

FOR IMMEDIATE RELEASE
June 26, 2014

Empire Company Reports Fiscal 2014 Fourth Quarter and Full Year Results

Empire Company Limited (“Empire” or the “Company”) (TSX: EMP.A) today announced financial results for its fourth quarter and full year ended May 3, 2014. In the fourth quarter, the Company recorded adjusted net earnings from continuing operations, net of non-controlling interest, of \$131.3 million (\$1.42 per diluted share) compared to \$95.7 million (\$1.40 per diluted share) in the fourth quarter last year.

Fourth Quarter Highlights

- Sales of \$5.94 billion, up \$1.68 billion or 39.5 percent (up 2.2 percent excluding the impact of the Canada Safeway acquisition). Sobeys’ same-store sales increased 0.2 percent.
- Adjusted EBITDA ⁽¹⁾ of \$318.7 million compared to \$230.1 million last year, up \$88.6 million or 38.5 percent.
- Adjusted net earnings from continuing operations ⁽¹⁾, net of non-controlling interest, of \$131.3 million (\$1.42 per diluted share) compared to \$95.7 million (\$1.40 per diluted share) last year.
- Free cash flow ⁽¹⁾ generation of \$626.1 million compared to \$187.5 million last year.
- Funded debt to total capital ⁽¹⁾ ratio of 38.0 percent versus 40.6 percent last quarter.
- Declared dividend of \$0.27 per share, up 3.8 percent, the 19th consecutive year of increase.
- Sobeys initiates retail store network rationalization – records restructuring costs of \$169.8 million.
- Net earnings from continuing operations, net of non-controlling interest, of \$1.5 million (\$0.02 per diluted share) compared to \$102.5 million (\$1.51 per diluted share) last year.

(1) See “Non-GAAP Financial Measures” section of this news release.

Adjusted net earnings from continuing operations, net of non-controlling interest, for the 52 weeks ended May 3, 2014 were \$383.1 million (\$4.78 per diluted share) compared to \$356.8 million (\$5.24 per diluted share) recorded last year. For the year ended May 3, 2014, Empire had a weighted average number of shares outstanding (fully diluted) of 80.2 million compared to 68.1 million in fiscal 2013.

Fiscal 2014 Highlights

- Sales of \$21.0 billion, up \$3.59 billion or 20.6 percent (up 2.2 percent excluding the impact of the Canada Safeway acquisition).
- Adjusted EBITDA ⁽¹⁾ of \$1,043.3 million compared to \$898.3 million last year, up \$145.0 million or 16.1 percent.
- Adjusted net earnings from continuing operations ⁽¹⁾, net of non-controlling interest, of \$383.1 million (\$4.78 per diluted share) compared to \$356.8 million (\$5.24 per diluted share) last year.
- Net earnings from continuing operations, net of non-controlling interest, of \$151.0 million (\$1.88 per diluted share) compared to \$372.3 million (\$5.47 per diluted share) last year.
- Free cash flow ⁽¹⁾ generation of \$869.1 million compared to \$430.2 million last year.
- Funded debt ⁽¹⁾ has declined \$668.0 million since the acquisition of Canada Safeway to the end of the fiscal year and by a further \$405.0 million since the end of fiscal 2014.

(1) See "Non-GAAP Financial Measures" section of this news release.

Marc Poulin, President and CEO of Empire Company Limited stated, "Fiscal 2014 was a remarkable year for the Company. We not only introduced Sobeys' *Better Food for All* movement – the most exciting stage yet in the evolution of our full-service format – but also completed the acquisition of Canada Safeway. Our growth in consolidated sales in the fourth quarter of 39.5 percent and in adjusted EBITDA of 38.5 percent largely reflect the initial impact of this acquisition, and new and innovative commercial programs as part of the Company's purpose to help Canadians *Eat Better, Feel Better, Do Better* in what remains a highly competitive marketplace.

"Going forward, we will continue to work diligently to successfully integrate the Canada Safeway business and to promote our *Better Food for All* culture, while at the same time maintaining a relentless focus on securing operational efficiencies and cost reductions across the organization. The retail store network review completed in the fourth quarter and subsequent rationalization not only aligns with this but will strengthen the quality of our store network and is expected, along with other initiatives, to enhance overall performance and net earnings. Specific to the Canada Safeway acquisition, we remain confident in our ability to secure \$200 million in annual run-rate cost synergies over a three-year period and are well on track to deliver \$100 million of those synergies by the end of the first year."

Sobeys' Retail Store Network Rationalization

During the fourth quarter of fiscal 2014, Sobeys completed a detailed full 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 which was completed in the third quarter of fiscal 2014. Based on this detailed review, Sobeys has 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, will 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.

The rationalization and restructuring costs associated with these store closures amount to \$169.8 million and are included in selling and administrative expenses for the fourth quarter ended May 3, 2014. This expense consists 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.

Dividend Declaration

Mr. Poulin stated, "Consistent with our growth and the improvement in our financial position, we are pleased to announce an increase in Empire's quarterly dividend per share, from \$0.26 per share to \$0.27 per share, a 3.8 percent increase. This marks the 19th consecutive year of Empire dividend increases."

The Board of Directors declared a quarterly dividend of \$0.27 per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on July 31, 2014 to shareholders of record on July 15, 2014. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation and, therefore, qualify for the favourable tax treatment applicable to such dividends.

Discontinued Operations

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 as previously announced on June 27, 2013. 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 annual consolidated statements of earnings for the 52 weeks ended May 3, 2014 and May 4, 2013.

CONSOLIDATED FINANCIAL RESULTS

(\$ in millions, except per share amounts)	13 Weeks Ended			(\$)	52 Weeks Ended			(\$)
	May 3, 2014	May 4, 2013 ⁽¹⁾	Change		May 3, 2014	May 4, 2013 ⁽¹⁾	Change	
Sales	\$ 5,937.5	\$ 4,257.4	\$ 1,680.1	\$ 20,993.0	\$ 17,400.8	\$ 3,592.2		
Adjusted EBITDA ⁽²⁾	318.7	230.1	88.6	1,043.3	898.3	145.0		
EBITDA ⁽²⁾	147.4	238.6	(91.2)	755.3	918.1	(162.8)		
Adjusted operating income ⁽²⁾	199.0	141.8	57.2	630.2	553.4	76.8		
Operating income ⁽²⁾	22.9	150.3	(127.4)	328.5	573.2	(244.7)		
Adjusted net earnings from continuing operations ⁽²⁾⁽³⁾	131.3	95.7	35.6	383.1	356.8	26.3		
Net earnings from continuing operations ⁽³⁾	1.5	102.5	(101.0)	151.0	372.3	(221.3)		
Net (loss) earnings from discontinued operations	(0.7)	3.4	(4.1)	84.4	7.2	77.2		
Net earnings ⁽³⁾	0.8	105.9	(105.1)	235.4	379.5	(144.1)		
Adjusted EPS from continuing operations (fully diluted) ⁽²⁾⁽³⁾	\$ 1.42	\$ 1.40	\$ 0.02	\$ 4.78	\$ 5.24	\$ (0.46)		
EPS from continuing operations (fully diluted) ⁽³⁾	\$ 0.02	\$ 1.51	\$ (1.49)	\$ 1.88	\$ 5.47	\$ (3.59)		

(1) Amounts have been restated as a result of a change in accounting policy and reclassification of discontinued operations. See Notes 3 and 11 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) See "Non-GAAP Financial Measures" section of this news release.

