Bond Rating Service ("DBRS") and BBB- with a negative trend from Standard and Poor's ("S&P").

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-term 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.

The Company has provided covenants to its lenders in support of various financing facilities. All covenants were complied with for the 13 and 52 weeks ended May 2, 2015.

For additional disclosure on Empire's long-term debt, see Note 15 to the Company's audited annual consolidated financial statements for the 52 weeks ended May 2, 2015.

Shareholders' Equity

The increase in shareholders' equity, net of non-controlling interest, of $283.3 million from fiscal 2014 primarily reflects the increase in retained earnings. Book value per common share was $64.81 at May 2, 2015 compared to $61.75 at May 3, 2014.

The Company's share capital on May 2, 2015 compared to the same period in the last fiscal year is shown in the table below.

	52 Weeks Ended	
(Number of Shares)	**May 2, 2015**	May 3, 2014
Non-Voting Class A shares		
Issued and outstanding, beginning of year	**58,049,484**	33,687,747
Issued during period	**23,183**	24,361,737
Converted from Class B common shares during period	**1,548,070**	–
Issued and outstanding, end of year	**59,620,737**	58,049,484
Class B common shares		
Issued and outstanding, beginning of year	**34,260,763**	34,260,763
Issued during period	**–**	–
Converted to Non-Voting Class A shares during period	**(1,548,070)**	–
Total Issued and outstanding, end of year	**32,712,693**	34,260,763

On June 11, 2014, 77,039 options were exercised resulting in the issuance of an additional 19,225 Non-Voting Class A shares being issued.

On September 30, 2014 and April 13, 2015, 2,679 and 1,279 additional Non-Voting Class A shares were issued as a result of options exercised.

During the year ended May 2, 2015, 1,548,070 Class B common shares were converted into 1,548,070 Non-Voting Class A shares.

The outstanding options at May 2, 2015 were granted at prices between $51.99 and $92.60 and expire between July 2018 and March 2023. Stock option transactions during fiscal 2015 and 2014 were as follows:

	2015		2014	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**934,366**	**$ 74.56**	684,128	$ 47.06
Granted	**325,989**	**67.28**	826,799	78.89
Purchased	**–**	**–**	(291,980)	46.89
Exercised	**(87,574)**	**51.11**	(240,940)	44.16
Forfeited	**(51,116)**	**67.76**	(43,641)	78.46
Balance, end of year	**1,121,665**	**$ 74.58**	934,366	$ 74.56
Stock options exercisable, end of year	**231,577**		101,289	

The 1,121,665 stock options outstanding as at the fiscal year ended May 2, 2015 (May 3, 3014 – 934,366) represents 1.2 percent (May 3, 2014 – 1.0 percent) of the outstanding Non-Voting Class A and Class B common shares.

During fiscal 2015, the Company paid common dividends of $99.7 million (2014 – $83.3 million) to its equity holders. This represents a payment of $1.08 per share (2014 – $1.04 per share) for common share holders.

In connection with the Canada Safeway acquisition in November 2013, the Company issued 24,265,000 Non-Voting Class A shares, resulting in additions to capital stock of $1,842.6 million before transaction costs. Transaction costs of $55.8 million, net of deferred taxes of $20.1 million, were offset against the proceeds as they directly related to the issuance of the common shares

As at June 24, 2015, the Company had Non-Voting Class A and Class B common shares outstanding of 59,620,737 and 32,712,693, respectively, as well as 1,115,926 options to acquire in aggregate 1,115,926 Non-Voting Class A shares.

Normal Course Issuer Bid ("NCIB")

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.

Accordingly, on March 12, 2015, the Company filed a notice of intent with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 1,788,584 Non-Voting Class A shares, representing approximately three percent of those outstanding, subject to obtaining regulatory approval. The purchases will be made through the facilities of the TSX. The price the Company will pay for any such shares will be the market price at the time of acquisition. Purchases may commence on March 17, 2015, and shall terminate not later than March 16, 2016. Empire has not repurchased any Non-Voting Class A shares since the date of notice.

Financial Instruments

As part of Sobeys' risk management strategy, the Company actively monitors its exposures to various financial risks including interest rate risk, foreign exchange risk and commodity risk. From time to time, the Company utilizes hedging instruments it deems appropriate to mitigate risk exposure and not for speculative purposes. The Company's use of these instruments has not had a material impact on earnings for the 13 and 52 weeks ended May 2, 2015 or for the comparative periods in fiscal 2014.

When the Company, or its subsidiaries, enter into a financial instrument contract, it is exposed to potential credit risk associated with the counterparty of the contract defaulting. To mitigate this risk exposure, the Company monitors the credit worthiness of its various contractual counterparties on an ongoing basis and will take corrective actions it deems appropriate should a counterparty's credit profile change materially.

On January 30, 2015, the Company unwound a floating-for-floating currency swap that originated in July 2008 at a gain of $0.7 million and entered into a new floating-for-floating currency swap with a fixed rate of $1.2775 CAD/USD to mitigate the currency risk associated with a USD denominated variable rate loan. The terms of the swap match the terms of the variable rate loan. As of May 2, 2015, the Company recognized a liability of $1.2 million relating to this instrument. The Company estimates that a 10.0 percent increase (decrease) in applicable foreign currency exchange rates would impact fair value of the instrument by $2.0 million ($2.0 million). An increase (decrease) of 10.0 percent would impact other comprehensive income by $1.4 million ($1.4 million).

During the first quarter of fiscal 2015, the Company entered into an amortizing interest rate swap for an original notional amount of $598.7 million at a fixed interest rate of 1.4 percent effective May 12, 2014 to hedge the interest rate on a portion of the Company's Acquisition Facility. The notional amount outstanding at the end of fiscal 2015 is $174.7 million. The interest rate swap matures on December 31, 2015. As of May 2, 2015, the Company recognized a liability of $0.3 million relating to this instrument. The Company estimates that an increase (decrease) of 25 basis points in applicable forward interest rates would impact fair value of the instrument by $0.2 million ($0.2 million). An increase (decrease) of 25 basis points would impact other comprehensive income by $0.1 million ($0.1 million).

To mitigate the currency risk associated with some of the Company's Euro purchases, Sobeys enters into forward currency contracts with staggered maturities to hedge against the effect of the changes in the value of the CAD relative to the Euro. As of May 2, 2015, the Company recognized a liability of $4.0 million representing the fair value of Euro denominated forward currency contracts. The Company estimates that a 10.0 percent increase (decrease) in applicable exchange rates would impact fair value by $3.7 million ($3.7 million). An increase (decrease) of 10.0 percent would impact other comprehensive income by $2.7 million ($2.7 million).

To mitigate the currency risk associated with some of the Company's British Pound ("GBP") purchases, Sobeys enters into forward currency contracts with staggered maturities to hedge against the effect of the changes in the value of the CAD relative to the GBP. As of May 2, 2015, the Company recognized an asset of $0.1 million representing the fair value of GBP denominated forward currency contracts. The Company estimates that a 10.0 percent increase (decrease) in applicable exchange rates would impact fair value by $0.2 million ($0.2 million). An increase (decrease) of 10.0 percent would impact other comprehensive income by $0.1 million ($0.1 million).

Fair Value Methodology

When a financial instrument is designated as a hedge for financial accounting purposes, it is classified as fair value through profit and loss on the balance sheets and recorded at fair value. The estimated fair values of the financial instruments as at May 2, 2015 were based on relevant market prices and information available at the reporting date. The Company determines the fair value of each financial instrument by reference to external and third party quoted bid, ask and mean prices, as appropriate, in an active market. In inactive markets, fair values are based on internal and external valuation models, such as discounted cash flows using market observed inputs. Fair values determined using valuation models require the use of assumptions to determine the amount and timing of forecasted future cash flows and discount rates. The Company primarily uses external market inputs, including factors such as interest yield curves and forward exchange rates to determine the fair values. Changes in interest rates and exchange rates, along with other factors, may cause the fair value amounts to change in subsequent periods. The fair value of these financial instruments reflects the estimated amount the Company would pay or receive if it were to settle the contracts at the reporting date.

BUSINESS ACQUISITION

Canada Safeway Acquisition

During fiscal 2015, management finalized the purchase price allocation related to the Canada Safeway acquisition. As a result, the consolidated balance sheet as at May 3, 2014 was adjusted and includes the following fair value of the identifiable assets acquired and liabilities assumed:

($ in millions)	
Inventories	$ 451.0
Property, equipment and investment property	1,139.8
Assets held for sale	391.4
Assets acquired for sale-leaseback	991.3
Intangibles	487.6
Deferred tax assets	35.5
Accounts payable and accrued liabilities	(398.7)
Pension obligations	(137.5)
Deferred tax liabilities	(13.2)
Other assets and liabilities	38.1
Total identifiable net assets	$ 2,985.3
Excess consideration paid over identifiable net assets acquired allocated to goodwill	$ 2,814.7

Goodwill of $2,814.7 million was recognized as the excess of the acquisition cost over the fair value of the identifiable net assets at the date of the acquisition. The goodwill recognized is attributable mainly to the expected synergies from integration, the expected future growth potential in grocery store operations and the customer base of the acquired retail store locations. Approximately $2,102.2 million of goodwill is expected to be deductible for income tax purposes.

ACCOUNTING STANDARDS AND POLICIES

Accounting Standards and Policies Adopted During Fiscal 2015

(i) Financial Instruments: Asset and Liability Offsetting

In December 2011, the International Accounting Standards Board ("IASB") amended International Accounting Standards ("IAS") 32, "Financial Instruments: Presentation", to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The amendments became effective in the first quarter of 2015 and had no significant impact on the Company's financial results and disclosures.

(ii) Levies

In May 2013, the IASB issued IFRIC 21, "Levies", which is an interpretation of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, "Income Taxes", and fines or other penalties imposed for breaches of legislation. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation became effective in the first quarter of 2015 and it had no significant impact on the Company's financial results.

(iii) Impairment of Assets

In May 2013, the IASB amended IAS 36, "Impairment of Assets", to clarify the disclosure requirements for recoverable amounts for the assets or cash generating units ("CGU") for which an impairment loss has been recognized or reversed during the period. The amendments became effective in the first quarter of 2015 and had no significant impact on the Company's financial results and disclosures.

Future Accounting Policies

(i) Financial Instruments

In July 2014, the IASB issued IFRS 9, "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, establishes an expected credit losses impairment model and a new hedge accounting model with corresponding risk management activity disclosures. The standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively, with the exception of the hedging component which is applied prospectively. IFRS 9 allows for early adoption, but the Company does not intend to do so at this time.

(ii) Revenue

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive 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 new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 allows for early adoption, but the Company does not intend to do so at this time.

(iii) Presentation of Financial Statements

In December 2014, the IASB amended IAS 1, "Presentation of Financial Statements", providing guidance on the application of judgment in the preparation of financial statements and disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted, but the Company does not intend to do so at this time.

The Company is currently evaluating the impact of the new standards and amendment on its consolidated financial statements.

Critical Accounting Estimates

The preparation of consolidated financial statements, in conformity with 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, 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 that the Company may undertake in the future. Management regularly evaluates the estimates and assumptions it uses. Actual results could differ from these estimates.

Impairment of Non-Financial Assets

Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each CGU or groups of CGU to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell and value in use. When the recoverable amount of the CGU is less than the carrying amount an impairment loss is recognized immediately as selling and administrative expense. Impairment losses related to goodwill cannot be reversed.

Long-lived tangible and intangible assets are reviewed 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 fair value less costs to sell and value in use. 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 primarily determined a CGU to be 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 as selling and administrative expense immediately in net earnings or loss.

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 periods. A reversal of impairment loss is recognized immediately in net earnings or loss.

In determining the recoverable amount of a CGU, various estimates are employed. Management makes assumptions about future growth of profits when measuring expected future cash flows. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within subsequent financial years. The key assumptions are disclosed in notes 9 and 12 of the Company's financial statements.

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 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) inventories counted at retail and adjusted to cost; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) estimated inventory provisions associated with vendor allowances and internal charges. 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 upon initial recognition would affect the measurement of goodwill, except for deferred taxes.

Disclosure Controls and Procedures

Management of the Company, which includes the Chief Executive Officer ("CEO") and Chief Financial & Administrative Officer ("CFAO"), 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. As at May 2, 2015, the CEO and CFAO have evaluated the effectiveness of the Company's DC&P. Based on that evaluation, the CEO and CFAO have concluded that the Company's DC&P was effective as at May 2, 2015 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 CFAO, 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 "The Internal Control Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. As at May 2, 2015, the CEO and CFAO have evaluated the effectiveness of the Company's ICFR. Based on that evaluation, the CEO and CFAO have concluded that the Company's ICFR was effective as at May 2, 2015 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 1, 2015 and ended May 2, 2015 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. The Company holds a 41.5 percent ownership interest in Crombie REIT and accounts for its investment using the equity method.

On May 30, 2014, Crombie REIT closed a bought-deal public offering of units at a price of $13.25 per unit. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased approximately $40.0 million of Class B LP units (which are convertible on a one-for-one basis into units of Crombie REIT). Following the conversion of Crombie REIT debentures during the current fiscal year, and accounting for the subscription of Class B LP units, the Company's interest in Crombie REIT decreased from 41.6 to 41.5 percent.

During the second quarter of fiscal 2015, the Company exited a sub-lease agreement with Crombie REIT and incurred a charge of $2.7 million. This charge is included in selling and administrative expenses on the consolidated statements of earnings.

During the year ended May 2, 2015, Sobeys through its wholly owned subsidiaries sold ten properties and leased back eight properties from Crombie REIT. Cash consideration received for the properties sold was $105.8 million, resulting in a pre-tax gain of $1.2 million, which has been recognized in the consolidated statements of earnings. The majority of proceeds received were used to repay bank borrowings.

The Company rents premises from Crombie REIT, at amounts in management's opinion which approximate fair market value. Management has determined these amounts to be fair value due to the significant number of leases negotiated with third parties in each market it operates. During fiscal year 2015, the aggregate net payments under these leases, which are measured at exchange amounts, were $149.0 million (2014 – $110.5 million).

In addition, Crombie REIT provides administrative and management services to the Company. The charges incurred for administrative and management services are on a cost recovery basis.

At May 2, 2015, investments included $25.1 million (2014 – $24.6 million) of Crombie REIT convertible unsecured subordinated debentures. The Company received interest from Crombie REIT of $1.2 million for the year ended May 2, 2015 (2014 – $1.2 million). These amounts are included in other income in the consolidated statements of earnings.

On July 24, 2013, Sobeys entered into a sale-leaseback agreement with Crombie REIT, pursuant to which Crombie REIT agreed to indirectly acquire 70 properties included in the Canada Safeway acquisition for $991.3 million. The sale-leaseback transaction closed effective November 3, 2013, immediately following the close of the Canada Safeway acquisition.

On closing of the acquisition of the 70 properties, the Company subscribed for $150.0 million of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT).

During the third quarter of fiscal 2014, Crombie REIT purchased from the Company their interest in certain retention leases for cash consideration of $1.5 million resulting in a pre-tax gain of $0.4 million which was recognized in the consolidated statements of earnings.

During fiscal 2014, Sobeys entered into a loan agreement with Crombie REIT to partially finance Sobeys' acquisition of a property in British Columbia. The $11.9 million loan bears interest at a rate of 6.0 percent and has no principal repayments until maturity on October 1, 2016. The Company also sold and leased back a property from Crombie REIT for cash consideration of $10.2 million which was equal to its carrying value. In addition, the Company exchanged properties with Crombie REIT during fiscal 2014. The properties exchanged were both located in Canmore, Alberta.

Key Management Personnel Compensation

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

Key management personnel compensation is comprised of:

($ in millions)	May 2, 2015	May 3, 2014
Salary, bonus and other short-term employee benefits	$ 17.9	$ 12.0
Post-employment benefits	1.3	3.8
Termination benefits	–	7.2
Share-based payments	14.3	10.7
	$ 33.5	$ 33.7

Indemnities

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

CONTINGENCIES

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.

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. The Company has adopted an annual enterprise risk management assessment which is overseen by the Company's Executive Committee and reported to the Board of Directors and Committees of the Board. The enterprise risk management framework sets out principles and tools for identifying, evaluating, prioritizing and managing risk effectively and consistently across the Company.

