## IFRS 16 IMPACT

The table below outlines the impact of the adoption of IFRS 16 "Leases" ("IFRS 16") on certain financial metrics for the quarter ended May 2, 2020. For additional detail on how IFRS 16 impacts the Company, please refer to the "Accounting Standards and Policies" section of this MD&A.

| | 13 Weeks Ended | | | Impact of | Change |
|---|---|---|---|---|---|
| ($ in millions, except per share amounts) | May 2, 2020 | May 4, 2019 | Change | IFRS 16[1] | (excl. IFRS 16) |
| Operating income | $ 324.3 | $ 194.2 | $ 130.1 | $ 47.9 | $ 82.2 |
| Adjusted operating income | 328.9 | 200.3 | 128.6 | 47.9 | 80.7 |
| EBITDA | 527.8 | 300.1 | 227.7 | 141.2 | 86.5 |
| Adjusted EBITDA | 527.8 | 300.1 | 227.7 | 141.2 | 86.5 |
| EBITDA margin[2] | 7.5% | 4.8% | 2.7% | 2.0% | 0.7% |
| Adjusted EBITDA margin[2] | 7.5% | 4.8% | 2.7% | 2.0% | 0.7% |
| Finance costs, net | 69.0 | 21.2 | 47.8 | 50.2 | (2.4) |
| Net earnings[3] | 177.8 | 122.1 | 55.7 | (1.6) | 57.3 |
| Adjusted net earnings[3] | 181.2 | 126.5 | 54.7 | (3.2) | 57.9 |
| Adjusted EPS[2][4] (fully diluted) | 0.67 | 0.46 | 0.21 | (0.01) | 0.22 |

(1) Reflects the impact of changing accounting standards from IAS 17 "Leases" to IFRS 16 in the first quarter of fiscal 2020, including the fourth quarter add back of $3.5 million ($2.6 million after tax) in historical straight-line expense under IAS 17.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this MD&A.
(3) Attributable to owners of the Company.
(4) Earnings per share ("EPS").

## EMPIRE COMPANY LIMITED CONSOLIDATED OPERATING RESULTS

*Empire's results for the fourth quarter ended May 2, 2020 and the fourth quarter ended May 4, 2019 include Farm Boy operations. All metrics, including same-store sales, include the consolidation of Farm Boy operations.*

### Sales

Same-store sales for the first weeks of the fourth quarter were strong, reflecting an improving trend that began in the latter half of the third quarter. Starting on February 28, 2020, the Company experienced significantly higher sales in all formats except fuel. Sales further accelerated from March 8, 2020 onward as customers began to stock up in preparation for possible stay-at-home requirements. By March 22, 2020, the sales intensity began to subside, although still significantly above prior year levels. For the two-week period beginning March 8, 2020, same-store sales growth excluding fuel peaked at approximately 50%. Same-store sales growth, excluding fuel and the impact of the Easter period, stabilized at a lower level of approximately 23% for the quarter.

Overall, sales for the quarter ended May 2, 2020 increased by 12.7% driven by the impact of COVID-19 on the food retailing segment, the expansion of FreshCo in Western Canada and inflation. These increases were partially offset by lower fuel sales as a result of COVID-19 and temporary store closures in Western Canada pending their conversion to FreshCo.

### Gross Profit

Gross profit for the fourth quarter increased by 15.3% primarily as a result of the impact of COVID-19 on sales and category reset benefits. These increases were partially offset by temporary store closures in Western Canada pending their conversion to FreshCo. Gross margin for the quarter increased to 25.9% from 25.4% last year. The increase was primarily a result of category reset benefits, the effect of COVID-19 sales mix changes between banners, a less promotional environment and higher private label penetration. These positive effects were partially offset by service department closures and regulatory changes impacting the pharmacy business.

### Operating Income

| | 13 Weeks Ended | | $ |
|---|---|---|---|
| ($ in millions) | May 2, 2020 | May 4, 2019 | Change |
| Consolidated operating income: | | | |
| Food retailing | $ 316.7 | $ 164.0 | $ 152.7 |
| Investments and other operations: | | | |
| Crombie REIT | 6.3 | 22.9 | (16.6) |
| Genstar | 2.3 | 1.5 | 0.8 |
| Other operations, net of corporate expenses | (1.0) | 5.8 | (6.8) |
| | 7.6 | 30.2 | (22.6) |
| Operating income | $ 324.3 | $ 194.2 | $ 130.1 |
| Adjustments: | | | |
| Intangible amortization associated with the Canada Safeway acquisition | $ 4.6 | $ 6.1 | |
| | 4.6 | 6.1 | (1.5) |
| Adjusted operating income | $ 328.9 | $ 200.3 | $ 128.6 |