(3) Net of non-controlling interest.

Sales

Consolidated sales for the 13 weeks ended May 3, 2014 were \$5.94 billion compared to \$4.26 billion in the fourth quarter last year, an increase of \$1.68 billion or 39.5 percent. During this period, sales from the food retailing segment increased \$1.68 billion or 39.5 percent. Excluding sales of \$1.59 billion related to the acquisition of Canada Safeway, sales contribution from the food retailing segment to Empire increased by \$94.4 million or 2.2 percent. Sobeys' same-store sales increased 0.2 percent from the prior year.

Consolidated sales for fiscal 2014 were \$20.99 billion compared to \$17.40 billion in fiscal 2013, an increase of \$3.59 billion or 20.6 percent. During this period, sales from the food retailing segment increased \$3.60 billion or 20.7 percent. Excluding sales of \$3.20 billion related to the acquisition of Canada Safeway, sales contribution from the food retailing segment to Empire increased by \$394.1 million or 2.3 percent. In fiscal 2014, Sobeys' same-store sales showed no growth from the prior year.

Investments and other operations' sales in the fourth quarter were \$0.5 million compared to \$0.6 million in the fourth quarter last year, a decrease of \$0.1 million. For fiscal 2014, sales were \$5.2 million compared to \$9.8 million last year, a decrease of \$4.6 million.

EBITDA

Consolidated adjusted EBITDA in the fourth quarter was \$318.7 million compared to \$230.1 million in the fourth quarter last year, an \$88.6 million or 38.5 percent increase. Before adjusting EBITDA for items which are considered not indicative of underlying business operating performance, as presented in the following table, fourth quarter EBITDA amounted to \$147.4 million compared to \$238.6 million in the fourth quarter last year. This decrease primarily relates to increased selling and administrative

expenses which were primarily due to Sobeys' retail network rationalization costs of \$169.8 million, offset by \$89.5 million in EBITDA related to the Canada Safeway acquisition. In the fourth quarter, Sobeys recorded \$23.0 million of cost reductions as a result of synergies realized related to the acquisition.

For fiscal 2014, consolidated adjusted EBITDA was \$1,043.3 million compared to \$898.3 million last year, an increase of \$145.0 million or 16.1 percent. Before adjusting EBITDA for items which are considered not indicative of underlying business operating performance, EBITDA for fiscal 2014 amounted to \$755.3 million compared to \$918.1 million last year. This decrease primarily relates to increased selling and administrative expenses which were primarily due to network rationalization costs of \$169.8 million, transaction costs of \$97.8 million associated with the Canada Safeway acquisition combined with a decrease in gains on the disposal of assets compared to the prior year of \$18.4 million and a one-time inventory adjustment of \$17.1 million, offset by \$172.7 million in EBITDA related to the Canada Safeway acquisition. Since the acquisition to the end of fiscal 2014, a 26 week period, Sobeys recorded \$29.3 million of cost reductions as a result of synergies realized related to the acquisition.

The table below provides a reconciliation of EBITDA to adjusted EBITDA for the 13 and 52 weeks ended May 3, 2014 compared to the 13 and 52 weeks ended May 4, 2013.

(\$ in millions)	13 Weeks Ended		52 Weeks Ended	
	May 3, 2014	May 4, 2013 ⁽¹⁾	May 3, 2014	May 4, 2013 ⁽¹⁾
EBITDA ⁽²⁾⁽³⁾ (consolidated)	\$ 147.4	\$ 238.6	\$ 755.3	\$ 918.1
Adjustments:				
Network rationalization	169.8	-	169.8	-
Transaction costs associated with the Canada Safeway acquisition	3.2	5.0	97.8	5.0
Inventory adjustment	-	-	17.1	-
Organizational realignment and restructuring costs	-	2.0	12.1	9.1
Non-operating charge from equity accounted investment ⁽⁴⁾	-	1.5	2.5	8.3
Plant closure	1.0	-	1.0	-
Québec distribution network restructuring	-	(0.7)	-	2.4
Dilution gains	-	(1.5)	(4.3)	(18.2)
Gain on disposal of assets	(2.7)	(14.8)	(8.0)	(26.4)
	171.3	(8.5)	288.0	(19.8)
Adjusted EBITDA ⁽²⁾ (consolidated)	\$ 318.7	\$ 230.1	\$ 1,043.3	\$ 898.3

(1) Amounts have been restated as a result of a change in accounting policy and reclassification of discontinued operations. See Notes 3 and 11 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) See "Non-GAAP Financial Measures" section of this news release.

(3) EBITDA generated from Empire Theatres has been recorded in discontinued operations.

(4) Equity earnings from Crombie REIT for the 13 and 52 weeks ended May 3, 2014 include a non-recurring cost of \$nil and \$2.5 million, respectively, related to arranging financing on the 70 properties acquired by Crombie REIT as part of the Canada Safeway acquisition; equity earnings from Crombie REIT for the 13 and 52 weeks ended May 4, 2013 include a non-recurring charge of \$1.5 million and \$8.3 million, respectively, relating to Crombie REIT's restated earnings.

Operating Income

Consolidated adjusted operating income in the fourth quarter was \$199.0 million, an increase of \$57.2 million or 40.3 percent from the \$141.8 million recorded in the fourth quarter last year. Before adjusting for items which are considered not indicative of underlying business operating performance, as presented in the preceding table for EBITDA, fourth quarter consolidated operating income amounted to \$22.9 million compared to \$150.3 million in the fourth quarter last year.

For fiscal 2014, consolidated adjusted operating income was \$630.2 million, an increase of \$76.8 million or 13.9 percent from the \$553.4 million recorded last year. Before adjusting for items which are considered not indicative of underlying business operating performance, as presented in the preceding table for EBITDA, consolidated operating income amounted to \$328.5 million compared to \$573.2 million last year.

Finance Costs

Finance costs, net of finance income, for the 13 weeks ended May 3, 2014 were \$47.6 million, an increase of \$34.0 million from the \$13.6 million recorded in the same period last year. The increase is primarily a result of higher interest expense of \$32.6 million due to increased debt levels as a result of financing for the Canada Safeway acquisition.

Finance costs, net of finance income, for the 52 weeks ended May 3, 2014 were \$133.2 million, an increase of \$77.8 million from the \$55.4 million recorded last year. The increase primarily relates to higher interest expense of \$81.2 million due to increased debt levels as a result of the financing for the Canada Safeway acquisition, partially offset by higher total finance income of \$5.5 million. This increase in total finance income was primarily a result of higher interest income earned from the investment of subscription receipts and Sobeys' unsecured notes proceeds.

Income Taxes

During the quarter, the Company completed a re-measurement of its deferred income tax provision and adjusted certain deferred tax attributes and the associated substantively enacted rates that have been applied. This re-measurement resulted in a tax recovery of \$20.7 million in the current fiscal year, a recovery in comprehensive income of \$0.8 million, an increase to deferred tax assets by \$31.3 million, a reduction to tax payable by \$4.2 million, and a reduction to equity investments by \$5.6 million. The Company's effective income tax rate on continuing operations for fiscal 2014 was 18.6 percent compared to 26.3 percent in fiscal 2013.