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 and warehouse clubs, 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 impacts 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 and to be focused on superior execution and to 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.

Genstar faces competition from other residential land developers in securing attractive sites for new residential lot development. Although Genstar holds land for future development, it faces significant competition when looking to acquire new land for future development. To mitigate this risk, Genstar maintains a geographically diverse inventory of well located land for development to alleviate periods of intense competition for the acquisition of new land. In addition, Genstar management has intimate knowledge of the residential markets where Genstar operates and in markets where it seeks new land investments.

Food 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. 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 inventory 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.

Human Resources

The Company is exposed to the risk of labour disruption in its operations and, with the Canada Safeway acquisition, this level of risk has increased appreciably given that Safeway operations are almost entirely unionized. The Company has good relations with its employees and unions and does not anticipate any material labour disruptions in fiscal 2016. The Company has stated that it will accept the short term costs of a labour disruption to support a commitment to building and sustaining a competitive cost structure for the long term. Any prolonged 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 which are reviewed annually by the Human Resources Committee.

Operations

The success of Empire is closely tied to the performance of Sobeys' network of retail stores. Franchisees and affiliates operate approximately 49 percent of Sobeys' retail stores. Sobeys relies on the 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, stores agree 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

Sobeys operates an extensive complex information technology system that is 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 and each of its operating companies are committed to improving their 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 benefits, that must be mitigated by disciplined change management and governance processes. Sobeys has a business process optimization team staffed with knowledgeable internal and external resources that is responsible for implementing the various initiatives.

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 and/or inappropriate access to information could lead to incorrect financial and/or operational reporting, poor decisions, privacy breaches and/or inappropriate disclosure or leaks of sensitive information. In addition, 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.

Information management is identified as a risk in its own right, separate from the technology risk. The Company recognizes that information is a critical enterprise asset. Currently, the information management risk is being 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. 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 or operations.

Supply Chain

The Company is exposed to potential supply chain disruptions and errors that could result in obsolete merchandise or an excess/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 cost of product materialize in excess of expectations and should Sobeys not be able to offset such cost inflation through higher retail prices and/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 longer 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 or hedged with interest rate swaps. Any increase in the applicable interest rates could increase expense and have a material adverse effect on the Company's cash flow and results of operations. The Company has historically managed interest rate risk by hedging with interest rate swaps. There can be no assurance that any hedging or other risk management strategy, 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. As well, as part of an independent audit and security function the Company maintains a whistle blowing hotline. There can be no assurance that these measures will be effective to prevent violations of law or ethical business practices.

Environmental, Health and Safety

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/or the ability to expand existing stores is 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. 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 rating assigned to Sobeys or the Notes 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 rating 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 the 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 and the USD. USD purchases of products represent approximately 5.0 percent of Sobeys' total annual purchases with Euro purchases 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.

Drug Regulation

The Company currently operates 348 in-store pharmacies and 76 freestanding pharmacies that are subject to risks associated with changes to federal and provincial legislation governing the sale of prescription drugs. Legislated changes to generic prescription drug prices and dispensing fees, which vary province by province, continued to impact the Company in fiscal 2015. In addition to provincial plan changes, third parties continue to advocate for changes to generic drug legislation in order to reduce drug plan costs. Changes to legislation affecting generic prescription drug prices, reimbursement rates for generic drugs, manufacturer allowance funding and dispensing fees are expected to continue the downward pressure on prescription drug sales. The Company will continue to identify opportunities to mitigate the negative impact these changes have on financial performance.

Pension Plans

The Company has certain retirement benefit obligations under its registered defined benefit plans. New regulations and market driven changes may result in changes in discount rates and other variables which could 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 17 percent of employees of Sobeys and its franchisees and affiliates participate in these plans. Sobeys' responsibility to make contributions to these plans is limited by the amounts established in the collective bargaining agreements, however poor performance of these plans could have a negative effect on Sobeys' 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, particularly since the draw of credit facilities to complete the Canada Safeway acquisition, 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 exposes the Company to increased interest expense on borrowings at variable rates therefore 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.

Integration of the Combined Business

Sobeys' ability to maintain and successfully execute its business depends upon the judgment and project execution skills of its senior management. Any management disruption or difficulties in integrating Sobeys' and Canada Safeway's management and operations staff could significantly affect Sobeys' business and results of operations. The success of the Canada Safeway acquisition will depend, in large part, on the ability of management to realize the anticipated benefits and cost synergies from integration of the businesses of Sobeys and Canada Safeway. The integration of Sobeys and Canada Safeway may result in significant challenges, and management may be unable to accomplish the integration smoothly, or successfully, in a timely manner or without spending significant amounts of money. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with clients, suppliers, employees or to achieve the anticipated benefits of the Canada Safeway acquisition.

The integration of Canada Safeway requires the dedication of substantial effort, time and resources on the part of management which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that management will be able to integrate the operations of each of the businesses successfully or achieve all of the synergies or other benefits that are anticipated as a result of the Canada Safeway acquisition. The extent to which synergies are realized and the timing of such cannot be assured. Any inability of management to successfully integrate the operations of Sobeys and Canada Safeway could have a material adverse effect on the business, financial condition and results of operations of Sobeys.

EMPLOYEE FUTURE BENEFIT OBLIGATIONS

For the 52 weeks ended May 2, 2015, the Company contributed $8.9 million (2014 – $11.9 million) to its registered defined benefit plans. The Company expects to contribute approximately $9.0 million in fiscal 2016 to these plans. The Company continues to assess the impact of the capital markets on its funding requirement.

SUBSEQUENT EVENTS

Subsequent to the close of the fourth quarter, on May 12, 2015, an agreement for Sobeys to purchase certain assets and select liabilities of Co-op Atlantic's food and fuel business for $24.5 million plus standard working capital adjustments and holdbacks was approved by Co-op Atlantic's member-owners. The agreement provides for the purchase of five full service grocery stores, five fuel stations (two co-located with grocery stores), other real estate assets, and other assets and select liabilities. On June 12, 2015, regulatory clearance was obtained from the Competition Bureau and the transaction closed effective June 21, 2015.

Subsequent to May 2, 2015, Sobeys made a successful bid to purchase a former Target Canada Co. warehouse in Rocky View, Alberta for $50.0 million. The facility will be retro-fitted for automation and when renovations are complete, it will have the capacity to efficiently distribute dry grocery to stores in Alberta, Saskatchewan and part of Manitoba.

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

There are measures included in this MD&A that do not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. Management believes that certain of these measures, including gross profit, operating income and EBITDA, are important indicators of Empire'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 undertakes to adjust certain of these and other measures, including EBITDA and net earnings from continuing operations in an effort to provide investors and analysts with a more comparable year-over-year performance metric than the basic measure, by excluding items which are considered not indicative of underlying business operating performance.

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:

- Same-store sales are sales from stores in the same location in both reporting periods.
- Gross profit is calculated as sales less cost of sales.
- 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.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), is calculated as net earnings from continuing operations, before finance costs (net of finance income), income taxes, and depreciation and amortization of intangibles. The exclusion of depreciation and amortization partially eliminates the non-cash impact from operating income.
- EBITDA margin is EBITDA divided by sales. Management believes that EBITDA margin is an important indicator of overall fixed and variable cost control (excluding depreciation and amortization of intangibles) and can help management, analysts and investors assess the competitive landscape, promotional environment of the industry, and overall management of fixed and variable operating costs. An increasing percentage indicates lower operating costs as a percentage of sales.

The following table reconciles EBITDA to GAAP measures:

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	**May 2, 2015**	May 3, 2014	**May 2, 2015**	May 3, 2014
Operating income	**$ 116.2**	$ 22.9	**$ 743.6**	$ 328.5
Depreciation[1]	**99.4**	99.4	**397.8**	359.4
Amortization of intangibles[1]	**21.0**	25.1	**84.7**	67.4
EBITDA	**$ 236.6**	$ 147.4	**$ 1,226.1**	$ 755.3

(1) Depreciation and amortization of intangibles from Empire Theatres have been recorded in discontinued operations and, as a result, these figures will not reflect those presented on the Company's consolidated statements of cash flows.

- Adjusted EBITDA is EBITDA excluding items which are considered not indicative of underlying business operating performance. Adjusted EBITDA is reconciled to EBITDA in its respective subsection of the "Management's Explanation of Consolidated Operating Results", "Food Retailing" and "Investments and Other Operations" sections of this MD&A.
- Adjusted EBITDA margin is adjusted EBITDA divided by sales.
- Operating income, or earnings before interest and taxes ("EBIT"), is calculated as net earnings from continuing operations before finance costs (net of finance income) and income taxes.
- Operating income margin is operating income divided by sales.
- Interest expense is calculated as interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income. 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 interest expense to GAAP measures.

	13 Weeks Ended		52 Weeks Ended	
($ in millions)	**May 2, 2015**	May 3, 2014	**May 2, 2015**	May 3, 2014
Finance costs, net	**$ 34.6**	$ 47.6	**$ 156.3**	$ 133.2
Plus: finance income	**0.5**	0.6	**1.4**	10.3
Plus: fair value (losses) gains on forward contracts	**(0.1)**	(0.1)	**0.5**	(0.6)
Less: net pension finance costs	**(2.7)**	(3.4)	**(12.0)**	(10.4)
Less: accretion expense on provisions	**(1.9)**	(1.0)	**(8.9)**	(3.0)
Interest expense	**$ 30.4**	$ 43.7	**$ 137.3**	$ 129.5
Interest expense on financial liabilities measured at amortized cost	**$ 30.2**	$ 43.7	**$ 136.7**	$ 129.5
Losses on cash flow hedges reclassified from other comprehensive income	**0.2**	–	**0.6**	–
Interest expense	**$ 30.4**	$ 43.7	**$ 137.3**	$ 129.5

- Interest coverage is calculated as operating income divided by interest expense.
- Adjusted net earnings from continuing operations are net earnings from continuing operations, net of non-controlling interest, excluding items which are considered not indicative of underlying business operating performance. These adjustments include items which are non-recurring or one-time in nature and items that result in a truer economic representation of the underlying business on a comparative basis. Adjusted net earnings from continuing operations is reconciled to net earnings from continuing operations, net of non-controlling interest, in its respective subsection of the "Management's Explanation of Consolidated Operating Results", "Food Retailing" and "Investments and Other Operations" sections of this MD&A.
- Return on equity, as reported by Sobeys, is net earnings for the year attributable to owners of the parent, divided by average shareholders' equity.
- 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 percent 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.
- 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 ratio 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.

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 2, 2015, May 3, 2014 and May 4, 2013, respectively:

($ in millions)	**May 2, 2015**	May 3, 2014[1]	May 4, 2013[2]
Bank indebtedness	**$ –**	$ –	$ 6.0
Long-term debt due within one year	**53.9**	218.0	47.6
Long-term debt	**2,242.0**	3,282.1	915.9
Funded debt	**2,295.9**	3,500.1	969.5
Less: cash and cash equivalents	**(295.9)**	(429.3)	(455.2)
Net funded debt	**2,000.0**	3,070.8	514.3
Total shareholders' equity, net of non-controlling interest	**5,983.8**	5,700.5	3,724.8
Net total capital	**$ 7,983.8**	$ 8,771.3	$ 4,239.1

($ in millions)	**May 2, 2015**	May 3, 2014	May 4, 2013
Funded debt	**$ 2,295.9**	$ 3,500.1	$ 969.5
Total shareholders' equity, net of non-controlling interest	**5,983.8**	5,700.5	3,724.8
Total capital	**$ 8,279.7**	$ 9,200.6	$ 4,694.3

(1) Amounts have been restated as a result of the finalized purchase price allocation related to the Canada Safeway acquisition; see the "Business Acquisition" section of this MD&A.
(2) Amounts have been restated as a result of a change in accounting policy.

- Funded debt to EBITDA ratio is funded debt divided by trailing four-quarter EBITDA. Management uses this ratio to partially assess the financial condition of the Company. An increasing ratio would indicate that the Company is utilizing more debt per dollar of EBITDA generated.
- EBITDA to interest expense ratio is trailing four-quarter EBITDA divided by trailing four-quarter interest expense. Management uses this ratio to partially assess the coverage of its interest expense on financial obligations. An increasing ratio would indicate that the Company is generating more EBITDA per dollar of interest expense, resulting in greater interest coverage.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.

The following table shows the calculation of Empire's book value per common share as at May 2, 2015, May 3, 2014 and May 4, 2013.

($ in millions, except per share information)	**May 2, 2015**	May 3, 2014	May 4, 2013[1]
Shareholders' equity, net of minority interest	**$ 5,983.8**	$ 5,700.5	$ 3,724.8
Shares outstanding (basic)	**92.333**	92.310	67.949
Book value per common share	**$ 64.81**	$ 61.75	$ 54.82

(1) Amounts have been restated as a result of a change in accounting policy.

- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less property, equipment and investment property purchases. 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 statement of cash flows in the "Free Cash Flow" section of this MD&A.

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.

Dated: June 24, 2015
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) *"Marc Poulin"*

Marc Poulin
President and
Chief Executive Officer

June 24, 2015

(signed) *"François Vimard"*

François Vimard
Chief Financial and
Administrative Officer

June 24, 2015

Independent Auditor's Report

TO THE SHAREHOLDERS OF EMPIRE COMPANY LIMITED

We have audited the accompanying consolidated financial statements of Empire Company Limited, which comprise the consolidated balance sheets as at May 2, 2015 and May 3, 2014 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity, and cash flows for the 52 week fiscal years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Empire Company Limited as at May 2, 2015 and May 3, 2014, and its consolidated financial performance and its consolidated cash flows for the 52 week fiscal years then ended, in accordance with International Financial Reporting Standards.

(signed) *"Grant Thornton LLP"*

Chartered Accountants

Halifax, Canada
June 24, 2015

Consolidated Balance Sheets

As At (in millions of Canadian dollars)	May 2, 2015	May 3, 2014
ASSETS		
Current		
Cash and cash equivalents	**$ 295.9**	$ 429.3
Receivables	**507.4**	459.3
Inventories *(Note 4)*	**1,260.6**	1,310.2
Prepaid expenses	**120.5**	113.7
Loans and other receivables *(Note 5)*	**24.8**	35.7
Income taxes receivable	**18.9**	39.7
Assets held for sale *(Note 6)*	**47.8**	204.8
	2,275.9	2,592.7
Loans and other receivables *(Note 5)*	**88.5**	63.2
Investments	**25.1**	24.8
Investments, at equity *(Note 7)*	**577.8**	554.2
Other assets *(Note 8)*	**48.4**	29.2
Property and equipment *(Note 9)*	**3,500.4**	3,685.6
Investment property *(Note 10)*	**104.2**	104.5
Intangibles *(Note 11)*	**943.0**	993.6
Goodwill *(Note 12)*	**3,799.2**	4,069.7
Deferred tax assets *(Note 13)*	**110.9**	126.2
	$ 11,473.4	$ 12,243.7
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 2,265.8**	$ 2,244.9
Income taxes payable	**40.9**	21.0
Provisions *(Note 14)*	**122.1**	82.4
Long-term debt due within one year *(Note 15)*	**53.9**	218.0
	2,482.7	2,566.3
Provisions *(Note 14)*	**142.9**	140.7
Long-term debt *(Note 15)*	**2,242.0**	3,282.1
Other long-term liabilities *(Note 16)*	**458.0**	389.3
Deferred tax liabilities *(Note 13)*	**110.9**	123.8
	5,436.5	6,502.2
SHAREHOLDERS' EQUITY		
Capital stock *(Note 18)*	**2,109.4**	2,108.6
Contributed surplus	**8.2**	5.0
Retained earnings	**3,859.9**	3,585.9
Accumulated other comprehensive income	**6.3**	1.0
	5,983.8	5,700.5
Non-controlling interest	**53.1**	41.0
	6,036.9	5,741.5
	$ 11,473.4	$ 12,243.7

See accompanying notes to the consolidated financial statements.