Adjusted Net Earnings from Continuing Operations

After factoring in the impact of the adjustments for items which are considered not indicative of underlying business operating performance, Empire recorded adjusted net earnings from continuing operations, net of non-controlling interest, of \$131.3 million (\$1.42 per diluted share) for the 13 weeks ended May 3, 2014 compared to \$95.7 million (\$1.40 per diluted share) recorded in the fourth quarter last year. For the quarter ended May 3, 2014, Empire had a weighted average number of shares outstanding (fully diluted) of 92.4 million compared to 68.1 million in fiscal 2013.

For fiscal 2014, Empire recorded adjusted net earnings from continuing operations, net of non-controlling interest, of \$383.1 million (\$4.78 per diluted share) compared to \$356.8 million (\$5.24 per diluted share) recorded last year. For the year ended May 3, 2014, Empire had weighted average number of shares outstanding (fully diluted) of 80.2 million compared to 68.1 shares outstanding last fiscal year.

Net Earnings from Continuing Operations

Consolidated net earnings from continuing operations, net of non-controlling interest, in the fourth quarter equalled \$1.5 million (\$0.02 per diluted share) compared to \$102.5 million (\$1.51 per diluted share) in the fourth quarter last year. The decline is the result of lower operating income and higher finance costs, net of finance income, partially offset by lower income taxes.

For fiscal 2014, Empire recorded consolidated net earnings from continuing operations, net of non-controlling interest, of \$151.0 million (\$1.88 per diluted share) compared to \$372.3 million (\$5.47 per diluted share).

The following table reconciles reported net earnings from continuing operations, net of non-controlling interest, to adjusted net earnings from continuing operations.

(\$ in millions, except per share amounts, net of tax)	13 Weeks Ended		52 Weeks Ended	
	May 3, 2014	May 4, 2013 ⁽¹⁾	May 3, 2014	May 4, 2013 ⁽¹⁾
Net (loss) earnings from continuing operations by segment ⁽²⁾ :				
Food retailing	\$ (17.6)	\$ 87.4	\$ 121.8	\$ 334.2
Investments and other operations	19.1	15.1	29.2	38.1
Net earnings from continuing operations ⁽²⁾	\$ 1.5	\$ 102.5	\$ 151.0	\$ 372.3
EPS from continuing operations (fully diluted)	\$ 0.02	\$ 1.51	\$ 1.88	\$ 5.47
Adjustments ⁽³⁾ :				
Network rationalization	\$ 123.8	\$ -	\$ 123.8	\$ -
Transaction costs associated with the Canada Safeway acquisition	2.5	4.0	76.0	4.0
Inventory adjustment	-	-	12.7	-
Intangible amortization associated with the Canada Safeway acquisition	3.5	-	10.2	-
Organizational realignment and restructuring costs	-	1.5	8.5	6.7
Finance costs associated with the Canada Safeway acquisition	-	-	6.6	-
Non-operating charge from equity accounted investment ⁽⁴⁾	-	1.1	1.8	5.9
Plant closure	0.8	-	0.8	-
Québec distribution network restructuring	-	(0.5)	-	1.8
Dilution gains	-	(1.1)	(3.0)	(13.0)
Gain on disposal of assets	(0.8)	(11.8)	(5.3)	(20.9)
	129.8	(6.8)	232.1	(15.5)
Adjusted net earnings from continuing operations ⁽²⁾⁽⁵⁾	\$ 131.3	\$ 95.7	\$ 383.1	\$ 356.8
Adjusted net earnings from continuing operations by segment ⁽²⁾ :				
Food retailing	\$ 112.2	\$ 80.6	\$ 349.2	\$ 325.3
Investments and other operations	19.1	15.1	33.9	31.5
Adjusted net earnings from continuing operations ⁽²⁾⁽⁵⁾	\$ 131.3	\$ 95.7	\$ 383.1	\$ 356.8
Adjusted EPS from continuing operations (fully diluted)	\$ 1.42	\$ 1.40	\$ 4.78	\$ 5.24
Diluted weighted average number of shares outstanding (in millions)	92.4	68.1	80.2	68.1

(1) Amounts have been restated as a result of a change in accounting policy. See Note 3 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) Net of non-controlling interest.

(3) All adjustments are net of income taxes.

(4) Equity earnings from Crombie REIT for the 13 and 52 weeks ended May 3, 2014 include a non-recurring cost, net of tax, of \$nil and \$1.8 million, respectively, related to arranging financing on the 70 properties acquired by Crombie REIT as part of the Canada Safeway acquisition; equity earnings from Crombie REIT for the 13 and 52 weeks ended May 4, 2013 include a non-recurring charge, net of tax, of \$1.1 million and \$5.9 million, respectively, relating to Crombie REIT's restated earnings.

(5) See "Non-GAAP Financial Measures" section of this news release.

Net Earnings from Discontinued Operations

Net (loss) earnings from discontinued operations in the fourth quarter of fiscal 2014 equalled \$(0.7) million (\$(0.01) per diluted share) compared to \$3.4 million (\$0.05 per diluted share) in the prior year, a decrease of \$4.1 million.

For fiscal 2014, net earnings from discontinued operations were \$84.4 million (\$1.05 per diluted share) compared to \$7.2 million (\$0.11 per diluted share), an increase of \$77.2 million, primarily as a result of the gain from the re-measurement and disposal of assets and from restructuring costs, net of tax, from the sale of Empire Theatres of \$79.2 million.

Net Earnings

Empire's consolidated net earnings, net of non-controlling interest, in the fourth quarter of fiscal 2014 equalled \$0.8 million (\$0.01 per diluted share) compared to \$105.9 million (\$1.56 per diluted share) in the fourth quarter last year. For fiscal 2014, net earnings, net of non-controlling interest, was \$235.4 million (\$2.93 per diluted share) compared to \$379.5 million (\$5.58 per diluted share) last year.

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 the 13 and 52 weeks ended May 3, 2014 compared to the 13 and 52 weeks ended May 4, 2013.

(\$ in millions, except per share amounts, net of tax)	13 Weeks Ended			(\$) Change	52 Weeks Ended			(\$) Change
	May 3, 2014	May 4, 2013 ⁽¹⁾			May 3, 2014	May 4, 2013 ⁽¹⁾		
Net (loss) earnings from continuing operations by segment ⁽²⁾ :								
Food retailing	\$ (17.6)	\$ 87.4		\$ (105.0)	\$ 121.8	\$ 334.2		\$ (212.4)
Investments and other operations	19.1	15.1		4.0	29.2	38.1		(8.9)
Net earnings from continuing operations ⁽²⁾	\$ 1.5	\$ 102.5		\$ (101.0)	\$ 151.0	\$ 372.3		\$ (221.3)
EPS from continuing operations (fully diluted)	\$ 0.02	\$ 1.51		\$ (1.49)	\$ 1.88	\$ 5.47		\$ (3.59)
Net (loss) earnings from discontinued operations	(0.7)	3.4		(4.1)	84.4	7.2		77.2
Net (loss) earnings by segment ⁽²⁾ :								
Food retailing	\$ (17.6)	\$ 87.4		\$ (105.0)	\$ 121.8	\$ 334.2		\$ (212.4)
Investments and other operations	18.4	18.5		(0.1)	113.6	45.3		68.3
Net earnings ⁽²⁾	\$ 0.8	\$ 105.9		\$ (105.1)	\$ 235.4	\$ 379.5		\$ (144.1)
EPS (fully diluted)	\$ 0.01	\$ 1.56		\$ (1.55)	\$ 2.93	\$ 5.58		\$ (2.65)

(1) Amounts have been restated as a result of a change in accounting policy. See Note 3 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) Net of non-controlling interest.