On Behalf of the Board

(signed) *"Robert P. Dexter"*
Director

(signed) *"Marc Poulin"*
Director

Consolidated Statements of Earnings

52 Weeks Ended (in millions of Canadian dollars, except per share amounts)	May 2, 2015	May 3, 2014
Sales	**$ 23,928.8**	$ 20,957.8
Other income *(Note 19)*	**99.6**	49.3
Share of earnings from investments, at equity *(Note 7)*	**85.7**	50.2
Operating expenses		
Cost of sales	**17,966.7**	15,941.3
Selling and administrative expenses	**5,403.8**	4,787.5
Operating income	**743.6**	328.5
Finance costs, net *(Note 21)*	**156.3**	133.2
Earnings before income taxes	**587.3**	195.3
Income taxes *(Note 13)*	**150.4**	36.3
Net earnings from continuing operations	**436.9**	159.0
Net earnings from discontinued operations *(Note 22)*	**–**	84.4
Net earnings	**$ 436.9**	$ 243.4
Earnings for the year attributable to:		
Non-controlling interest	**$ 17.9**	$ 8.0
Owners of the parent		
From continuing operations	**419.0**	151.0
From discontinued operations	**–**	84.4
	$ 436.9	$ 243.4
Earnings per share from continuing and discontinued operations *(Note 23)*		
Basic		
From continuing operations	**$ 4.54**	$ 1.89
From discontinued operations	**–**	1.05
Total	**$ 4.54**	$ 2.94
Diluted		
From continuing operations	**$ 4.54**	$ 1.88
From discontinued operations	**–**	1.05
Total	**$ 4.54**	$ 2.93
Weighted average number of common shares outstanding, in millions *(Note 23)*		
Basic	**92.3**	80.0
Diluted	**92.4**	80.2

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

52 Weeks Ended (in millions of Canadian dollars)	May 2, 2015	May 3, 2014
Net earnings	**$ 436.9**	$ 243.4
Other comprehensive income		
Items that will be reclassified subsequently to net earnings		
Unrealized (losses) gains on derivatives designated as cash flow hedges (net of taxes of $1.8 (2014 – $(0.3)))	**(4.6)**	0.6
Reclassification of losses on derivatives designated as cash flow hedges to earnings (net of taxes of $(0.2) (2014 – $ nil))	**0.4**	–
Unrealized gains (losses) on available for sale financial assets (net of taxes of $ nil (2014 – $ nil))	**0.4**	(0.2)
Share of other comprehensive income of investments, at equity (net of taxes of $(0.3) (2014 – $ nil))	**1.3**	2.7
Exchange differences on translation of foreign operations	**7.8**	6.0
Items that will not be reclassified subsequently to net earnings		
Actuarial (losses) gains on defined benefit plans (net of taxes of $15.8 (2014 – $(11.4))) *(Note 17)*	**(45.3)**	29.9
Total comprehensive income	**$ 396.9**	$ 282.4
Total comprehensive income for the year attributable to:		
Non-controlling interest	**$ 17.9**	$ 8.0
Owners of the parent	**379.0**	274.4
	$ 396.9	$ 282.4
Total comprehensive income attributable to owners of the parent arises from:		
Continuing operations	**$ 379.0**	$ 190.0
Discontinued operations *(Note 22)*	**–**	84.4
	$ 379.0	$ 274.4

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 (Loss) Income	Retained Earnings	Total Attributable to Parent	Non-controlling Interest	Total Equity
Balance at May 4, 2013	$ 319.3	$ 6.7	$ (8.1)	$ 3,406.9	$ 3,724.8	$ 31.3	$ 3,756.1
Dividends declared on common shares	–	–	–	(83.3)	(83.3)	–	(83.3)
Employee share options	2.2	(1.7)	–	(3.0)	(2.5)	–	(2.5)
Capital transactions with structured entities	–	–	–	–	–	1.7	1.7
Issuance of common shares *(Note 18)*	1,787.1	–	–	–	1,787.1	–	1,787.1
Transactions with owners	1,789.3	(1.7)	–	(86.3)	1,701.3	1.7	1,703.0
Net earnings	–	–	–	235.4	235.4	8.0	243.4
Other comprehensive income							
Unrealized gains on derivatives designated as cash flow hedges	–	–	0.6	–	0.6	–	0.6
Unrealized losses on available for sale financial assets	–	–	(0.2)	–	(0.2)	–	(0.2)
Actuarial gains on defined benefit plans	–	–	–	29.9	29.9	–	29.9
Share of other comprehensive income of investments, at equity	–	–	2.7	–	2.7	–	2.7
Exchange differences on translation of foreign operations	–	–	6.0	–	6.0	–	6.0
Total comprehensive income for the year	–	–	9.1	265.3	274.4	8.0	282.4
Balance at May 3, 2014	$ 2,108.6	$ 5.0	$ 1.0	$ 3,585.9	$ 5,700.5	$ 41.0	$ 5,741.5
Dividends declared on common shares	**–**	**–**	**–**	**(99.7)**	**(99.7)**	**–**	**(99.7)**
Employee share options	**0.8**	**3.2**	**–**	**–**	**4.0**	**–**	**4.0**
Capital transactions with structured entities	**–**	**–**	**–**	**–**	**–**	**(5.8)**	**(5.8)**
Transactions with owners	**0.8**	**3.2**	**–**	**(99.7)**	**(95.7)**	**(5.8)**	**(101.5)**
Net earnings	**–**	**–**	**–**	**419.0**	**419.0**	**17.9**	**436.9**
Other comprehensive income							
Unrealized losses on derivatives designated as cash flow hedges	**–**	**–**	**(4.6)**	**–**	**(4.6)**	**–**	**(4.6)**
Reclassification of losses on derivatives designated as cash flow hedges to earnings	**–**	**–**	**0.4**	**–**	**0.4**	**–**	**0.4**
Unrealized gains on available for sale financial assets	**–**	**–**	**0.4**	**–**	**0.4**	**–**	**0.4**
Actuarial losses on defined benefit plans	**–**	**–**	**–**	**(45.3)**	**(45.3)**	**–**	**(45.3)**
Share of other comprehensive income of investments, at equity	**–**	**–**	**1.3**	**–**	**1.3**	**–**	**1.3**
Exchange differences on translation of foreign operations	**–**	**–**	**7.8**	**–**	**7.8**	**–**	**7.8**
Total comprehensive income for the year	**–**	**–**	**5.3**	**373.7**	**379.0**	**17.9**	**396.9**
Balance at May 2, 2015	**$ 2,109.4**	**$ 8.2**	**$ 6.3**	**$ 3,859.9**	**$ 5,983.8**	**$ 53.1**	**$ 6,036.9**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

52 Weeks Ended (in millions of Canadian dollars)	**May 2, 2015**	May 3, 2014
Operations		
Net earnings	**$ 436.9**	$ 243.4
Adjustments for:		
Depreciation	**397.8**	362.5
Income taxes	**150.4**	49.6
Finance costs, net *(Note 21 and 22)*	**156.3**	134.0
Amortization of intangibles	**84.7**	68.1
Gain on disposal of assets	**(67.0)**	(137.5)
Impairment of non-financial assets, net	**1.5**	(7.0)
Amortization of deferred items	**12.7**	7.1
Equity in earnings of other entities, net of distributions received	**33.3**	27.5
Employee future benefits obligation	**(0.5)**	2.9
Increase in long-term lease obligation	**5.8**	1.2
Decrease in long-term provisions	**(52.5)**	(0.6)
Stock option plan	**4.0**	4.8
Restructuring	**103.0**	169.8
Losses recognized on remeasurement of assets and restructuring costs of discontinued operations *(Note 22)*	**–**	34.8
Net change in non-cash working capital	**(15.7)**	36.3
Income taxes paid, net	**(90.2)**	(211.6)
Cash flows from operating activities	**1,160.5**	785.3
Investment		
Net increase in investments	**(40.7)**	(151.6)
Property, equipment and investment property purchases	**(497.2)**	(563.1)
Proceeds on disposal of property, equipment and investment property	**781.2**	1,644.4
Additions to intangibles	**(44.8)**	(18.5)
Loans and other receivables	**(14.4)**	21.2
Other assets and other long-term liabilities	**(21.4)**	(5.1)
Proceeds on sale of asset backed commercial paper	**–**	26.0
Business acquisitions *(Note 24)*	**(11.7)**	(5,825.0)
Interest received	**1.4**	4.4
Non-controlling interest	**(5.8)**	1.7
Cash flows from (used in) investing activities	**146.6**	(4,865.6)
Financing		
Decrease in bank indebtedness	**–**	(6.0)
Issue of long-term debt	**414.4**	3,337.6
Deferred debt financing costs	**(0.9)**	(50.6)
Repayment of long-term debt	**(1,635.5)**	(798.6)
Stock option purchases	**–**	(9.1)
Interest paid	**(118.8)**	(102.3)
Issue of Non-Voting Class A shares, net *(Note 18)*	**–**	1,842.6
Share issue costs *(Note 18)*	**–**	(75.9)
Dividends paid, common shares	**(99.7)**	(83.3)
Cash flows (used in) from financing activities	**(1,440.5)**	4,054.4
Decrease in cash and cash equivalents	**(133.4)**	(25.9)
Cash and cash equivalents, beginning of year	**429.3**	455.2
Cash and cash equivalents, end of year	**$ 295.9**	$ 429.3

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

May 2, 2015 (in millions of Canadian dollars, except 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 year ended May 2, 2015 include the accounts of Empire, all subsidiary companies, including 100 percent 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 are accounted for using the equity method. The Company's food retailing business is conducted in five operating segments: Sobeys West, Sobeys Ontario, Sobeys Quebec, Sobeys Atlantic, and Lawtons. These operating segments have been aggregated into one reportable segment, "Food retailing", as they all share similar economic characteristics. The Company's reportable segments include Food retailing and Investments and other operations. 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. As a result, the fiscal year is usually 52 weeks but results in a duration of 53 weeks every five to six years.

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 24, 2015.

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: financial instruments classified as fair value through profit and loss ("FVTPL"), financial instruments classified as available for sale, and cash settled stock-based compensation plans. Assets held for sale are valued 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 in the consolidated financial statements and accompanying notes. The use of estimates, judgments and assumptions are all interrelated. 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, the identification of indicators of impairment for property and equipment, investment property and intangible assets, 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 on the amounts recognized in the consolidated financial statements are summarized below. Estimates are based on management's best knowledge of current events and actions that 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) inventories valued at retail and adjusted to cost; (ii) estimated inventory provisions due to spoilage and shrinkage occurring between the last physical inventory count and the balance sheet dates; and (iii) estimated inventory provisions associated with vendor allowances and internal charges.

(b) Impairment

Management assesses impairment of non-financial assets such as investments at equity, goodwill, intangible assets, property and equipment, and investment property. In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit 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 in the consolidated financial statements in Notes 7, 9, 10, 11, and 12.

(c) Employee future benefits

Accounting for the costs of defined benefit pension plans and other post-employment benefits requires the use of a number of 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.

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 drawn up to the reporting date. Subsidiaries, including SEs, are all entities which the Company controls. All subsidiaries have a reporting date within five 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 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.

(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 in 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. 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.

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 in 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 (such as the unrealized gains and losses on cash flow hedges) or directly in equity.

(g) Assets held for sale

Certain property and equipment, inventory, and intangible assets 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 cost of disposal.

(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. 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 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) 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 Company is required to initially recognize all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value. Loans and receivables, held to maturity financial assets and other financial liabilities are subsequently measured at amortized cost. Derivatives and non-financial derivatives must be recorded at fair value on the consolidated balance sheets unless they are exempt from derivative treatment based upon expected purchase, sale or usage requirements.

The Company classifies financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purpose of ongoing measurements. Classification choices for financial assets include: a) FVTPL – measured at fair value with changes in fair value recorded in net earnings; b) held to maturity – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is derecognized or impaired; c) available for sale – measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and d) loans and receivables – recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired. Classification choices for financial liabilities include: a) FVTPL – measured at fair value with changes in fair value recorded in net earnings and b) other liabilities – measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is derecognized.

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

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

All financial assets are reviewed for impairment at each reporting date, except those classified as FVTPL. Loans and receivables are reviewed for past due balances from independent accounts and based on an evaluation of recoverability net of security assigned for franchisee or affiliate locations.

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition and amortized using the effective interest method.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows: Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; or Level 3 – unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

(j) Hedges

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and variable interest rates. For cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. To the extent the change in fair value of the derivative is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. 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 relating to the hedge is carried forward until the hedged item is recognized in net earnings. 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 is immediately reclassified to net earnings.

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

Significant derivatives include the following:

(1) 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 of these 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 until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

(2) Interest rate swaps designated as cash flow hedges to manage variable interest rates associated with some of the Company's debt portfolio. Hedge accounting treatment results in interest expense on the related debt being reflected at hedged rates rather than variable interest rates. Accordingly, the effective portion of the change in the fair value of the contracts is accumulated in other comprehensive income until the variability in cash flows being hedged is recognized in earnings in future accounting periods.

(k) 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 held under 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 in 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 is deferred and would reduce the carrying value of the investment.

(l) 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 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, in the consolidated statements of earnings.

(m) 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 in 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.

(n) 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 in the consolidated statements of earnings. Included in intangibles are brand names, loyalty programs, and private labels, the majority of which have indefinite useful lives. Subsequent expenditures made by the Company relating to intangible assets that do not meet the capitalization criteria are expensed in the period incurred.

(o) 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.

(p) Impairment of non-financial assets

Goodwill and intangibles with indefinite useful lives are reviewed for impairment at least annually by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the goodwill or the indefinite life intangible relates. The recoverable amount is the higher of fair value less costs of disposal and value in use. When the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognized immediately as selling and administrative expense. Impairment losses related to goodwill cannot be reversed.

Long-lived tangible and intangible assets are reviewed 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 fair value less costs of disposal and value in use. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit(s) to which the asset belongs. The Company has primarily determined a cash generating unit to be 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 cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized as selling and administrative expense immediately in net earnings or loss.

Where an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset (or cash generating unit) 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.

In the process of measuring expected 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 assets in the subsequent financial years.

(q) 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®.

Previously, the Company utilized a loyalty card program (the "Program") which allowed members to earn points on their purchases in certain Sobeys retail stores. Members could redeem these points, in accordance with the Program rewards schedule, for discounts on future grocery purchases, or purchase products or services. The fair value of loyalty points awarded was accounted for as a separate element of the sales transaction and recognition of revenue was deferred until the awards were redeemed after adjustment for the number of points expected never to be redeemed based on the expected future activity. Fair value was determined by reference to the value for which the points can be redeemed. The deferred revenue relating to the Program was included in accounts payable and accrued liabilities on the Company's consolidated balance sheets. During the fourth quarter of fiscal 2015, the Program ceased with all remaining stores transitioning into the AIR MILES® loyalty program. Customers had the ability to exchange outstanding points into AIR MILES® with redemptions permitted until June 1, 2015.

(r) 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 in the consolidated statements of earnings.

(s) Borrowing costs

Borrowing costs primarily comprise 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.

(t) 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.

(u) 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.

Re-measurements, 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 in the period in which they occur. Re-measurements 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.

(v) Revenue recognition

Sales are recognized at the point-of-sale. Sales include revenues from customers through corporate stores operated by the Company and consolidated SEs, and revenue from sales to non-SE franchised stores, affiliated stores and independent accounts. Revenue received from non-SE 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 weekly upon invoicing based on the franchisee’s retail sales.

(w) 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.

(x) 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.

(y) 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.

(z) 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 28).

(aa) Accounting standards and policies adopted during fiscal 2015

(i) Financial instruments: asset and liability offsetting

In December 2011, the IASB amended IAS 32, "Financial Instruments: Presentation", to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The amendments became effective in the first quarter of 2015 and had no significant impact on the Company's financial results and disclosures.

(ii) Levies

In May 2013, the IASB issued IFRIC 21, "Levies", which is an interpretation of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation, other than income taxes within the scope of IAS 12, "Income Taxes" and fines or other penalties imposed for breaches of legislation. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation became effective in the first quarter of 2015 and it had no significant impact on the Company's financial results.