SEGMENTED FINANCIAL RESULTS

The Company operates and reports on two business segments:

- 1) **Food Retailing**, which consists of wholly-owned Sobeys Inc. (“Sobeys”), and
- 2) **Investments and Other Operations**, which as of May 3, 2014 included investments in Crombie REIT (41.6 percent equity accounted interest; 39.3 percent fully diluted) and interests in Genstar.

FOOD RETAILING

The following table presents the food retailing segment’s contribution to Empire’s consolidated sales, adjusted EBITDA, EBITDA, adjusted operating income, operating income, adjusted net earnings, net of non-controlling interest, and net earnings, net of non-controlling interest.

(\$ in millions)	13 Weeks Ended ⁽¹⁾			52 Weeks Ended ⁽¹⁾		
	May 3, 2014	May 4, 2013 ⁽²⁾	(\$) Change	May 3, 2014	May 4, 2013 ⁽²⁾	(\$) Change
Sales	\$ 5,937.0	\$ 4,256.8	\$ 1,680.2	\$ 20,987.8	\$ 17,391.0	\$ 3,596.8
Adjusted EBITDA ⁽³⁾	301.6	209.0	92.6	999.2	848.0	151.2
EBITDA ⁽³⁾	130.3	217.5	(87.2)	717.9	858.6	(140.7)
Adjusted operating income ⁽³⁾	182.1	120.3	61.8	586.6	503.8	82.8
Operating income ⁽³⁾	6.0	128.8	(122.8)	291.6	514.4	(222.8)
Adjusted net earnings ⁽³⁾⁽⁴⁾	112.2	80.6	31.6	349.2	325.3	23.9
Net (loss) earnings ⁽⁴⁾	(17.6)	87.4	(105.0)	121.8	334.2	(212.4)

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

(2) Amounts have been restated as a result of a change in accounting policy. See Note 3 of the Company’s fourth quarter unaudited condensed consolidated financial statements.

(3) See “Non-GAAP Financial Measures” section of this news release.

(4) Net of non-controlling interest.

Sales

Empire’s food retailing segment achieved sales of \$5.94 billion for the 13 weeks ended May 3, 2014, an increase of \$1.68 billion or 39.5 percent over the same quarter last year. Excluding the impact of the Canada Safeway acquisition of \$1.59 billion, sales contribution from the food retailing segment to Empire increased by \$94.4 million or 2.2 percent. The growth in fourth quarter sales was a direct result of continued increased retail selling square footage from new stores and enlargements, coupled with the continued implementation of sales and merchandising initiatives, improved consistency of store level execution, and product and services innovation. Sobeys’ same-store sales increased 0.2 percent during the fourth quarter of fiscal 2014.

In fiscal 2014, Empire’s food retailing segment reported sales of \$20.99 billion, an increase of \$3.60 billion or 20.7 percent, from \$17.39 billion recorded in fiscal 2013. Excluding the impact of the Canada Safeway acquisition of \$3.20 billion, sales contribution from the food retailing segment to Empire increased by \$394.1 million or 2.3 percent. The growth in sales is primarily the result of \$3.20 billion of sales related to the Canada Safeway acquisition, combined with Sobeys’ continued investment in its retail network, coupled with the continuation of sales and merchandising initiatives. During the fiscal year, same-store sales showed no change compared to the prior year. Same-store sales were impacted by low food inflation, increased competitive square footage in the market, and ongoing competitive intensity.

Gross Profit

Gross profit recorded by Sobeys increased \$517.3 million to \$1,513.2 million for the 13 weeks ended May 3, 2014 compared to the 13 weeks ended May 4, 2013. Gross margin increased 199 basis points from 23.46 percent in the fourth quarter of fiscal 2013 to 25.45 percent in the current quarter. The increase in gross profit and gross margin is largely a result of a \$502.4 million gross profit contribution related to the Canada Safeway acquisition. Excluding the impact related to Canada Safeway, gross margin would have been 23.18 percent, a decrease of 28 basis points compared to the fourth quarter last year. Overall gross profit and gross margin in the fourth quarter were also impacted by the following factors: (i) increased inventory shrinkage (“shrink”) primarily associated with Sobeys’ fresh retail inventory turns as well as shrink associated with the new and innovative commercial programs as part of Sobeys’ strategy to help Canadians Eat Better, Feel Better, Do Better; (ii) a highly promotional environment; (iii) a weaker Canadian Dollar (“CAD”) relative to the U.S. Dollar (“USD”) which affected the CAD cost of U.S. purchases; and (iv) ongoing drug regulatory reform which impacted the number of generic products and generic prescription reimbursement rates.

For the 52 weeks ended May 3, 2014, Sobeys recorded gross profit of \$5,016.1 million, an increase of \$1,003.0 million or 25.0 percent compared to \$4,013.1 million last year. For the year ended May 3, 2014, gross margin increased 79 basis points to 23.93 percent compared to 23.14 percent last year. The increase in gross profit and gross margin is largely a result of a \$985.7 million gross profit contribution related to the Canada Safeway acquisition, net of a one-time inventory adjustment of \$17.1 million. The one-time inventory adjustment is a result of Sobeys’ estimated preliminary fair value using historical financial information from Canada Safeway, after considering a reduction for selling costs and profit margins on selling efforts. The amount was expensed in the third quarter as a result of the sale of the applicable inventory.

Excluding the impact related to Canada Safeway, gross margin would have been 22.69 percent, a decrease of 45 basis points compared to the prior year. Overall gross profit and gross margin were impacted during the fiscal year by the following factors: (i) increased shrink primarily associated with Sobeys’ fresh retail inventory turns as well as shrink associated with the new and innovative commercial programs as part of Sobeys’ strategy to help Canadians Eat Better, Feel Better, Do Better; (ii) a highly promotional environment; (iii) a weaker CAD relative to the USD which affected the CAD cost of U.S. purchases; and (iv) ongoing drug regulatory reform which impacted the number of generic products and generic prescription reimbursement rates.

EBITDA

Adjusted EBITDA contribution from Sobeys to Empire in the fourth quarter was \$301.6 million (5.08 percent of sales) in the fourth quarter compared to a \$209.0 million (4.91 percent of sales) contribution in the same quarter last year, an increase of \$92.6 million or 44.3 percent. Before adjusting for items which are considered not indicative of underlying business operating performance, EBITDA contribution from Sobeys to Empire in the fourth quarter was \$130.3 million, a decrease of \$87.2 million or 40.1 percent from the \$217.5 million recorded in the same period last year. EBITDA in the fourth quarter was impacted by the factors affecting gross profit, as mentioned, and by network rationalization costs of \$169.8 million, offset by EBITDA of \$89.5 million related to the Canada Safeway acquisition. In the fourth quarter, Sobeys recorded \$23.0 million of cost reductions as a result of synergies realized related to the acquisition.

Sobeys contributed adjusted EBITDA to Empire in fiscal 2014 of \$999.2 million (4.76 percent of sales) compared to \$848.0 million (4.88 percent of sales) last year, an increase of \$151.2 million or 17.8 percent. Before adjusting for items which are considered not indicative of underlying business operating performance, EBITDA contribution from Sobeys to Empire in fiscal 2014 of \$717.9 million compared to \$858.6 million last year, a decrease of \$140.7 million or 16.4 percent. EBITDA was impacted by the factors affecting gross profit, as mentioned, and by increased selling and administrative expenses which were primarily due to network rationalization costs of \$169.8 million, transaction costs of \$97.8 associated with the Canada Safeway acquisition combined with a decrease in gains on the disposal of assets compared to the prior year of \$19.6 million, offset by \$172.7 million in EBITDA related to the Canada Safeway acquisition. Since the acquisition to the end of fiscal 2014, a 26 week period, Sobeys recorded \$29.3 million of cost reductions as a result of synergies realized related to the acquisition.

(\$ in millions)	13 Weeks Ended		52 Weeks Ended	
	May 3, 2014	May 4, 2013 ⁽¹⁾	May 3, 2014	May 4, 2013 ⁽¹⁾
EBITDA ⁽²⁾ (contributed by Sobeys)	\$ 130.3	\$ 217.5	\$ 717.9	\$ 858.6
Adjustments:				
Network rationalization	169.8	-	169.8	-
Transaction costs associated with the Canada Safeway acquisition	3.2	5.0	97.8	5.0
Inventory adjustment	-	-	17.1	-
Organizational realignment costs	-	2.0	3.0	9.1
Plant closure	1.0	-	1.0	-
Québec distribution network restructuring	-	(0.7)	-	2.4
Dilution gains	-	-	(0.6)	(0.7)
Gain on disposal of assets	(2.7)	(14.8)	(6.8)	(26.4)
	171.3	(8.5)	281.3	(10.6)
Adjusted EBITDA ⁽²⁾	\$ 301.6	\$ 209.0	\$ 999.2	\$ 848.0

(1) Amounts have been restated as a result of a change in accounting policy. See Note 3 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) See "Non-GAAP Financial Measures" section of this news release.

Operating Income

Sobeys' adjusted operating income contribution to Empire in the fourth quarter was \$182.1 million (3.07 percent of sales) compared to \$120.3 million (2.83 percent of sales) in the fourth quarter last year, an increase of \$61.8 million or 51.4 percent. Before adjusting for items which are considered not indicative of underlying business operating performance, Sobeys' operating income contribution to Empire in the fourth quarter was \$6.0 million compared to \$128.8 million in the same quarter last year, a decrease of \$122.8 million. The decrease is largely due to increased depreciation and amortization expenses of \$19.0 million and \$4.8 million, respectively, incurred in the current quarter related to the Canada Safeway acquisition, and the previously mentioned \$169.8 million of network rationalization costs, partially offset by \$61.4 million of operating income related to the Canada Safeway acquisition.

For the 52 weeks ended May 3, 2014, Sobeys' adjusted operating income contribution to Empire was \$586.6 million (2.79 percent of sales) compared to \$503.8 million (2.90 percent of sales) last year, an increase of \$82.8 million or 16.4 percent. Before adjusting for items which are considered not indicative of underlying business operating performance, Sobeys' operating income contribution to Empire in fiscal 2014 was \$291.6 million compared to \$514.4 million last year, a decrease of \$222.8 million. Operating income was impacted by the factors affecting EBITDA, as mentioned, combined with depreciation and amortization expenses of \$48.8 million and \$13.7 million, respectively, related to the Canada Safeway acquisition. These negative factors were partially offset by \$110.2 million of operating income directly attributable to the inclusion of Canada Safeway.

Net Earnings

During the fourth quarter of fiscal 2014, Sobeys contributed adjusted net earnings, net of non-controlling interest, to Empire in the fourth quarter of \$112.2 million compared to \$80.6 million in the same period last year, an increase of \$31.6 million or 39.2 percent. Before adjusting for items which are considered not indicative of underlying business operating performance, Sobeys contributed a net loss, net of non-controlling interest, of \$17.6 million compared to net earnings, net of non-controlling interest, of \$87.4 million in same period last year, a decrease of \$105.0 million. This decrease is primarily due to \$123.8 million after-tax of network rationalization costs incurred in the fourth quarter of fiscal 2014. Net earnings related to Canada Safeway operations for the 13 weeks ended May 3, 2014 were \$42.4 million.

For fiscal 2014, Sobeys contributed adjusted net earnings, net of non-controlling interest, to Empire of \$349.2 million compared to \$325.3 million in the same period last year, an increase of \$23.9 million or 7.3 percent. Before adjusting for items which are considered not indicative of underlying business operating performance, Sobeys contributed net earnings, net of non-controlling interest, to \$121.8 million compared to \$334.2 million last year, a decrease of \$212.4 million. Net earnings related to Canada Safeway operations for the 52 weeks ended May 3, 2014 were \$78.9 million.

The table below reconciles net (loss) earnings, net of non-controlling interest, to adjusted net earnings, net of non-controlling interest, for the 13 and 52 weeks ended May 3, 2014 compared to the 13 and 52 weeks ended May 4, 2013.

(\$ in millions)	13 Weeks Ended		52 Weeks Ended	
	May 3, 2014	May 4, 2013 ⁽¹⁾	May 3, 2014	May 4, 2013 ⁽¹⁾
Net (loss) earnings ⁽²⁾ (contributed by Sobeys)	\$ (17.6)	\$ 87.4	\$ 121.8	\$ 334.2
Adjustments:				
Network rationalization	123.8	-	123.8	-
Transaction costs associated with the Canada Safeway acquisition	2.5	4.0	76.0	4.0
Inventory adjustment	-	-	12.7	-
Intangible amortization associated with the Canada Safeway acquisition	3.5	-	10.2	-
Finance costs associated with the Canada Safeway acquisition	-	-	6.6	-
Organizational realignment costs	-	1.5	2.2	6.7
Plant closure	0.8	-	0.8	-
Québec distribution network restructuring	-	(0.5)	-	1.8
Dilution gains	-	-	(0.4)	(0.5)
Gain on disposal of assets	(0.8)	(11.8)	(4.5)	(20.9)
	129.8	(6.8)	227.4	(8.9)
Adjusted net earnings ⁽²⁾⁽³⁾	\$ 112.2	\$ 80.6	\$ 349.2	\$ 325.3

(1) Amounts have been restated as a result of a change in accounting policy. See Note 3 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) Net of non-controlling interest.

(3) See "Non-GAAP Financial Measures" section of this news release.

INVESTMENTS AND OTHER OPERATIONS

The table below presents investments and other operations' contribution to Empire's consolidated sales, adjusted EBITDA, EBITDA, operating income, adjusted net earnings from continuing operations, net earnings from continuing operations, net earnings from discontinued operations and net earnings.