(iii) Impairment of assets

In May 2013, the IASB amended IAS 36, "Impairment of Assets", to clarify the disclosure requirements for recoverable amounts for the assets or cash generating units for which an impairment loss has been recognized or reversed during the period. The amendments became effective in the first quarter of 2015 and had no significant impact on the Company's financial results and disclosures.

(bb) Future accounting policies

(i) Financial instruments

In July 2014, the IASB issued IFRS 9, "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, establishes an expected credit losses impairment model and a new hedge accounting model with corresponding risk management activity disclosures. The standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively, with the exception of the hedging component which is applied prospectively. IFRS 9 allows for early adoption, but the Company does not intend to do so at this time.

(ii) Revenue

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model and provides a comprehensive 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 new standard is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 allows for early adoption, but the Company does not intend to do so at this time.

(iii) Presentation of financial statements

In December 2014, the IASB amended IAS 1, "Presentation of Financial Statements", providing guidance on the application of judgment in the preparation of financial statements and disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted, but the Company does not intend to do so at this time.

The Company is currently evaluating the impact of the new standards and amendment on its consolidated financial statements.

4. INVENTORIES

The cost of inventories (including those from discontinued operations) recognized as an expense during the year was $17,966.7 (2014 – $15,956.4). The Company has recorded $4.4 (2014 – $10.1) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at May 2, 2015. There were no reversals of inventories written down previously (2014 – $ nil).

5. LOANS AND OTHER RECEIVABLES

	May 2, 2015	May 3, 2014
Loans receivable	**$ 72.7**	$ 61.8
Notes receivable and other	**40.6**	37.1
	113.3	98.9
Less amount due within one year	**24.8**	35.7
	$ 88.5	$ 63.2

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 2, 2015, is $15.8 due from a third party related to equipment sales made during the year.

Loans receivable from officers and employees of $0.6 (2014 – $1.4) under the Company's share purchase plan are classified as notes receivable and other. Loan repayments will result in a corresponding decrease in notes receivable and other. The loans are non-interest bearing and non-recourse, secured by 24,554 (2014 – 53,002) Non-Voting Class A shares. The market value of the shares at May 2, 2015 was $2.1 (2014 – $3.6).

6. ASSETS HELD FOR SALE

As a condition of the regulatory clearance from the Competition Bureau for Sobeys' acquisition in November 2013 of substantially all of the assets and select liabilities of Canada Safeway ULC (the "Canada Safeway acquisition"), the Company was required to divest 23 retail stores. In addition to the required divestitures, the Company agreed to sell an additional seven stores in British Columbia comprised of both Safeway and Sobeys locations.

During fiscal 2014, the Company divested 19 of the retail stores for cash proceeds of $337.7. The remaining 11 retail stores were divested during the first quarter of fiscal 2015 for cash proceeds of $111.3. All proceeds were used to repay bank borrowings.

On July 8, 2014, Sobeys announced that it entered into an agreement with Agropur Cooperative to sell four Safeway dairy manufacturing facilities. In addition, long-term milk, yogurt and ice cream supply agreements came into effect upon transfer of the facilities to Agropur Cooperative. During the year ended May 2, 2015, all of the facilities were sold and aggregate proceeds of $344.2 were attributed to the sales resulting in a gain of $27.0. All proceeds were used to repay bank borrowings.

On December 2, 2014, Sobeys entered into an agreement with Canada Bread Company, Limited to sell two bread manufacturing facilities. During the fourth quarter of fiscal 2015, the two bread manufacturing facilities were sold for proceeds of $27.8, resulting in a gain of $4.4.

On February 13, 2015, Sobeys sold and leased back 22 properties from Econo-Malls Holdings #19 Inc. Total proceeds from the transaction were $61.6 resulting in a gain of $24.9. All proceeds were used to repay bank borrowings.

7. INVESTMENTS, AT EQUITY

The carrying values of the investments, at equity are as follows:

	May 2, 2015	May 3, 2014
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	$ 365.6	$ 333.5
Canadian real estate partnerships	143.4	143.7
U.S. real estate partnerships	59.3	67.3
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	9.5	9.7
Total	$ 577.8	$ 554.2

The fair values of the investments based on a stock exchange are as follows:

	May 2, 2015	May 3, 2014
Crombie REIT	$ 724.3	$ 682.9

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

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

	May 2, 2015	May 3, 2014
Balance, beginning of year	$ 333.5	$ 195.2
Equity earnings	30.6	19.2
Share of comprehensive income	1.0	2.5
Distributions	(46.9)	(38.5)
Deferral of gains on sale of property	(1.0)	(0.3)
Reversal of deferred gain on sale of property to unrelated party	8.3	1.1
Interest acquired in Crombie REIT	40.0	150.0
Dilution gain *(Note 19)*	0.1	4.3
Balance, end of year	$ 365.6	$ 333.5

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

	May 2, 2015	May 3, 2014
Balance, beginning of year	$ 143.7	$ 136.0
Equity earnings	43.8	22.0
Distributions	(44.1)	(22.4)
Investment	–	13.7
Remeasurement of deferred tax attributes	–	(5.6)
Balance, end of year	$ 143.4	$ 143.7

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

	May 2, 2015	May 3, 2014
Balance, beginning of year	**$ 67.3**	$ 67.2
Equity earnings	**10.9**	8.4
Distributions	**(27.4)**	(16.5)
Foreign currency translation adjustment	**7.8**	6.0
Investment	**0.7**	2.2
Balance, end of year	**$ 59.3**	$ 67.3

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

	May 2, 2015	May 3, 2014
Balance, beginning of year	**$ 9.7**	$ 9.2
Equity earnings	**0.4**	0.6
Distributions	**(0.6)**	(0.3)
Investment	**–**	0.2
Balance, end of year	**$ 9.5**	$ 9.7

The Company owns 53,348,699 Class B LP units and attached special voting units of Crombie REIT, along with 909,090 REIT units, representing a 41.5% economic and voting interest in Crombie.

During the Company's fiscal 2015, Crombie REIT instituted a distribution reinvestment plan ("DRIP") whereby Canadian resident REIT unitholders may elect to automatically have their distributions reinvested in additional REIT units. The Company has enrolled in the DRIP to maintain its economic and voting interest in Crombie REIT.

The following amounts represent the revenues, expenses, assets, and liabilities of Crombie REIT as at and for the 12 months ended March 31, 2015, as well as a reconciliation of the carrying amount of the Company's investment in Crombie REIT to Unitholders' equity of Crombie REIT:

	March 31, 2015	March 31, 2014
Revenues	**$ 359.9**	$ 317.3
Expenses	**289.7**	277.9
Earnings before income taxes	**$ 70.2**	$ 39.4
Loss from continuing operations	**$ (43.5)**	$ (52.1)
Other comprehensive income	**2.0**	3.8
Total comprehensive loss	**$ (41.5)**	$ (48.3)

	March 31, 2015	March 31, 2014
Assets		
Current	$ 35.4	$ 73.8
Non-current	3,383.4	3,271.1
	$ 3,418.8	$ 3,344.9
Liabilities		
Current	$ 170.5	$ 211.4
Non-current	2,075.1	2,019.3
	$ 2,245.6	$ 2,230.7
Unitholders' equity		
REIT Units	$ 710.1	$ 675.1
Class B LP Units	463.1	439.1
	1,173.2	1,114.2
Less REIT Units	(710.1)	(675.1)
Cumulative changes since acquisition of Crombie REIT		
Variance in timing of distributions	3.8	3.6
Issue costs related to Class B LP Units	12.6	12.3
Deferred gains (net of depreciation addback)	(166.1)	(174.0)
Dilution gains	38.6	38.5
Write off of portion of AOCI on dilution of interest in Crombie REIT	0.7	0.7
Carrying amount attributable to investment in Class B LP Units	352.7	320.2
REIT Units owned by Empire Company	13.8	13.8
Cumulative equity earnings on REIT Units	1.1	0.6
Cumulative distributions on REIT Units	(2.0)	(1.1)
Carrying amount of investment in Crombie REIT	$ 365.6	$ 333.5

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, 2015:

	March 31, 2015	March 31, 2014
Revenues	$ 152.2	$ 111.0
Expenses	47.8	52.8
Net earnings from continuing operations	$ 104.4	$ 58.2
Net earnings (loss) from discontinued operations	3.9	(0.7)
Net earnings	$ 108.3	$ 57.5

	March 31, 2015		March 31, 2014	
Current assets	**$**	**324.2**	$	325.5
Current liabilities		**27.3**		24.8
Non-current liabilities		**5.0**		10.0
Net assets	**$**	**291.9**	$	290.7
Carrying amount of investment	**$**	**143.4**	$	143.7

The Company has interests in various U.S. real estate partnerships ranging from 42.1% to 45.8% 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, 2015:

	March 31, 2015		March 31, 2014	
Revenues	**$**	**74.5**	$	78.1
Expenses		**49.5**		58.6
Net earnings	**$**	**25.0**	$	19.5

	March 31, 2015		March 31, 2014	
Current assets	**$**	**153.1**	$	178.4
Current liabilities	**$**	**17.2**	$	14.6
Net assets	**$**	**135.9**	$	163.8
Carrying amount of investment	**$**	**59.3**	$	67.3

8. OTHER ASSETS

	May 2, 2015		May 3, 2014	
Restricted cash	**$**	**4.4**	$	6.3
Deferred lease assets		**23.1**		15.0
Property deposits		**6.8**		–
Other		**14.1**		7.9
Total	**$**	**48.4**	$	29.2

9. PROPERTY AND EQUIPMENT

May 2, 2015	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	**$ 699.6**	**$ 1,576.6**	**$ 2,577.9**	**$ 669.9**	**$ 236.7**	**$ 5,760.7**
Additions	**51.4**	**33.7**	**139.3**	**57.4**	**205.2**	**487.0**
Additions from business acquisitions	**1.5**	**–**	**4.1**	**0.2**	**0.2**	**6.0**
Transfers	**(6.7)**	**(30.1)**	**(19.5)**	**2.6**	**(228.3)**	**(282.0)**
Disposals and write downs	**(32.9)**	**(67.3)**	**(250.2)**	**(38.5)**	**(2.0)**	**(390.9)**
Closing balance	**$ 712.9**	**$ 1,512.9**	**$ 2,451.6**	**$ 691.6**	**$ 211.8**	**$ 5,580.8**
Accumulated depreciation and impairment losses						
Opening balance	**$ –**	**$ 361.0**	**$ 1,411.0**	**$ 303.1**	**$ –**	**$ 2,075.1**
Disposals and write downs	**–**	**(34.0)**	**(241.3)**	**(27.8)**	**–**	**(303.1)**
Transfers	**–**	**(25.9)**	**(48.4)**	**(17.9)**	**–**	**(92.2)**
Depreciation	**–**	**73.2**	**257.6**	**66.2**	**–**	**397.0**
Impairment losses	**–**	**–**	**3.5**	**1.1**	**–**	**4.6**
Impairment reversals	**–**	**–**	**(0.9)**	**(0.1)**	**–**	**(1.0)**
Closing balance	**$ –**	**$ 374.3**	**$ 1,381.5**	**$ 324.6**	**$ –**	**$ 2,080.4**
Net carrying value as at May 2, 2015	**$ 712.9**	**$ 1,138.6**	**$ 1,070.1**	**$ 367.0**	**$ 211.8**	**$ 3,500.4**

May 3, 2014	Land	Buildings	Equipment	Leasehold Improvements	Assets Under Construction	Total
Cost						
Opening balance	$ 423.4	$ 1,075.7	$ 2,293.8	$ 611.5	$ 195.8	$ 4,600.2
Additions	31.1	34.1	157.2	45.9	324.3	592.6
Additions from business acquisitions	285.2	486.6	226.6	137.6	11.5	1,147.5
Transfers	(24.8)	37.2	51.3	12.6	(293.7)	(217.4)
Disposals and write downs	(15.3)	(57.0)	(151.0)	(137.7)	(1.2)	(362.2)
Closing balance	$ 699.6	$ 1,576.6	$ 2,577.9	$ 669.9	$ 236.7	$ 5,760.7
Accumulated depreciation and impairment losses						
Opening balance	$ –	$ 325.4	$ 1,272.9	$ 298.9	$ –	$ 1,897.2
Disposals and write downs	–	(19.7)	(87.7)	(54.8)	–	(162.2)
Transfers	–	(4.2)	(17.1)	(6.7)	–	(28.0)
Depreciation	–	59.1	241.7	60.9	–	361.7
Impairment losses	–	0.5	9.0	16.7	–	26.2
Impairment reversals	–	(0.1)	(7.8)	(11.9)	–	(19.8)
Closing balance	$ –	$ 361.0	$ 1,411.0	$ 303.1	$ –	$ 2,075.1
Net carrying value as at May 3, 2014	$ 699.6	$ 1,215.6	$ 1,166.9	$ 366.8	$ 236.7	$ 3,685.6

Finance leases

The Company has various property leases for store locations that are held under finance leases with a net carrying value of $28.7 as at May 2, 2015 (2014 – $30.2). These leases are included in buildings.

The Company has equipment leases under finance leases with a net carrying value of $10.4 as at May 2, 2015 (2014 – $13.9). These leases are included in equipment.

Assets under construction

During the year, the Company capitalized borrowing costs of $0.5 (2014 – $1.7) on indebtedness related to property and equipment under construction. The Company used a capitalization rate of 4.4% (2014 – 4.3%).

Security

As at May 2, 2015, the net carrying value of property pledged as security for borrowings is $75.2 (2014 – $98.0).

Impairment of property and equipment

Property and equipment is reviewed each reporting period for events or changes in circumstances which indicate that the carrying value of the assets may not be recoverable. The review is performed by assessing the recoverable amount of each cash generating unit or groups of cash generating units to which the property and equipment relates. The recoverable amount is the higher of fair value less costs of disposal and value in use. When the recoverable amount of the cash generating units is less than the carrying amount an impairment loss is recognized.

Recoverable amounts based on value in use calculations are determined using cash flow projections from the Company's latest internal forecasts as presented to the Board of Directors. Key assumptions used in determining value in use include those regarding 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 cash generating units.

Forecasts are projected beyond three years based on long-term growth rates ranging from 3.0 to 5.0 percent. Discount rates are calculated on a pre-tax basis and range from 7.0 to 10.0 percent.

Impairment losses arise when the carrying amount of the assets is higher than the greater of the present value of cash flows of a cash generating unit and its fair value less costs of disposal. Impairment losses of $4.6 were recorded in the year ended May 2, 2015 (2014 – $26.2).

Impairment reversals of $1.0 were recorded in the year ended May 2, 2015 (2014 – $19.8).

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 2, 2015	May 3, 2014
Cost		
Opening balance	$ 121.0	$ 112.1
Additions	6.5	6.8
Additions from business acquisitions	–	5.0
Transfers	(4.6)	6.5
Disposals and write downs	(7.8)	(9.4)
Closing balance	$ 115.1	$ 121.0
Accumulated depreciation and impairment losses		
Opening balance	$ 16.5	$ 15.2
Depreciation	0.8	0.8
Transfers	–	1.5
Disposals and write downs	(6.4)	(1.0)
Closing balance	$ 10.9	$ 16.5
Net carrying value	$ 104.2	$ 104.5
Fair value	$ 152.8	$ 151.5

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 2, 2015 and at May 3, 2014. 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, internal valuation methodologies, or the use of an external independent valuation company.

Rental income from investment property included in the consolidated statements of earnings amounted to $4.9 for the year ended May 2, 2015 (2014 – $4.0).

Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from investment property that generated rental income amounted to $1.7 for the year ended May 2, 2015 (2014 – $2.1). Direct operating expenses (including repairs and maintenance but excluding depreciation expense) arising from non-income producing investment property amounted to $2.9 for the year ended May 2, 2015 (2014 – $1.0). 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 9). There were no impairment losses or reversals for the year ended May 2, 2015 (2014 – $ nil).