(\$ in millions)	13 Weeks Ended			52 Weeks Ended		
	May 3, 2014	May 4, 2013	(\$) Change	May 3, 2014	May 4, 2013	(\$) Change
Sales ⁽¹⁾	\$ 0.5	\$ 0.6	\$ (0.1)	\$ 5.2	\$ 9.8	\$ (4.6)
Adjusted EBITDA ⁽²⁾	17.1	21.1	(4.0)	44.1	50.3	(6.2)
EBITDA ⁽¹⁾⁽²⁾	17.1	21.1	(4.0)	37.4	59.5	(22.1)
Operating income (loss) ⁽²⁾						
Crombie REIT ⁽³⁾⁽⁴⁾	6.9	4.9	2.0	19.2	13.7	5.5
Real estate partnerships ⁽⁵⁾	10.9	13.7	(2.8)	30.4	29.6	0.8
Other operations, net of corporate expenses ⁽¹⁾⁽⁶⁾	(0.9)	2.9	(3.8)	(12.7)	15.5	(28.2)
	16.9	21.5	(4.6)	36.9	58.8	(21.9)
Adjusted net earnings from continuing operations ⁽²⁾	19.1	15.1	4.0	33.9	31.5	2.4
Net earnings from continuing operations	19.1	15.1	4.0	29.2	38.1	(8.9)
Net (loss) earnings from discontinued operations	(0.7)	3.4	(4.1)	84.4	7.2	77.2
Net earnings	18.4	18.5	(0.1)	113.6	45.3	68.3

(1) Results generated from Empire Theatres have been recorded in discontinued operations.

(2) See "Non-GAAP Financial Measures" section of this news release.

(3) 41.6 percent equity accounted interest in Crombie REIT (as at May 4, 2013 – 42.8 percent interest).

(4) Equity earnings from Crombie REIT for the 13 and 52 weeks ended May 3, 2014 include a non-recurring cost of \$nil and \$2.5 million, respectively, related to arranging financing on the 70 properties acquired by Crombie REIT as part of the Canada Safeway acquisition; equity earnings from Crombie REIT for the 13 and 52 weeks ended May 4, 2013 include a non-recurring charge of \$1.5 million and \$8.3 million, respectively, relating to Crombie REIT's restated earnings.

(5) Interests in Genstar.

(6) 13 and 52 weeks ended May 3, 2014 included: organizational realignment and restructuring costs of \$nil and \$9.1 million, respectively; dilution gains of \$nil and \$3.7 million, respectively; and a gain on the disposal of assets of \$nil and \$1.2 million, respectively (13 and 52 weeks ended May 4, 2013 – organizational realignment and restructuring costs of \$nil and \$nil; dilution gains of \$1.5 and \$17.5 million; and a gain on the disposal of assets of \$nil and \$nil).

Sales

Investments and other operations' sales equalled \$0.5 million in the fourth quarter ended May 3, 2014 versus \$0.6 million in the fourth quarter last year, a \$0.1 million decrease. For fiscal 2014, investments and other operations reported sales of \$5.2 million compared to \$9.8 million last year, a decrease of \$4.6 million. Sales generated from Empire Theatres have been recorded in discontinued operations.

EBITDA

Investments and other operations contributed EBITDA to Empire in the fourth quarter of \$17.1 million compared to \$21.1 million in the same period last year. There were no adjustments to investments and other operations' EBITDA in the quarter.

For fiscal 2014, investments and other operations contributed adjusted EBITDA to Empire of \$44.1 million compared to \$50.3 million in fiscal 2013. Before adjusting for items which are considered not indicative of underlying business operating performance, as presented in the following table, EBITDA from investments and other operations was \$37.4 million compared to \$59.5 million last year.

The reconciliation between EBITDA and adjusted EBITDA for the 13 and 52 weeks ended May 3, 2014 compared to the 13 and 52 weeks ended May 4, 2013 is presented in the following table.

(\$ in millions)	13 Weeks Ended		52 Weeks Ended	
	May 3, 2014	May 4, 2013	May 3, 2014	May 4, 2013
EBITDA ⁽¹⁾⁽²⁾ (investments and other operations)	\$ 17.1	\$ 21.1	\$ 37.4	\$ 59.5
Adjustments:				
Organizational realignment and restructuring costs	-	-	9.1	-
Non-operating charge from equity accounted investment ⁽³⁾	-	1.5	2.5	8.3
Gain on disposal of assets	-	-	(1.2)	-
Dilution gains	-	(1.5)	(3.7)	(17.5)
	-	-	6.7	(9.2)
Adjusted EBITDA ⁽¹⁾	\$ 17.1	\$ 21.1	\$ 44.1	\$ 50.3

(1) See "Non-GAAP Financial Measures" section of this news release.

(2) EBITDA generated from Empire Theatres has been recorded in discontinued operations.

(3) Equity earnings from Crombie REIT for the 13 and 52 weeks ended May 3, 2014 include a non-recurring cost of \$nil and \$2.5 million, respectively, related to arranging financing on the 70 properties acquired by Crombie REIT as part of the Canada Safeway acquisition; equity earnings from Crombie REIT for the 13 and 52 weeks ended May 4, 2013 include a non-recurring charge of \$1.5 million and \$8.3 million, respectively, relating to Crombie REIT's restated earnings.

Operating Income

Investments and other operations contributed operating income of \$16.9 million in the fourth quarter ended May 3, 2014 compared to \$21.5 million in the fourth quarter last year, a decrease of \$4.6 million. There were no adjustments to investments and other operations' operating income in the quarter.

For the 52 weeks ended May 3, 2014, investments and other operations contributed adjusted operating income of \$43.6 million versus \$49.6 million last year, a decrease of \$6.0 million. Before adjusting for items which are considered not indicative of underlying business operating performance, as presented in the previous table for EBITDA, investments and other operations' operating income contribution for the fiscal year was \$36.9 million compared \$58.8 million last year.

Net Earnings from Continuing Operations

During the 13 weeks ended May 3, 2014, investments and other operations contributed \$19.1 million to Empire's consolidated net earnings from continuing operations compared to a contribution of \$15.1 million in the same period last year. There were no adjustments to investments and other operations' net earnings in the quarter.

For fiscal 2014, investments and other operations contributed adjusted net earnings from continuing operations of \$33.9 million compared to \$31.5 million last year. Before adjusting for items which are considered not indicative of underlying business operating performance, investments and other operations contributed net earnings from continuing operations of \$29.2 million compared to \$38.1 million in the prior year.

Net Earnings

Investments and other operations contributed \$18.4 million to Empire's consolidated net earnings in the fourth quarter compared to a contribution of \$18.5 million in the same period last year. For fiscal 2014, investments and other operations contributed \$113.6 million versus \$45.3 million last year. The \$68.3 million increase is primarily attributed to an increase in net earnings from discontinued operations of \$77.2 million, partially offset by a decrease in net earnings from continuing operations of \$17.3 million. Net earnings from discontinued operations include a gain from the re-measurement and disposal of assets and from restructuring costs, net of tax, from the sale of Empire Theatres of \$79.2 million.

CONSOLIDATED FINANCIAL CONDITION

The acquisition of Canada Safeway effective November 3, 2013, resulted in a significant change to the capital structure of the Company as a result of capital stock issuance of \$1.84 billion and long-term debt issuance of \$3.02 billion. The financial condition measures are presented in the table below.