11. INTANGIBLES

May 2, 2015	Brand Names	Deferred Purchase Agreements	Franchise Rights/ Agreements	Prescription Files	Software	Lease Rights	Loyalty Programs	Private Labels	Off Market Leases	Other	Total
Cost											
Opening balance	$ 215.0	$ 109.8	$ 49.7	$ 306.8	$ 250.7	$ 48.2	$ 11.4	$ 59.5	$ 191.3	$ 35.3	$1,277.7
Additions, separately acquired	–	17.8	–	–	–	2.8	–	–	–	0.3	20.9
Additions from business acquisitions	–	–	0.1	0.3	–	–	–	–	–	–	0.4
Transfers	(14.0)	(1.1)	(0.6)	(0.2)	27.1	1.5	–	–	–	(0.8)	11.9
Disposals and write downs	–	(6.3)	–	–	(1.6)	(0.8)	–	–	(10.8)	(6.3)	(25.8)
Closing balance	$ 201.0	$ 120.2	$ 49.2	$ 306.9	$ 276.2	$ 51.7	$ 11.4	$ 59.5	$ 180.5	$ 28.5	$1,285.1
Accumulated amortization and impairment losses											
Opening balance	$ 20.9	$ 40.5	$ 31.8	$ 30.9	$ 108.9	$ 24.5	$ –	$ –	$ 10.1	$ 16.5	$ 284.1
Amortization	3.0	13.0	3.5	20.3	30.3	3.7	–	–	7.9	3.0	84.7
Impairment reversals	–	–	–	(2.1)	–	–	–	–	–	–	(2.1)
Transfers	(0.8)	(0.8)	(0.6)	(0.1)	–	0.8	–	–	–	(2.4)	(3.9)
Disposals and write downs	–	(5.8)	–	–	(1.4)	(0.8)	–	–	(6.6)	(6.1)	(20.7)
Closing balance	$ 23.1	$ 46.9	$ 34.7	$ 49.0	$ 137.8	$ 28.2	$ –	$ –	$ 11.4	$ 11.0	$ 342.1
Net carrying value as at May 2, 2015	$ 177.9	$ 73.3	$ 14.5	$ 257.9	$ 138.4	$ 23.5	$ 11.4	$ 59.5	$ 169.1	$ 17.5	$ 943.0

May 3, 2014	Brand Names	Deferred Purchase Agreements	Franchise Rights/ Agreements	Prescription Files	Software	Lease Rights	Loyalty Programs	Private Labels	Off Market Leases	Other	Total
Cost											
Opening balance	$ 201.0	$ 97.6	$ 54.3	$ 33.0	$ 180.8	$ 48.7	$ 11.4	$ 59.5	$ 1.6	$ 24.4	$ 712.3
Additions, separately acquired	–	16.4	0.6	0.2	0.3	2.5	–	–	–	1.7	21.7
Additions from business acquisitions	14.0	–	–	275.2	–	–	–	–	189.7	9.2	488.1
Transfers	–	–	–	–	71.3	–	–	–	–	–	71.3
Disposals and write downs	–	(4.2)	(5.2)	(1.6)	(1.7)	(3.0)	–	–	–	–	(15.7)
Closing balance	$ 215.0	$ 109.8	$ 49.7	$ 306.8	$ 250.7	$ 48.2	$ 11.4	$ 59.5	$ 191.3	$ 35.3	$1,277.7
Accumulated amortization and impairment losses											
Opening balance	$ 17.2	$ 30.9	$ 31.9	$ 20.0	$ 83.3	$ 24.5	$ –	$ –	$ 0.2	$ 13.8	$ 221.8
Amortization	3.7	13.1	4.0	11.4	26.5	3.0	–	–	3.7	2.7	68.1
Impairment losses	–	–	–	–	0.5	–	–	–	–	–	0.5
Impairment reversals	–	–	–	(0.4)	(0.1)	–	–	–	–	–	(0.5)
Disposals and write downs	–	(3.5)	(4.1)	(0.1)	(1.3)	(3.0)	–	–	6.2	–	(5.8)
Closing balance	$ 20.9	$ 40.5	$ 31.8	$ 30.9	$ 108.9	$ 24.5	$ –	$ –	$ 10.1	$ 16.5	$ 284.1
Net carrying value as at May 3, 2014	$ 194.1	$ 69.3	$ 17.9	$ 275.9	$ 141.8	$ 23.7	$ 11.4	$ 59.5	$ 181.2	$ 18.8	$ 993.6

In addition to development costs capitalized related to software, the Company included in selling and administrative expenses $14.4 of research and development costs (2014 – $6.5).

Impairment of intangibles follows the same methodology as property and equipment (Note 9). For the year ended May 2, 2015, impairment losses of $ nil (2014 – $0.5) and reversals of $2.1 (2014 – $0.5) were recorded.

Included in intangibles as at May 2, 2015 and May 3, 2014 are the following amounts with indefinite useful lives: Brand names – $172.8; Loyalty programs – $11.4; and Private labels – $59.5 all of which relate to the food retailing segment. Impairment of these intangibles is assessed annually on the same basis as goodwill as noted in Note 12 below.

12. GOODWILL

	May 2, 2015	May 3, 2014
Opening balance	$ 4,069.7	$ 1,310.4
Additions from business acquisitions	4.5	2,820.1
Transfer to assets held for sale	(276.0)	(19.4)
Impairments	–	(9.1)
Disposals	–	(32.6)
Other adjustments	1.0	0.3
Closing balance	$ 3,799.2	$ 4,069.7

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 five food retailing operating segments:

	May 2, 2015	May 3, 2014
Atlantic	$ 163.8	$ 121.0
Lawtons	15.4	15.4
Ontario	150.3	98.8
Quebec	608.9	526.0
West	2,860.8	493.8
Canada Safeway acquisition	–	2,814.7
Total	$ 3,799.2	$ 4,069.7

Goodwill related to the Canada Safeway acquisition has been allocated across the Company's five food retailing operating segments during fiscal 2015. The allocations were based on synergies expected to be realized in each segment, with the majority allocated to the West.

Impairment of goodwill

Goodwill is subject to impairment testing on an annual basis. However, if indicators of impairment are present, the Company will review goodwill for impairment when such indicators arise. The Company performs an annual review during its first quarter, and no impairment was recorded (2014 – $ nil). In performing the review, the Company determined the recoverable amount of goodwill based on fair value less costs of disposal. The key assumption used by management to determine the fair value of the cash generating unit includes industry earnings multiples in a range from 7.0 to 12.5. This key assumption is classified as Level 2 on the fair value hierarchy.

In fiscal 2014, as part of the sale of Empire Theatres (Note 22), goodwill relating to Empire Theatres, which was previously assessed as one operating segment, was assessed for each of the two sales transactions separately. As a result of this assessment, an impairment loss of $9.1 was recorded and is reported as part of discontinued operations.

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 2, 2015	May 3, 2014
Earnings before income taxes	**$ 587.3**	$ 195.3
Effective combined statutory income tax rate	**26.4%**	26.7%
Income tax expense according to combined statutory income tax rate	**155.0**	52.1
Income taxes resulting from:		
Non-deductible items	**2.4**	6.7
Capital items	**(4.5)**	(1.5)
Non-taxable items	**(1.4)**	(4.5)
Change in tax rates	**0.1**	3.2
Remeasurement of deferred tax attributes	**–**	(20.7)
Other	**(1.2)**	1.0
Total income taxes, combined effective tax rate of 25.6% (2014 – 18.6%)	**$ 150.4**	$ 36.3

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

	May 2, 2015	May 3, 2014
Current tax expense	**$ 130.9**	$ 135.9
Deferred tax expense:		
Origination and reversal of temporary differences	**19.4**	(82.1)
Change in tax rates	**0.1**	3.2
Remeasurement of deferred tax attributes	**–**	(20.7)
Total	**$ 150.4**	$ 36.3

In fiscal 2014, the Company completed a remeasurement of its deferred income tax provision in the year ended May 3, 2014 resulting in an adjustment of certain tax attributes recognized in earnings in the amount of $20.7.

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

		Recognized in:			
May 2, 2015	**Opening Balance**	**Other Comprehensive Income and Equity**	**Business Acquisitions**	**Net Earnings**	**Closing Balance**
Accounts payable and accrued liabilities	**$ 6.5**	**$ –**	**$ –**	**$ (2.7)**	**$ 3.8**
Equity	**16.0**	**–**	**–**	**(4.7)**	**11.3**
Goodwill and intangibles	**(159.7)**	**–**	**–**	**(6.4)**	**(166.1)**
Inventory	**4.3**	**–**	**–**	**0.9**	**5.2**
Investments	**(13.9)**	**(0.3)**	**–**	**(5.6)**	**(19.8)**
Long-term debt	**17.6**	**–**	**–**	**(2.0)**	**15.6**
Other assets	**(0.9)**	**–**	**–**	**0.4**	**(0.5)**
Other long-term liabilities	**98.6**	**17.4**	**–**	**(2.3)**	**113.7**
Property, equipment and investment property	**(70.4)**	**–**	**–**	**(23.2)**	**(93.6)**
Provisions	**63.6**	**–**	**–**	**12.0**	**75.6**
Partnership deferral reserve	**(5.0)**	**–**	**–**	**7.9**	**2.9**
Losses	**39.9**	**–**	**–**	**12.4**	**52.3**
Other	**5.8**	**–**	**–**	**(6.2)**	**(0.4)**
	$ 2.4	**$ 17.1**	**$ –**	**$ (19.5)**	**$ –**
Recognized as:					
Deferred tax assets	**$ 126.2**	**$ 17.4**	**$ –**	**$ (32.7)**	**$ 110.9**
Deferred tax liabilities	**$ (123.8)**	**$ (0.3)**	**$ –**	**$ 13.2**	**$ (110.9)**

		Recognized in:			
May 3, 2014	Opening Balance	Other Comprehensive Income and Equity	Business Acquisitions	Net Earnings	Closing Balance
Accounts payable and accrued liabilities	$ 3.2	$ –	$ 2.0	$ 1.3	$ 6.5
Equity	–	20.1	–	(4.1)	16.0
Goodwill and intangibles	(102.0)	–	(20.7)	(37.0)	(159.7)
Inventory	2.2	–	–	2.1	4.3
Investments	(29.6)	–	–	15.7	(13.9)
Long-term debt	7.3	–	10.2	0.1	17.6
Other assets	–	–	–	(0.9)	(0.9)
Other long-term liabilities	78.3	(11.7)	32.9	(0.9)	98.6
Property, equipment and investment property	(79.0)	–	(6.4)	15.0	(70.4)
Provisions	22.5	–	2.9	38.2	63.6
Partnership deferral reserve	(43.7)	–	–	38.7	(5.0)
Losses	3.8	2.1	–	34.0	39.9
Other	(1.3)	–	1.4	5.7	5.8
	$ (138.3)	$ 10.5	$ 22.3	$ 107.9	$ 2.4
Less: Recognized in discontinued operations				(8.3)	
Recognized in continuing operations				99.6	
Recognized as:					
Deferred tax assets	$ 42.3	$ 25.5	$ 35.5	$ 22.9	$ 126.2
Deferred tax liabilities	$ (180.6)	$ (15.0)	$ (13.2)	$ 85.0	$ (123.8)

All deferred tax assets (including tax losses and other tax credits) have been recognized in the consolidated balance sheets. The amount of deferred tax assets and deferred tax liabilities that are expected to be recovered or settled beyond the next 12 months is $(120.5).

14. PROVISIONS

The provisions carrying amounts are comprised of the following:

May 2, 2015	Lease Contracts	Legal	Environmental	Restructuring	Other	Total
Opening balance	$ 28.0	$ 11.2	$ 41.9	$ 138.7	$ 3.3	$ 223.1
Assumed in business acquisitions	–	–	0.1	–	–	0.1
Provisions made	3.2	5.8	1.7	102.0	0.5	113.2
Provisions used	(6.2)	(5.8)	(2.4)	(41.2)	(0.9)	(56.5)
Provisions reversed	(4.7)	(1.6)	(2.2)	(15.3)	–	(23.8)
Change due to discounting	1.4	–	1.3	6.1	0.1	8.9
Closing balance	$ 21.7	$ 9.6	$ 40.4	$ 190.3	$ 3.0	$ 265.0
Current	$ 10.9	$ 9.6	$ 3.3	$ 95.5	$ 2.8	$ 122.1
Non-current	10.8	–	37.1	94.8	0.2	142.9
Total	$ 21.7	$ 9.6	$ 40.4	$ 190.3	$ 3.0	$ 265.0

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 percent.

Legal costs

Legal provisions relate to claims of $9.6 that are outstanding as at May 2, 2015 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 primarily relate to decommissioning liabilities recorded for gas station locations owned by the Company 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 percent.

Restructuring

Restructuring provisions relate to the Company's initiatives to lower operating costs and improve financial performance. During the fiscal year, the Company continued to review and integrate Canada Safeway into its business and the Company performed a critical review of its business support network and excess distribution centre capacity. These realignments will strengthen and maximize efficiencies across the network. As a result of these initiatives, a $94.6 restructuring provision has been recorded during the fourth quarter of fiscal 2015. This provision includes $77.3 of severance costs, onerous leases of $15.7, and other restructuring costs of $1.6. The value of the provision is management's best estimate of the amount of expenditures expected to occur.

Total restructuring costs of $103.0 were recognized in selling and administrative expenses for the year ended May 2, 2015. This expense includes write downs of $9.7 to property and equipment and intangible assets, a $2.2 reversal of straight-line lease provisions, $0.9 in other restructuring expenses and $94.6 for severance, onerous leases, and other restructuring costs as noted above.

Other

The Company has obligations to provide various forms of support to Crombie REIT pursuant to various agreements between the parties. These amounts are included in other provisions.

15. LONG-TERM DEBT

	May 2, 2015	May 3, 2014
First mortgage loans, weighted average interest rate 4.90%, due 2015 – 2033	$ 49.4	$ 37.4
Medium term notes, Series C, interest rate 7.16%, due February 26, 2018	100.0	100.0
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
Sinking fund debentures, weighted average interest rate 11.63%, due 2016	6.2	14.0
Series 2013-1 Notes, interest rate 3.52%, due August 8, 2018	500.0	500.0
Series 2013-2 Notes, interest rate 4.70%, due August 8, 2023	500.0	500.0
Senior unsecured notes, floating interest rate tied to bankers' acceptance rate, due July 14, 2016	300.0	–
Notes payable and other debt primarily at interest rates fluctuating with the prime rate	137.4	141.2
Credit facilities, due November 4, 2017, floating interest rate tied to bankers' acceptance rates	221.8	1,735.0
	2,264.8	3,477.6
Unamortized transaction costs	(34.7)	(45.1)
Finance lease obligations, weighted average interest rate 5.81%, due 2015 – 2040	65.8	67.6
	2,295.9	3,500.1
Less amount due within one year	53.9	218.0
	$ 2,242.0	$ 3,282.1

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.

Sinking fund debenture payments are required on an annual basis. The proportionate share of related debt is retired with these repayments.

On November 4, 2013, the Company extended the term of its credit facilities to a maturity date of November 4, 2017. On June 6, 2014, an amendment was made to the credit facility to reduce the amount available from $450.0 to $250.0.

On August 8, 2013, in connection with the Canada Safeway acquisition, Sobeys completed a private placement of $500.0 aggregate principal amount of 3.52 percent Notes, Series 2013-1 due August 8, 2018 (the "Series 2013-1 Notes") and $500.0 aggregate principal amount of 4.70 percent Notes, Series 2013-2 due August 8, 2023 (the "Series 2013-2 Notes" and together with the Series 2013-1 Notes, the "Notes"). The aggregate net proceeds were approximately $987.1 after deducting underwriting fees and the purchase discount on the 2013-1 Notes. Upon closing of the Canada Safeway acquisition, the net proceeds of $987.1 were released from escrow and used to partially finance the acquisition.

Pursuant to an agreement dated October 30, 2013, Sobeys established new credit facilities in connection with the Canada Safeway acquisition. The agreement provided for a non-revolving, amortizing term credit facility (the "Acquisition Facility") in the amount of $1,825.0; a non-revolving, non-amortizing term bridge facility (the "Bridge Facility") in the amount of $1,327.9; and a revolving term credit facility (the "RT Facility") in the amount of $450.0.