(\$ in millions, except per share and ratio calculations)	May 3, 2014	May 4, 2013 ⁽¹⁾	May 5, 2012
Shareholders' equity,			
net of non-controlling interest	\$ 5,700.5	\$ 3,724.8	\$ 3,396.3
Book value per common share ⁽²⁾	\$ 61.75	\$ 54.82	\$ 49.98
Bank indebtedness	\$ -	\$ 6.0	\$ 4.4
Long-term debt, including current portion	\$ 3,497.9	\$ 963.5	\$ 1,126.4
Funded debt to total capital ⁽²⁾	38.0%	20.7%	25.0%
Net funded debt to net total capital ⁽²⁾	35.0%	12.1%	15.4%
Funded debt to EBITDA ⁽²⁾⁽³⁾	4.6x	1.1x	1.3x
EBITDA to interest expense ⁽²⁾⁽³⁾	5.7x	17.9x	14.4x
Current assets to current liabilities ⁽²⁾	1.0x	1.0x	0.9x
Total assets	\$ 12,238.0	\$ 7,140.4	\$ 6,913.1
Free cash flow ⁽²⁾	\$ 869.1	\$ 430.2	\$ 407.9

(1) Amounts have been restated as a result of a change in accounting policy. See Note 3 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) See "Non-GAAP Financial Measures" section of this news release.

(3) Ratios for May 3, 2014 and May 4, 2013 exclude EBITDA and interest expense relating to discontinued operations.

At the end of the fourth quarter, Empire's consolidated ratio of funded debt to total capital was 38.0 percent (May 4, 2013 – 20.7 percent) with cash and cash equivalents of \$429.3 million (May 4, 2013 – \$455.2 million).

Shareholders' equity, net of non-controlling interest, increased \$1.98 billion or 53.0 percent over the fourth quarter last year to \$5.70 billion. Book value per common share increased to \$61.75 at the end of the fourth quarter versus \$54.82 at the start of the fiscal year.

Free Cash Flow

Free cash flow is used to measure the change in the Company's cash available for additional investing, dividends and/or debt reduction. The following table reconciles free cash flow to GAAP cash flows from operating activities for the 13 and 52 weeks ended May 3, 2014 and the 13 and 52 ended May 4, 2013.

(\$ in millions)	13 Weeks Ended		52 Weeks Ended	
	May 3, 2014	May 4, 2013 ⁽¹⁾	May 3, 2014	May 4, 2013 ⁽¹⁾
Cash flows from operating activities	\$ 438.7	\$ 237.7	\$ 787.4	\$ 781.0
Plus: proceeds on disposal of property, equipment and investment property ⁽²⁾	354.2	81.4	653.1	181.1
Less: property, equipment and investment property purchases	(166.8)	(131.6)	(571.4)	(531.9)
Free cash flow ⁽³⁾	\$ 626.1	\$ 187.5	\$ 869.1	\$ 430.2

(1) Amounts have been restated as a result of a change in accounting policy. See Note 3 of the Company's fourth quarter unaudited condensed consolidated financial statements.

(2) Excludes \$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.

(3) See "Non-GAAP Financial Measures" section of this news release.

Free cash flow generation in the fourth quarter of fiscal 2014 was \$626.1 million compared to \$187.5 million generated in the fourth quarter last year. The \$438.6 million increase in free cash flow was due to an increase in proceeds on the disposal of property, equipment and investment property of \$272.8 million associated primarily with the divestiture of stores as part of the Canada Safeway acquisition, combined with an increase in cash flows from operating activities of \$201.0 million. This was partially offset by an increase in property, equipment and investment property purchases of \$35.2 million. The \$201.0 million increase in cash flows from operating activities is attributed to an increase in non-cash and other cash items of \$184.9 million and an increase in the net change in non-cash working capital of \$139.9 million, partially offset by a decline in net earnings of \$105.6 million and an increase in income taxes paid, net, of 18.2 million.

For the 52 weeks ended May 3, 2014, free cash flow generation was \$869.1 million compared to \$430.2 million generated last year. The \$438.9 million increase in free cash flow was due to a \$472.0 million increase in proceeds on the disposal of property, equipment and investment property which is in part due to the sale of Empire Theatres, and a \$6.4 million increase in cash flows from operating activities; partially offset by a \$39.5 million increase in property, equipment and investment property purchases. The increase of \$6.4 million in cash flows from operating activities is due to a decline in net earnings of \$145.2 million and an increase in income taxes paid, net, of \$125.1 million, partially offset by an increase in non-cash and other cash items of \$164.7 million and an increase in the net change in non-cash working capital of \$112.0 million.

SUBSEQUENT EVENTS

Subsequent to the end of the fourth quarter of fiscal 2014, Sobeys entered into an amortizing interest rate swap for a 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 its non-revolving, amortizing term credit facility. The interest rate swap matures on December 31, 2015.

Sobeys also entered into seven EUR/CAD forward contracts subsequent to the close of the fourth quarter at an approximate Canadian dollar value of \$58.0 million. The forward contracts were entered into, to hedge and limit exposure to exchange rate fluctuations relating to future expenditures in EUR. The forward contracts have maturities ranging from May 29, 2014 to September 1, 2016.

On May 30, 2014 Crombie REIT announced it had 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 limited partnership units (which are convertible on a one-for-one basis into units of Crombie REIT). Consequently the Company's interest in Crombie REIT declined to 41.5 percent from 41.6 percent.

FORWARD-LOOKING INFORMATION

This news release contains forward-looking information that reflects management's current expectations related to matters such as future financial performance and operating results of the Company. Expressions such as "anticipates", "expects", "believes", "estimates", "could", "intends", "may", "plans", "will", "would" and other similar expressions or the negative of these terms are generally indicative of forward-looking statements. Forward-looking statements contained in this news release include: (i) those relating to our expectations relating to the timing and amount of cost synergies from the Canada Safeway transaction which may be impacted by a number of factors, including the effectiveness of integration efforts; (ii) timing and proceeds from the sale of stores which may be impacted by satisfaction of various closing conditions and closing adjustments; and (iii) Sobeys' 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.

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 expectations or objectives will not prove to be accurate. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. 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 the annual Management's Discussion and Analysis ("MD&A") and the Short Form Prospectus filed July 24, 2013.

Readers are urged to consider these and other risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this news release reflects the Company's expectations as at June 26, 2014 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.

NON-GAAP FINANCIAL MEASURES

There are measures included in this news release 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. The Company includes these measures because it believes certain investors use these measures as a means of assessing financial performance.