On November 4, 2013, the RT Facility replaced Sobeys' previous unsecured revolving term credit facility of $450.0, the Acquisition Facility was fully drawn for $1,825.0 and the Bridge Facility was drawn for $200.0 in order to partially finance the Canada Safeway acquisition. As of May 2, 2015, the outstanding amount of the Acquisition Facility was $200.0, the Bridge Facility was fully repaid and matured, and the Company had issued $57.3 in letters of credit against the RT Facility (2014 – $79.0). Interest payable on the Acquisition and RT Facilities fluctuates with changes in the bankers' acceptance rate or Canadian prime rate, and both facilities mature on November 4, 2017.

On July 14, 2014, Sobeys completed a private placement of $300.0 aggregate principal amount of floating rate senior unsecured notes, due July 14, 2016. The senior unsecured notes bear an interest rate equal to the three-month bankers' acceptance rate plus 63 basis points, to be set quarterly. The net proceeds were used to repay outstanding debt on the Acquisition Facility. Deferred financing fees in the amount of $0.9 were incurred on the draw down of the senior unsecured notes and have been offset against long term debt amounts for presentation purposes.

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

2016	$ 42.7
2017	324.1
2018	207.3
2019	607.9
2020	15.9
Thereafter	1,066.9

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
2016	$ 14.7	$ 3.5	$ 11.2
2017	13.9	2.9	11.0
2018	11.2	2.3	8.9
2019	9.0	1.8	7.2
2020	7.3	1.4	5.9
Thereafter	29.1	7.5	21.6
Total	$ 85.2	$ 19.4	$ 65.8

During fiscal 2015, the Company increased its finance lease obligation by $5.8 (2014 – $2.4) with a similar increase in assets under finance leases. These additions are non-cash in nature, therefore have been excluded from the statements of cash flows.

16. OTHER LONG-TERM LIABILITIES

	May 2, 2015	May 3, 2014
Deferred lease obligation	**$ 89.9**	$ 84.3
Accrued benefit liability *(Note 17)*	**170.4**	119.1
Employee future benefits *(Note 17)*	**180.7**	174.5
Deferred revenue	**5.6**	5.0
Other	**11.4**	6.4
Total	**$ 458.0**	$ 389.3

17. EMPLOYEE FUTURE BENEFITS

The Company has a number of 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 (for example, annuity purchase) that can be achieved with the combined total of employee and employer contributions and investment income over the period of plan membership, and the 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, but the employer contributions fund the balance. The employer contributions are not specified or defined within the plan text, they 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 April 30 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, 2013	December 31, 2016
Senior Management Pension Plans	December 31, 2013	December 31, 2016
Other Benefit Plans	May 1, 2015	May 1, 2018

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 17 percent 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 2, 2015, the Company recognized an expense of $47.7 (2014 – $24.4) in operating income, which represents the contributions made in connection with multi-employer pension plans. During fiscal 2016, 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 $29.4 for the year ended May 2, 2015 (2014 – $30.4).

Defined benefit plans

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

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	May 3, 2014	**May 2, 2015**	May 3, 2014
Defined benefit obligation				
Balance, beginning of year	**$ 841.5**	$ 310.6	**$ 174.5**	$ 133.9
Additions from business acquisitions	**–**	531.0	**–**	43.9
Current service cost, net of employee contributions	**3.8**	3.2	**3.6**	2.7
Interest cost	**34.4**	22.9	**7.3**	6.1
Employee contributions	**0.1**	0.1	**–**	–
Benefits paid	**(56.4)**	(45.9)	**(6.8)**	(5.6)
Past service costs	**0.5**	0.6	**–**	–
Past service costs – curtailments	**(6.6)**	–	**(4.4)**	(0.3)
Settlements	**(7.3)**	–	**–**	–
Remeasurement – actuarial losses (gains) included in other comprehensive income	**94.8**	19.0	**6.5**	(6.2)
Balance, end of year	**$ 904.8**	$ 841.5	**$ 180.7**	$ 174.5
Plan assets				
Fair value, beginning of year	**$ 722.4**	$ 247.6	**$ –**	$ –
Additions from business acquisitions	**–**	437.4	**–**	–
Interest income on plan assets	**29.7**	18.5	**–**	–
Remeasurement return on plan assets (excluding amount in net interest)	**40.4**	53.9	**–**	–
Employer contributions	**8.9**	11.9	**6.8**	5.6
Employee contributions	**0.1**	0.1	**–**	–
Benefits paid	**(56.4)**	(45.9)	**(6.8)**	(5.6)
Settlements	**(8.2)**	–	**–**	–
Administrative costs	**(2.5)**	(1.1)	**–**	–
Fair value, end of year	**$ 734.4**	$ 722.4	**$ –**	$ –

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	May 3, 2014	**May 2, 2015**	May 3, 2014
Funded status				
Total fair value of plan assets	**$ 734.4**	$ 722.4	**$ –**	$ –
Present value of unfunded obligations	**(91.2)**	(83.2)	**(180.7)**	(174.5)
Present value of partially funded obligations	**(813.6)**	(758.3)	**–**	–
Accrued benefit liabilities	**$ (170.4)**	$ (119.1)	**$ (180.7)**	$ (174.5)

Accrued benefit liabilities have been recognized within other long-term liabilities on the consolidated balance sheets.

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	May 3, 2014	**May 2, 2015**	May 3, 2014
Expenses				
Current service cost, net of employee contributions	**$ 3.8**	$ 3.2	**$ 3.6**	$ 2.7
Net interest on net defined benefit liability	**4.7**	4.4	**7.3**	6.1
Administrative costs	**2.5**	1.1	**–**	–
Actuarial (gain) loss recognized	**–**	–	**(0.2)**	0.1
Past service costs	**0.5**	0.6	**–**	–
Past service costs – curtailments	**(6.6)**	–	**(4.4)**	(0.3)
Settlement loss	**0.9**	–	**–**	–
Costs	**$ 5.8**	$ 9.3	**$ 6.3**	$ 8.6

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 in the consolidated statements of earnings.

Actuarial gains and losses recognized directly in other comprehensive income:

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	May 3, 2014	**May 2, 2015**	May 3, 2014
Remeasurement effects recognized in other comprehensive income				
Return on plan assets (excluding amounts in net interest)	**$ (40.4)**	$ (53.9)	**$ –**	$ –
Actuarial gain – experience changes	**(0.5)**	(6.2)	**(9.5)**	(7.0)
Actuarial loss – demographic assumptions	**–**	12.5	**–**	9.3
Actuarial loss (gain) – financial assumptions	**95.3**	12.5	**16.2**	(8.5)
Remeasurement effects recognized in other comprehensive income	**$ 54.4**	$ (35.1)	**$ 6.7**	$ (6.2)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted-average assumptions as of May 2, 2015):

	Pension Benefit Plans		Other Benefit Plans	
	May 2, 2015	May 3, 2014	**May 2, 2015**	May 3, 2014
Discount rate	**3.50%**	4.25%	**3.25%**	4.00%
Rate of compensation increase	**3.50%**	3.50%		

For measurement purposes, a 7.00 percent fiscal 2015 annual rate of increase in the per capita cost of covered health care benefits was assumed (2014 – 7.50 percent). The cumulative rate expectation to 2019 and thereafter is 5.00 percent.

These assumptions were developed by management under consideration of expert advice provided by independent actuarial appraisers. These assumptions have led to the amounts determined as 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 in regards to medical cost trends, which may vary significantly in future appraisals of the Company's defined benefit and other benefit obligations.

The table below outlines the sensitivity of the fiscal 2015 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]	3.50%	3.50%	3.25%	3.25%
Impact of: 1% increase	$ (116.4)	$ (5.3)	$ (22.7)	$ 0.1
Impact of: 1% decrease	$ 147.1	$ 4.3	$ 28.2	$ (0.3)
Growth rate of health care costs[3]			7.00%	7.00%
Impact of: 1% increase			$ 21.1	$ 1.2
Impact of: 1% decrease			$ (17.4)	$ (1.0)

(1) Reflects the impact on the current service cost, interest cost, and net interest on defined benefit liability (asset).
(2) Based on a weighted average of discount rates related to all plans.
(3) Gradually decreasing to 5.00 percent in 2019 and remaining at that level thereafter.

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

	May 2, 2015	May 3, 2014
Canadian equity funds	**18.2%**	37.8%
Foreign equity funds	**20.4%**	33.7%
Fixed income funds	**60.5%**	28.1%
Cash	**0.9%**	0.4%
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 2, 2015	**% of Plan Assets**	May 3, 2014	% of Plan Assets
Empire Company Limited Non-Voting Class A shares	**$ 22.3**	**3.0%**	$ 22.1	3.1%

All of 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 (i.e. as prices) or indirectly (i.e. derived from prices).

The actual return on plan assets was $67.6 for the year ended May 2, 2015 (2014 – $71.3).

Management's best estimate of contributions expected to be paid to the defined benefit plans during the annual period beginning on May 3, 2015 and ending on May 7, 2016 is $9.0.

18. CAPITAL STOCK

	Number of Shares	
Authorized	**May 2, 2015**	May 3, 2014
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	**257,044,056**	257,044,056
Class B common share, without par value, voting	**40,800,000**	40,800,000

Issued and outstanding	**Number of Shares**	**May 2, 2015**	May 3, 2014
Non-Voting Class A	**59,620,737**	**$ 2,102.1**	$ 2,101.0
Class B common	**32,712,693**	**7.3**	7.6
Total		**$ 2,109.4**	$ 2,108.6

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 the year ended May 2, 2015, 1,548,070 Class B common shares were converted into 1,548,070 Non-Voting Class A shares.

In connection with the Canada Safeway acquisition in November 2013, the Company issued 24,265,000 Non-Voting Class A shares, resulting in additions to capital stock of $1,842.6 before transaction costs. Transaction costs of $55.8, net of deferred taxes of $20.1, were offset against the proceeds as they directly related to the issuance of the common shares.

During fiscal 2015, the Company paid common dividends of $99.7 (2014 – $83.3) to its equity holders. This represents a payment of $1.08 per share (2014 – $1.04 per share) for common share holders.

On March 12, 2015, the Company filed a notice of intent with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 1,788,584 Non-Voting Class A shares, representing approximately three percent of those outstanding, subject to obtaining regulatory approval. The purchases will be made through the facilities of the TSX. The price the Company will pay for any such shares will be the market price at the time of acquisition. Purchases may commence on March 17, 2015, and shall terminate not later than March 16, 2016. Empire has not repurchased any Non-Voting Class A shares since the date of notice.

19. OTHER INCOME

	May 2, 2015	May 3, 2014
Gain on disposal of assets	**$ 66.9**	$ 8.0
Lease revenue from owned property	**31.4**	35.2
Investment income	**1.2**	1.8
Dilution gains	**0.1**	4.3
Total	**$ 99.6**	$ 49.3

20. EMPLOYEE BENEFITS EXPENSE

	May 2, 2015	May 3, 2014
Wages, salaries and other short-term employment benefits	$ 3,044.4	$ 2,468.7
Post-employment benefits	29.5	37.8
Termination benefits	5.8	24.2
Total	$ 3,079.7	$ 2,530.7

21. FINANCE COSTS, NET

Finance income and finance costs are reported on a net basis in the consolidated statements of earnings.

	May 2, 2015	May 3, 2014
Finance income		
Interest income from cash and cash equivalents	$ 1.4	$ 9.1
Gain on disposal of financial assets	–	1.2
Total finance income	1.4	10.3
Finance costs		
Interest expense on financial liabilities measured at amortized cost	136.7	129.5
Fair value (gains) losses on forward contracts	(0.5)	0.6
Losses on cash flow hedges reclassified from other comprehensive income	0.6	–
Net pension finance costs	12.0	10.4
Accretion expense on provisions	8.9	3.0
Total finance costs	157.7	143.5
Finance costs, net	$ 156.3	$ 133.2

22. DISCONTINUED OPERATIONS

During fiscal 2014, Empire Theatres completed its asset sales transactions with two unrelated parties. Details of the sale are as follows:

Net proceeds on disposal	$ 259.2
Book value of property and equipment sold	114.4
Book value of goodwill sold	32.6
Book value of intangible assets sold	0.5
Write off of property and equipment	0.4
Write off of deferred tenant inducements and market lease adjustments	(14.2)
Write off of straight line rent	(4.2)
Estimated transaction costs	3.0
Other costs	1.5
	134.0
Gain before income taxes	125.2
Income taxes	21.0
Gain on disposal of assets, net of tax	$ 104.2

An analysis of the operating results of the discontinued operations, and results recognized as a result of remeasurement of the disposal groups, sale of the disposal groups and recognition of restructuring costs is as follows:

	May 2, 2015	May 3, 2014
Sales	**$ –**	$ 127.5
Expenses, including finance costs of $ nil (2014 – $0.8)	**–**	120.2
Earnings before income taxes of discontinued operations	**–**	7.3
Income taxes	**–**	2.1
Net earnings of discontinued operations	**–**	5.2
Loss recognized on remeasurement of assets of disposal groups to fair value less cost to sell, net of tax of $ nil (2014 – $6.2)	**–**	(15.7)
Gain on disposal of assets, net of tax of $ nil (2014 – $(21.0))	**–**	104.2
Loss from recognition of restructuring costs, net of tax of $ nil (2014 – $3.6)	**–**	(9.3)
Net gain from remeasurement of assets, disposal of assets and from restructuring costs	**–**	79.2
Net earnings from discontinued operations	**$ –**	$ 84.4

Cash flows from discontinued operations:

	May 2, 2015	May 3, 2014
Operating cash flows	**$ –**	$ (24.9)
Investing cash flows	**$ –**	$ 239.3
Financing cash flows	**$ –**	$ (21.0)

23. EARNINGS PER SHARE

Earnings applicable to common shares are comprised of the following:

	May 2, 2015	May 3, 2014
Earnings from continuing operations	**$ 419.0**	$ 151.0
Earnings from discontinued operations	**–**	84.4
Earnings applicable to common shares	**$ 419.0**	$ 235.4

Earnings per share is comprised of the following:

	May 2, 2015	May 3, 2014
Basic earnings per share		
From continuing operations	**$ 4.54**	$ 1.89
From discontinued operations	**–**	1.05
	$ 4.54	$ 2.94
Diluted earnings per share		
From continuing operations	**$ 4.54**	$ 1.88
From discontinued operations	**–**	1.05
	$ 4.54	$ 2.93

The weighted average number of outstanding shares as at May 2, 2015 used for basic earnings per share amounted to 92,329,239 (2014 – 80,049,235) shares.

The weighted average number of shares for the purpose of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	May 2, 2015	May 3, 2014
Weighted average number of shares used in basic earnings per share	**92,329,239**	80,049,235
Shares deemed to be issued for no consideration in respect of stock-based payments	**55,795**	159,691
Weighted average number of shares used in diluted earnings per share	**92,385,034**	80,208,926

24. BUSINESS ACQUISITIONS

The Company acquired franchise and non-franchise stores, retail gas locations and prescription files. 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 and retail gas locations relate to the acquired work force 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 and liabilities from resulting acquisitions for the respective periods:

	May 2, 2015	May 3, 2014
Stores and retail gas locations		
Inventories	**$ 5.2**	$ 457.9
Property, equipment and investment property	**6.0**	1,152.5
Intangibles	**0.1**	1816
Deferred tax assets	**–**	35.5
Assets held for sale	**–**	391.4
Assets acquired for sale-leaseback	**–**	991.3
Goodwill	**4.5**	2,820.1
Accounts payable and accrued liabilities	**–**	(398.7)
Pension obligations	**–**	(137.5)
Deferred tax liabilities	**–**	(13.2)
Provisions	**(0.1)**	–
Other assets and liabilities	**(4.3)**	37.6
	11.4	5,518.5
Prescription files		
Intangibles	**0.3**	306.5
Cash consideration	**$ 11.7**	$ 5,825.0

From the date of acquisition, the businesses acquired contributed sales of $38.3 and earnings of $0.4 for the year ended May 2, 2015.

Canada Safeway Acquisition

On June 12, 2013, the Company entered into an Asset Purchase Agreement with Safeway Inc. and its subsidiaries to purchase substantially all of the assets and select liabilities of Canada Safeway ULC for a cash purchase price of $5,800.0, subject to a working capital adjustment.

During fiscal 2015, management finalized the purchase price allocation related to the Canada Safeway acquisition. As a result, the consolidated balance sheet as at May 3, 2014 was adjusted and includes the following fair value of the identifiable assets acquired and liabilities assumed:

Inventories	$	451.0
Property, equipment and investment property		1,139.8
Assets held for sale		391.4
Assets acquired for sale-leaseback		991.3
Intangibles		487.6
Deferred tax assets		35.5
Accounts payable and accrued liabilities		(398.7)
Pension obligations		(137.5)
Deferred tax liabilities		(13.2)
Other assets and liabilities		38.1
Total identifiable net assets	$	2,985.3
Excess consideration paid over identifiable net assets acquired allocated to goodwill	$	2,814.7

25. GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees

Franchisees and Affiliates

Sobeys is party to a number of franchise and operating agreements as part of its business model. These agreements contain clauses which require the Company 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. The Company will continue to provide financial support pursuant to the franchise and operating agreements in future years.

Sobeys has a guarantee contract under the terms of which, should certain franchisees and affiliates be unable to fulfill their lease obligations, Sobeys would be required to fund the greater of $7.0 or 9.9 percent (2014 – $7.0 or 9.9 percent) of the authorized and outstanding obligation. The terms of the guarantee contract are reviewed annually each August. As at May 2, 2015, the amount of the guarantee was $7.0 (2014 – $7.0).

Sobeys has guaranteed certain equipment leases of its franchisees and affiliates. Under the terms of the guarantee should franchisees and affiliates be unable to fulfill their equipment lease obligations, Sobeys would be required to fund the difference of the lease commitments up to a maximum of $145.0 on a cumulative basis. Sobeys approves each of the contracts.

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 percent (2014 – $6.0 or 10.0 percent) of the authorized and outstanding obligation annually. Under the terms of the contract, Sobeys is required to obtain a letter of credit in the amount of the outstanding guarantee, to be revisited each calendar year. This credit enhancement allows Sobeys to provide favourable financing terms to certain franchisees and affiliates. The contract terms have been reviewed and Sobeys determined that there were no material implications with respect to the consolidation of SEs. As at May 2, 2015, the amount of the guarantee was $6.0 (2014 – $6.0).

The minimum rent payments under the guaranteed operating equipment leases over the next five fiscal years are:

	Third Parties
2016	$ 13.4
2017	–
2018	–
2019	–
2020	–
Thereafter	–

Other

At May 2, 2015, the Company was contingently liable for letters of credit issued in the aggregate amount of $69.8 (2014 – $94.6).

Upon entering into the lease of its new Mississauga distribution centre, in March 2000, Sobeys guaranteed to the landlord the performance, by SERCA Foodservice Inc., of all of its obligations under the lease. The remaining term of the lease is five years with an aggregate obligation of $16.5 (2014 – $19.5). 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 2, 2015 is approximately $4,020.5. This reflects a gross lease obligation of $4,939.8 reduced by expected sub-lease income of $919.3. 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
2016	$ 226.2	$ 338.0	$ 128.1	$ 128.1
2017	209.8	311.6	126.7	126.7
2018	192.6	283.2	126.4	126.4
2019	178.2	256.7	127.6	127.6
2020	164.7	236.3	127.3	127.3
Thereafter	920.7	1,385.7	1,492.2	1,492.2

The Company recorded $517.4 (2014 – $500.0) as an expense for minimum lease payments for the year ended May 2, 2015 in the consolidated statements of earnings. The expense was offset by sub-lease income of $161.8 (2014 – $155.9), and a further $11.5 (2014 – $11.9) of expense was recognized for contingent rent.

Operating leases, as lessor

The Company also 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 2, 2015 was $29.7 (2014 – $34.3) and was recognized as other income in the consolidated statements of earnings. In addition, the Company recognized $1.7 of contingent rent for the year ended May 2, 2015 (2014 – $0.9).

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

	Third Parties
2016	$ 19.5
2017	17.3
2018	15.6
2019	13.7
2020	11.1
Thereafter	67.1

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. Sobeys has reviewed this matter, has received legal advice, and believes it was not required to collect GST. During the second quarter of 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 in its statements of earnings any of the tax, interest or penalties in the notice of reassessment. Sobeys has deposited with CRA funds to cover 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.

26. 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 25).

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 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 2, 2015	May 3, 2014
0 – 30 days	$ 380.6	$ 363.9
31 – 90 days	54.4	40.6
Greater than 90 days	94.2	75.1
Total receivables before allowance for credit losses	529.2	479.6
Less: allowance for credit losses	(21.8)	(20.3)
Receivables	$ 507.4	$ 459.3

Interest earned on past due accounts is recorded as a reduction to selling and administrative expenses in the consolidated statements of earnings. Receivables are classified as current on the consolidated balance sheets as of May 2, 2015.

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 Company updates its estimate for credit losses based on past due balances from independent accounts and based on an evaluation of recoverability net of security assigned for franchisee or affiliate locations. Current and long-term receivables, loans and other receivables are reviewed on a regular basis and are written-off when collection is considered unlikely. The change in allowance for credit losses is recorded as selling and administrative expenses in the consolidated statements of earnings and is presented as follows:

	May 2, 2015	May 3, 2014
Allowance, beginning of year	$ 20.3	$ 19.2
Provision for losses	12.5	7.1
Recoveries	(4.0)	(5.0)
Write-offs	(7.0)	(1.0)
Allowance, end of year	$ 21.8	$ 20.3

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 2, 2015:

	2016	2017	2018	2019	2020	Thereafter	Total
Derivative financial liabilities							
Foreign currency swaps	$ 2.3	$ 2.4	$ 2.4	$ 2.5	$ 13.0	$ –	$ 22.6
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	2,265.8	–	–	–	–	–	2,265.8
Long-term debt	142.6	420.3	298.5	677.4	78.6	1,646.7	3,264.1
Total	$ 2,410.7	$ 422.7	$ 300.9	$ 679.9	$ 91.6	$ 1,646.7	$ 5,552.5

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, loans and other receivables, and accounts payable and accrued liabilities approximate fair values 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, and investments 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 is assumed to approximate 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.

There were no transfers between classes of the fair value hierarchy during the year ended May 2, 2015.

The following table provides a comparison of the carrying values and fair values for each classification of financial instruments:

	May 2, 2015		May 3, 2014	
	Total Carrying Amount	**Total Fair Value**	Total Carrying Amount	Total Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**$ 295.9**	**$ 295.9**	$ 429.3	$ 429.3
Receivables	**507.4**	**507.4**	459.3	459.3
Loans and other receivables	**113.3**	**113.3**	98.9	98.9
Financial assets designated as fair value through profit or loss:				
Other assets[(1)]	**4.5**	**4.5**	6.8	6.8
Available for sale:				
Investments	**25.1**	**25.1**	24.8	24.8
Total financial assets	**$ 946.2**	**$ 946.2**	$ 1,019.1	$ 1,019.1
Financial Liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities	**$ 2,265.8**	**$ 2,265.8**	$ 2,244.9	$ 2,244.9
Long-term debt	**2,295.9**	**2,490.7**	3,500.1	3,639.9
Financial liabilities designated as fair value through profit or loss:				
Other long-term liabilities[(2)]	**5.5**	**5.5**	–	–
Total financial liabilities	**$ 4,567.2**	**$ 4,762.0**	$ 5,745.0	$ 5,884.8

(1) Represents the total carrying values of financial assets included in other assets on the consolidated balance sheets.
(2) Represents the total carrying values of financial liabilities included in other long-term liabilities on the consolidated balance sheets.

As at May 2, 2015, the fair value hierarchy includes financial assets designated as fair value through profit or loss of $4.4, $0.1, and $ nil for Levels 1, 2 and 3 respectively (2014 – $6.3, $0.5, and $ nil).

As at May 2, 2015, the fair value hierarchy includes financial assets designated as available for sale of $25.1 for Level 1 (2014 – $24.8).

As at May 2, 2015, the fair value hierarchy includes financial liabilities designated as fair value through profit or loss of $ nil, $5.5, and $ nil for Levels 1, 2 and 3 respectively. There were no financial liabilities designated as fair value through profit or loss as at May 3, 2014.

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.

Cash flow hedges

The Company's cash flow hedges consist principally of foreign currency swaps and interest rate swaps. Foreign exchange contracts are used to hedge future purchases or expenditures of foreign currency denominated goods or services. Interest rate swaps are used to protect against exposure to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. Gains and losses are initially recognized directly in equity and are transferred to net earnings or loss when the forecast cash flows affect income or expense for the year.

As of May 2, 2015, the fair values of the outstanding derivatives designated as cash flow hedges of forecast transactions were assets of $0.1 (2014 – $0.5) and liabilities of $5.5 (2014 – $ nil).

Cash flows from cash flow hedges are expected to flow over the next five years until fiscal 2020, and are expected to be recognized in net earnings over this period, and, in the case of foreign currency swaps, over the life of the related assets in which a portion of the initial cost is being hedged.

The gains and losses on ineffective portions of such derivatives are recognized immediately in net earnings for the year. During the year, the Company recognized $0.4 (2014 – $ nil) directly into net earnings as a result of ineffective hedging contracts.

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 Company utilized interest rate swaps designated as cash flow hedges to manage variable interest rates associated with some of the Company's long-term debt. Hedge accounting treatment resulted in interest expense on the related borrowings being reflected at hedged rates rather than at variable interest rates.

The majority of the Company's long-term debt is at fixed interest rates or hedged with interest rate swaps. Approximately 27.5 percent (2014 – 54.2 percent) of the Company's long-term debt is exposed to interest rate risk due to floating rates.

Net earnings 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 2, 2015, the Company's average outstanding unhedged floating rate debt was $1,270.3 (2014 – $1,060.5). An increase (decrease) of 25 basis points would have impacted net earnings by $2.2 ($2.2) (2014 – $1.9 ($1.9)) and other comprehensive income by $ nil ($ nil) (2014 – $ nil ($ nil)) as a result of the Company's exposure to interest rate fluctuations on its hedged and unhedged floating rate debt.

During the first quarter of fiscal 2015, Sobeys entered into an amortizing interest rate swap for an original notional amount of $598.7 at a fixed interest rate of 1.4 percent effective May 12, 2014 to hedge the interest rate on a portion of Sobeys' Acquisition Facility (Note 15). The notional amount outstanding at the end of fiscal 2015 is $174.7. The interest rate swap matures on December 31, 2015.

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 Euros, British Pounds and U.S. dollars. 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 until the variability in cash flows being hedged is recognized in net earnings in future accounting periods.

The Company estimates that a 10 percent increase (decrease) in applicable foreign currency exchange rates would impact net earnings by $ nil ($ nil) (2014 – $ nil ($ nil)) and other comprehensive income by $4.2 ($4.2) (2014 – $0.8 ($0.8)) for foreign currency derivatives in place at year end.

Sobeys entered into seven Euro/Canadian dollar forward contracts during the first quarter of fiscal 2015 at an approximate Canadian dollar value at inception of $58.0. The forward contracts were entered into to hedge and limit exposure to exchange rate fluctuations relating to future expenditures in Euros. The forward contracts have maturities ranging from May 29, 2014 to September 1, 2016.

On January 30, 2015, Sobeys unwound a floating-for-floating currency swap that originated in July 2008 at a gain of $0.7 and entered into a new floating-for-floating currency swap with a fixed rate of 1.2775 Canadian dollar/ U.S. dollar to mitigate the currency risk associated with a U.S. dollar denominated variable rate loan. The terms of the swap match the terms of the variable rate loan.

Market risk

Market risk is the risk that the fair value of investments will fluctuate as a result of changes in the price of the investment. The Company estimates that a 10 percent change in the market value of its investments that trade on a recognized stock exchange would impact net earnings by $ nil (2014 – $ nil) and other comprehensive income by $2.1 (2014 – $2.1).

27. SEGMENTED INFORMATION

The Board of Directors has determined that the primary segmental reporting format is by business segment, based on the Company's management and internal reporting structure. The Company operates principally in two business segments: food retailing and investments and other operations. The food segment consists of distribution of food products in Canada.

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

Each of these operating segments is managed separately as each of these segments requires different technologies and other resources as well as marketing approaches. 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 in its consolidated financial statements.

No asymmetrical allocations have been applied between segments.

The sales and operating income generated by each of the group's business segments are summarized as follows:

	May 2, 2015	May 3, 2014
Segmented sales		
Food retailing	**$ 23,928.8**	$ 20,961.5
Investments and other operations	**–**	3.4
	23,928.8	20,964.9
Sales to discontinued operations	**–**	7.1
Total	**$ 23,928.8**	$ 20,957.8

	May 2, 2015	May 3, 2014
Segmented operating income		
Food retailing	**$ 639.9**	$ 291.6
Investments and other operations		
Crombie REIT	**30.6**	19.2
Real estate partnerships	**54.7**	30.4
Other operations, net of corporate expenses	**18.4**	(12.7)
	103.7	36.9
Total	**$ 743.6**	$ 328.5

	May 2, 2015	May 3, 2014
Total assets by segment		
Food retailing	**$ 10,787.4**	$ 11,560.7
Investments and other operations (including discontinued operations)	**686.0**	683.0
Total	**$ 11,473.4**	$ 12,243.7

Segment operating income can be reconciled to group profit before income taxes and discontinued operations as follows:

	May 2, 2015	May 3, 2014
Total operating income	**$ 743.6**	$ 328.5
Finance costs, net	**156.3**	133.2
Total	**$ 587.3**	$ 195.3

The investments and other operations consists of the investments, at equity in Crombie REIT, real estate partnerships, and various other corporate operations.

28. STOCK-BASED COMPENSATION

Deferred stock units

Members of the Board of Directors and certain employees may elect to receive all or any portion of their fees or a portion of their compensation in deferred stock units ("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. Additional DSUs are received as dividend equivalents. DSUs cannot be redeemed for cash until the holder is no longer a director of the Company or the employee has retired. 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 on the consolidated statements of earnings. At May 2, 2015, there were 120,870 (2014 – 146,365) DSUs outstanding. During the 52 weeks ended May 2, 2015, the compensation expense was $4.0 (2014 – $1.1).

Performance share unit plan

Commencing in fiscal 2012, the Company awarded certain employees a target number of performance share units ("PSUs") that track the Company's Non-Voting Class A share prices over a three-year period. The number of PSUs that vest under an award is dependent on time and the achievement of specific performance measures. On the vesting date, each employee is entitled to receive a cash payout amount equal to the number of their vested PSUs multiplied by the market value of the Non-Voting Class A shares. At May 2, 2015, there were 270,542 (2014 – 39,600) PSUs outstanding. During the 52 weeks ended May 2, 2015, the compensation expense was $9.2 (2014 – $2.7).

The total carrying amount of liability for DSU's and PSU's at May 2, 2015 was $24.2 (2014 – $12.1).

Phantom performance option plan

Prior to fiscal 2014, Sobeys' executives participated in the Sobeys phantom performance option plan ("PPOP") which provided for the issuance of phantom performance options ("PPOs"). The PPOs are subject to a performance period or term of five years. Sobeys PPOs were granted to officers and senior management of Sobeys as approved by the Human Resource ("HR") Committee. Grants vest over a four-year period at a rate of 25 percent per year. The PPOP contains a liquidity provision which allows for partial payouts of the 'in-the-money' position during the performance period. During fiscal 2014, the plan was converted to a cash settled share based payment with the growth calculation based on the five day average Empire Non-Voting Class A share value following the announcement of the Company's fiscal financial performance compared to the five day average following the announcement of the Company's fiscal financial performance of the preceding year. At May 2, 2015, there were 895,223 options (2014 – 1,244,057) outstanding and the carrying amount of the liability associated with these options was $24.6 (2014 – $11.0).

Empire restricted share unit plan

Empire created a Restricted Share Unit Plan for certain executives and other employees joining the Company as a result of the acquisition of Canada Safeway to replace lost value of unvested Safeway stock options and stock appreciation rights that existed at the closing of the Canada Safeway acquisition in November 2013. The Restricted Share Unit Plan is a cash settled share based payment that provides a cash payout value of a restricted share unit ("RSU") equal to the market value of a Non-Voting Class A share at the time of vesting assuming reinvestment of any dividends paid since the date of grant. Following closing of the Canada Safeway acquisition in fiscal 2014, the HR Committee issued RSUs based on a Non-Voting Class A share value of $76.00. The granted RSUs vest in stages over three years. The Restricted Share Unit Plan also provides that the HR Committee may allow RSUs to be converted to deferred stock units if the participant elects prior to vesting. At May 2, 2015, there were 110,800 (2014 – 119,899) units outstanding and the carrying amount of the liability associated with these units was $7.0 (2014 – $4.2).

Stock option plan

During fiscal 2015, the Company granted an additional 325,989 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 $7.88 per option was determined using the Black Scholes model with the following weighted average assumptions:

Share price	$67.28
Expected life	8.00 years
Risk-free interest rate	1.70%
Expected volatility	14.45%
Dividend yield	1.52%

The compensation cost for the year ended May 2, 2015 was $4.0 (2014 – $3.4) with amortization of the cost over the vesting period of four years. The total increase in contributed surplus in relation to the stock option compensation cost was $4.0 (2014 – $3.4).

The outstanding options at May 2, 2015 were granted at prices between $51.99 and $92.60 and expire between July 2018 and March 2023. Stock option transactions during fiscal 2015 and 2014 were as follows:

	2015		2014	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	**934,366**	**$ 74.56**	684,128	$ 47.06
Granted	**325,989**	**67.28**	826,799	78.89
Purchased	**–**	**–**	(291,980)	46.89
Exercised	**(87,574)**	**51.11**	(240,940)	44.16
Forfeited	**(51,116)**	**67.76**	(43,641)	78.46
Balance, end of year	**1,121,665**	**$ 74.58**	934,366	$ 74.56
Stock options exercisable, end of year	**231,577**		101,289	

The following table summarizes information about stock options outstanding at May 2, 2015:

	Options Outstanding			**Options Exercisable**	
Year Granted	**Number of Outstanding Options**	**Weighted Average Remaining Contractual Life[(1)]**	**Weighted Average Exercise Price**	**Number Exercisable at May 2, 2015**	**Weighted Average Exercise Price**
2011	**19,954**	**3.17**	**51.99**	**19,954**	**51.99**
2012	**17,941**	**4.17**	**54.40**	**13,456**	**54.40**
2013	**4,754**	**5.17**	**53.93**	**2,377**	**53.93**
2014	**755,259**	**6.42**	**78.92**	**195,790**	**78.92**
2015	**323,757**	**7.16**	**67.28**	**–**	**–**
Total	**1,121,665**	**6.49**	**$ 74.58**	**231,577**	**$ 74.92**

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

Share Purchase Plan

The Company has a share purchase plan for employees of the Company whereby loans are granted to purchase Non-Voting Class A shares.

The Company's current practice is to use only the performance share unit plan and the stock option plan to provide medium-term and long-term incentive for employees. As a result, outstanding loans under the share purchase plan will be repaid at the employees' option, but no later than the expiry date of the loans which were originally set for 10 years.

29. RELATED PARTY TRANSACTIONS

The Company has related party transactions with Crombie REIT and key management personnel. The Company holds a 41.5 percent ownership interest in Crombie REIT and accounts for its investment using the equity method.

On May 30, 2014, Crombie REIT closed a bought-deal public offering of units at a price of $13.25 per unit. Concurrent with the public offering, a wholly-owned subsidiary of the Company purchased approximately $40.0 of Class B LP units (which are convertible on a one-for-one basis into units of Crombie REIT). Following the conversion of Crombie REIT debentures during the current fiscal year, and accounting for the subscription of Class B LP units, the Company's interest in Crombie REIT decreased from 41.6 to 41.5 percent.

During the second quarter of fiscal 2015, the Company exited a sub-lease agreement with Crombie REIT and incurred a charge of $2.7. This charge is included in selling and administrative expenses on the consolidated statements of earnings.

During the year ended May 2, 2015, Sobeys through its wholly owned subsidiaries sold ten properties and leased back eight properties from Crombie REIT. Cash consideration received for the properties sold was $105.8, resulting in a pre-tax gain of $1.2, which has been recognized in the consolidated statements of earnings. The majority of proceeds received were used to repay bank borrowings.

The Company rents premises from Crombie REIT, at amounts in management's opinion which approximate fair market value. Management has determined these amounts to be fair value due to the significant number of leases negotiated with third parties in each market it operates. During fiscal year 2015, the aggregate net payments under these leases, which are measured at exchange amounts, were $149.0 (2014 – $110.5).

In addition, Crombie REIT provides administrative and management services to the Company. The charges incurred for administrative and management services are on a cost recovery basis.

At May 2, 2015, investments included $25.1 (2014 – $24.6) of Crombie REIT convertible unsecured subordinated debentures. The Company received interest from Crombie REIT of $1.2 for the year ended May 2, 2015 (2014 – $1.2). These amounts are included in other income in the consolidated statements of earnings.

On July 24, 2013, Sobeys entered into a sale-leaseback agreement with Crombie REIT, pursuant to which Crombie REIT agreed to indirectly acquire 70 properties included in the Canada Safeway acquisition for $991.3. The sale-leaseback transaction closed effective November 3, 2013, immediately following the close of the Canada Safeway acquisition.

On closing of the acquisition of the 70 properties, the Company subscribed for $150.0 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT).

During the third quarter of fiscal 2014, Crombie REIT purchased from the Company their interest in certain retention leases for cash consideration of $1.5 resulting in a pre-tax gain of $0.4 which was recognized in the consolidated statements of earnings.

During fiscal 2014, Sobeys entered into a loan agreement with Crombie REIT to partially finance Sobeys' acquisition of a property in British Columbia. The $11.9 loan bears interest at a rate of 6.0 percent and has no principal repayments until maturity on October 1, 2016. The Company also sold and leased back a property from Crombie REIT for cash consideration of $10.2 which was equal to its carrying value. In addition, the Company exchanged properties with Crombie REIT during fiscal 2014. The properties exchanged were both located in Canmore, Alberta.

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 2, 2015	May 3, 2014
Salary, bonus and other short-term employee benefits	$ 17.9	$ 12.0
Post-employment benefits	1.3	3.8
Termination benefits	–	7.2
Share-based payments	14.3	10.7
	$ 33.5	$ 33.7

Indemnities

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

30. CAPITAL MANAGEMENT

The Company's objectives when managing capital are: i) 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.

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 2, 2015	May 3, 2014
Long-term debt due within one year	$ 53.9	$ 218.0
Long-term debt	2,242.0	3,282.1
Funded debt	2,295.9	3,500.1
Less cash and cash equivalents	(295.9)	(429.3)
Net funded debt	2,000.0	3,070.8
Shareholders' equity, net of non-controlling interest	5,983.8	5,700.5
Capital under management	$ 7,983.8	$ 8,771.3

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 of its store network via the construction of new, relocated and expanded stores, including 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 borrowing of additional debt or the issuance of additional capital stock. No changes were made to these objectives in the current year.

Management monitors certain key ratios to effectively manage capital:

	May 2, 2015	May 3, 2014
Funded debt to total capital(1)	**27.7%**	38.0%
Funded debt to EBITDA(2)	**1.9x**	4.6x
EBITDA to interest expense(2)	**8.9x**	5.8x

(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 (operating income plus depreciation and amortization of intangibles) and interest expense (interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income) are non-GAAP financial measures. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other reporting issuers.

As part of existing debt agreements, three financial covenants are monitored and communicated, as required by the terms of credit agreements, 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.

31. SUBSEQUENT EVENTS

Subsequent to the close of the fourth quarter, on May 12, 2015, an agreement for Sobeys to purchase certain assets and select liabilities of Co-op Atlantic's food and fuel business for $24.5 plus standard working capital adjustments and holdbacks was approved by Co-op Atlantic's member-owners. The agreement provides for the purchase of five full service grocery stores, five fuel stations (two co-located with grocery stores), other real estate assets, and other assets and select liabilities. On June 12, 2015, regulatory clearance was obtained from the Competition Bureau and the transaction closed effective June 21, 2015.

Subsequent to May 2, 2015, Sobeys made a successful bid to purchase a former Target Canada Co. warehouse in Rocky View, Alberta for $50.0. The facility will be retro-fitted for automation and when renovations are complete, it will have the capacity to efficiently distribute dry grocery to stores in Alberta, Saskatchewan and part of Manitoba.

Eleven-Year Financial Review

Years Ended[1]	2015	2014	2013	2012
Financial Results ($ in millions; except ROE)				
Sales	**$ 23,928.8**	$ 20,957.8	$ 17,343.9	$ 16,249.1
Operating income[2]	**743.6**	328.5	573.2	534.3
Interest expense	**156.3**	133.2	55.4	59.9
Income taxes	**150.4**	36.3	136.4	122.3
Non-controlling interest	**17.9**	8.0	9.1	12.7
Adjusted net earnings from continuing operations[2][3]	**518.9**	391.4	390.7	322.7
Net earnings	**419.0**	235.4	379.5	339.4
Return on equity	**8.9%**	8.6%	10.0%	10.6%
Financial Position ($ in millions)				
Total assets	**11,473.4**	12,243.7	7,140.4	6,913.1
Long-term debt (excluding current portion)	**2,242.0**	3,282.1	915.9	889.1
Shareholders' equity[4]	**5,983.8**	5,700.5	3,724.8	3,396.3
Per Share Data on a Fully Diluted Basis ($ per share)				
Adjusted net earnings from continuing operations[3]	**5.62**	4.88	5.74	4.74
Net earnings	**4.54**	2.93	5.58	4.99
Dividends				
Non-Voting Class A shares	**1.080**	1.040	0.960	0.900
Class B common shares	**1.080**	1.040	0.960	0.900
Book value	**64.81**	61.75	54.82	49.98
Share Price, Non-Voting Class A Shares ($ per share)				
High	**94.79**	83.24	68.63	62.99
Low	**65.00**	65.04	53.56	52.72
Close	**87.45**	68.63	68.58	57.62
Diluted weighted average number of shares outstanding (in millions)	**92.4**	80.2	68.1	68.0

(1) Fiscal years end the first Saturday in May, consistent with the fiscal year-end of Sobeys Inc. Financial data for fiscal 2005 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 2005 and 2011 were 53-week years.

(2) Certain balances have been reclassified for changes to comparative figures for fiscal 2011. See Note 32 to the Company's fiscal 2012 audited annual consolidated financial statements.

(3) Adjusted net earnings, net of non-controlling interest, exclude items which are considered not indicative of underlying business operating performance.

(4) Shareholders' equity before non-controlling interest for fiscal 2010 to 2015.

	2011	2010	2009	2008	2007	2006	2005
	$ 15,956.8	$ 15,516.2	$ 15,015.1	$ 14,065.0	$ 13,366.7	$ 13,063.6	$ 12,435.2
	525.7	479.7	466.2	472.6	431.1	491.4	463.7
	75.4	72.5	80.6	105.8	60.1	83.8	86.7
	122.0	99.1	115.4	125.9	116.9	153.1	131.2
	9.0	5.6	8.3	12.8	55.4	67.1	63.6
	303.2	284.5	261.7	242.8	200.1	202.0	182.9
	400.6	301.9	264.7	315.8	205.8	296.8	186.6
	13.5%	10.7%	10.5%	14.0%	10.0%	16.2%	11.4%
	6,518.6	6,176.8	5,891.1	5,732.9	5,241.5	5,051.5	4,929.2
	1,090.3	821.6	1,124.0	1,414.1	792.6	707.3	727.4
	3,162.1	2,832.9	2,678.8	2,382.3	2,131.1	1,965.2	1,709.0
	4.45	4.15	3.97	3.69	3.04	3.07	2.78
	5.87	4.40	4.02	4.80	3.13	4.51	2.83
	0.800	0.740	0.700	0.660	0.600	0.560	0.480
	0.800	0.740	0.700	0.660	0.600	0.560	0.480
	46.48	43.07	39.07	36.08	32.31	29.77	25.87
	59.12	53.95	55.05	55.19	45.25	44.35	38.00
	51.07	39.70	35.00	35.40	39.49	33.37	24.25
	54.14	52.98	49.00	39.25	42.33	43.29	36.66
	68.2	68.5	65.8	65.7	65.7	65.7	65.7

Glossary

ADJUSTED EBITDA
EBITDA excluding items which are considered not indicative of underlying business operating performance

ADJUSTED NET EARNINGS
Net earnings from continuing operations, net of non-controlling interest, excluding items which are considered not indicative of underlying business operating performance

BOOK VALUE PER COMMON SHARE
Shareholders' equity, net of non-controlling interest, divided by total common shares outstanding

CAGR
Compound Annual Growth Rate

CAPITAL EXPENDITURES
Payments made for the acquisition of property, equipment and investment property purchases

EBITDA
EBIT plus depreciation and amortization of intangibles. Net earnings from continuing operations, before finance costs (net of finance income), income taxes, and depreciation and amortization of intangibles

EBITDA MARGIN
EBITDA divided by sales

FREE CASH FLOW
Cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less property, equipment and investment property purchases

FUNDED DEBT
All interest bearing debt, which includes bank loans, bankers' acceptances and long-term debt

GROSS MARGIN
Gross profit divided by sales

GROSS PROFIT
Sales less costs of sales

HEDGE
A financial instrument used to manage foreign exchange, interest rate, energy or other commodity risk by making a transaction which offsets the existing position

INTEREST EXPENSE
Interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income

NET FUNDED DEBT TO NET TOTAL CAPITAL
Net funded debt divided by net total capital

NET FUNDED DEBT
Funded debt less cash and cash equivalents

NET TOTAL CAPITAL
Total capital less cash and cash equivalents

OPERATING INCOME
Also called earnings before interest and taxes ("EBIT"). Calculated as net earnings from continuing operations before finance costs (net of finance income) and income taxes

OPERATING INCOME MARGIN
Operating income divided by sales

PRIVATE LABEL
A brand of products that is marketed, distributed and owned by the Company

RETURN ON EQUITY ("ROE")
Net earnings for the year attributable to owners of the parent divided by average shareholders' equity

SAME-STORE SALES
Sales from stores in the same location in both reporting periods

TOTAL CAPITAL
Funded debt plus shareholders' equity, net of non-controlling interest

WEIGHTED AVERAGE NUMBER OF SHARES
The number of Non-Voting Class A shares plus Class B common shares outstanding adjusted to take into account the time the shares are outstanding in the reporting period

Shareholder and Investor Information

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Ken Chernin
Director, Investor Relations
E-mail: investor.relations@empireco.ca

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

AFFILIATED COMPANY WEB ADDRESSES

www.sobeyscorporate.com

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Investor Correspondence
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MULTIPLE MAILINGS

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

DIVIDEND RECORD AND PAYMENT DATES FOR FISCAL 2016

Record Date	Payment Date
July 15, 2015	July 31, 2015
October 15, 2015*	October 30, 2015*
January 15, 2016*	January 29, 2016*
April 15, 2016*	April 29, 2016*

* Subject to approval by the Board of Directors

OUTSTANDING SHARES

As at June 24, 2015	
Non-Voting Class A shares	59,620,737
Class B common shares, voting	32,712,693

STOCK EXCHANGE LISTING

The Toronto Stock Exchange

STOCK SYMBOLS

Non-Voting Class A Shares – EMP.A

AVERAGE DAILY TRADING VOLUME (TSX: EMP.A)

191,031

BANKERS

The Bank of Nova Scotia
Bank of Montreal
Bank of Tokyo-Mitsubishi UFJ (Canada)
Canadian Imperial Bank of Commerce
National Bank of Canada
Rabobank Nerderland
Royal Bank of Canada
The Toronto-Dominion Bank
Caisse Centrale Desjardins

SOLICITORS

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AUDITORS FOR FISCAL 2015

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Halifax, Nova Scotia

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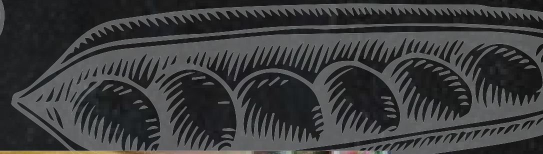

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