Empire's definition of the non-GAAP terms 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.
- 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.
- EBITDA margin is EBITDA divided by sales.
- Adjusted EBITDA is EBITDA excluding items which are considered not indicative of underlying business operating performance.
- 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.
- Adjusted operating income is operating income excluding items which are considered not indicative of underlying business operating performance.
- 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.
- Adjusted net earnings from continuing operations is 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.
- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances and long-term debt.
- Net funded debt is calculated as funded debt less cash and cash equivalents.
- 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.
- Funded debt to EBITDA ratio is funded debt divided by trailing four-quarter EBITDA.
- EBITDA to interest expense ratio is trailing four-quarter EBITDA divided by trailing four-quarter interest expense.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.
- Current assets to current liabilities ratio is current assets divided by current liabilities.
- 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.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, June 26, 2014 beginning at 1:00 p.m. (Eastern Daylight Time) during which senior management will discuss the Company's financial results for the fourth quarter ended May 3, 2014. To join this conference call, dial (888) 231-8191 outside the Toronto area or (647) 427-7450 from within the Toronto area. To secure a line, please call 10 minutes prior to the conference call; you will be placed on hold until the conference call begins. The media and investing public may access this conference call via a listen mode only. You may also listen to a live audiocast of the conference call by visiting the Company's website located at www.empireco.ca.

Replay will be available by dialing (855) 859-2056 and entering passcode 60158720 until midnight July 3, 2014, or on the Company's website for 90 days following the conference call.

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To view and download the Company's unaudited condensed consolidated financial statements for the fourth quarter of fiscal 2014 ended May 3, 2014, please access the following link:

Q4 Fiscal 2014 Unaudited Condensed Consolidated Financial Statements

This information is also available for download at www.sedar.com or by accessing the Investor Centre section of the Company's website at www.empireco.ca.

2014 ANNUAL REPORT

The Company's audited consolidated financial statements and the notes thereto for the fiscal year ended May 3, 2014 and Management's Discussion and Analysis for the year ended May 3, 2014, which includes discussion and analysis of results of operations, financial position and cash flows will be available today, June 26, 2014. These documents can be accessed through the Investor Centre section of the Company's website at www.empireco.ca and also at www.sedar.com.

The Company's 2014 Annual Report will be available on or before July 25, 2014 and can be accessed through the Investor Centre section of the Company's website at www.empireco.ca and also at www.sedar.com.

ABOUT EMPIRE

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses include food retailing and related real estate. With \$21 billion in annual sales and approximately \$12.2 billion in assets, Empire and its subsidiaries, including franchisees and affiliates, employ more than 125,000 people.

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

For further information, please contact:

François Vimard
Chief Financial Officer
(902) 752-8371

Empire Company Limited
Unaudited Condensed Consolidated Financial Statements
May 3, 2014

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Empire Company Limited
Condensed Consolidated Balance Sheets
As At
Unaudited (in millions of Canadian dollars)

	May 3 2014	May 4 2013 ⁽¹⁾
ASSETS		
Current		
Cash and cash equivalents	\$ 429.3	\$ 455.2
Receivables	460.5	381.7
Inventories (Note 4)	1,310.2	900.8
Prepaid expenses	114.3	86.2
Loans and other receivables	46.4	66.2
Investments	-	14.5
Income taxes receivable	39.7	33.8
Assets held for sale (Note 5 and 11)	204.8	22.0
	2,605.2	1,960.4
Loans and other receivables	52.5	53.8
Investments	24.8	25.0
Investments, at equity (Note 6)	554.2	407.6
Other assets	30.3	50.5
Property and equipment	3,650.7	2,703.0
Investment property	104.5	96.9
Intangibles	950.8	490.5
Goodwill	4,134.0	1,310.4
Deferred tax assets	131.0	42.3
	\$ 12,238.0	\$ 7,140.4
LIABILITIES		
Current		
Bank indebtedness	\$ -	\$ 6.0
Accounts payable and accrued liabilities	2,246.0	1,765.8
Income taxes payable	21.0	75.2
Provisions	82.4	30.6
Long-term debt due within one year (Note 7)	218.0	47.6
	2,567.4	1,925.2
Provisions	140.7	52.9
Long-term debt (Note 7)	3,279.9	915.9
Other long-term liabilities	389.2	309.7
Deferred tax liabilities	119.3	180.6
	6,496.5	3,384.3
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	2,108.6	319.3
Contributed surplus	5.0	6.7
Retained earnings	3,585.9	3,406.9
Accumulated other comprehensive income (loss)	1.0	(8.1)
	5,700.5	3,724.8
Non-controlling interest	41.0	31.3
	5,741.5	3,756.1
	\$ 12,238.0	\$ 7,140.4

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

⁽¹⁾ Certain fiscal 2013 amounts have been restated (see Note 3(a)(i))

On Behalf of the Board

(signed) "Rob Dexter"
 Director

(signed) "Marc Poulin"
 Director

Empire Company Limited Condensed Consolidated Statements of Earnings Unaudited (in millions of Canadian dollars, except per share amounts)	<i>13 Weeks Ended</i>		<i>52 Weeks Ended</i>	
	May 3 2014	May 4 2013⁽¹⁾	May 3 2014	May 4 2013⁽¹⁾
Sales	\$ 5,937.5	\$ 4,257.4	\$ 20,993.0	\$ 17,400.8
Other income (Note 9)	2.9	21.2	14.1	54.2
Share of earnings from investments, at equity	17.8	18.7	50.2	44.0
Operating expenses				
Cost of sales	4,433.1	3,245.6	15,941.3	13,326.3
Selling and administrative expenses	1,502.2	901.4	4,787.5	3,599.5
Operating income	22.9	150.3	328.5	573.2
Finance costs, net (Note 10)	47.6	13.6	133.2	55.4
(Loss) earnings before income taxes	(24.7)	136.7	195.3	517.8
Income taxes	(26.7)	33.2	36.3	136.4
Net earnings from continuing operations	2.0	103.5	159.0	381.4
Net (loss) earnings from discontinued operations (Note 11)	(0.7)	3.4	84.4	7.2
Net earnings	\$ 1.3	\$ 106.9	\$ 243.4	\$ 388.6
Earnings for the period attributable to:				
Non-controlling interest	\$ 0.5	\$ 1.0	\$ 8.0	\$ 9.1
Owners of the parent				
From continuing operations	1.5	102.5	151.0	372.3
From discontinued operations	(0.7)	3.4	84.4	7.2
	\$ 1.3	\$ 106.9	\$ 243.4	\$ 388.6
Earnings (loss) per share from continuing and discontinued operations (Note 12)				
Basic				
From continuing operations	\$ 0.02	\$ 1.51	\$ 1.89	\$ 5.48
From discontinued operations	(0.01)	0.05	1.05	0.11
Total	\$ 0.01	\$ 1.56	\$ 2.94	\$ 5.59
Diluted				
From continuing operations	\$ 0.02	\$ 1.51	\$ 1.88	\$ 5.47
From discontinued operations	(0.01)	0.05	1.05	0.11
Total	\$ 0.01	\$ 1.56	\$ 2.93	\$ 5.58
Weighted average number of common shares outstanding, in millions (Note 12)				
Basic	92.3	67.9	80.0	67.9
Diluted	92.4	68.1	80.2	68.1

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

⁽¹⁾ Certain fiscal 2013 amounts have been restated (see Note 3(a)(i) and 11)

Empire Company Limited Condensed Consolidated Statements of Comprehensive Income Unaudited (in millions of Canadian dollars)	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013 ⁽¹⁾	May 3 2014	May 4 2013 ⁽¹⁾
	Net earnings	\$ 1.3	\$ 106.9	\$ 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 income taxes of \$ nil and \$(0.3) for the 13 and 52 weeks to date (May 4, 2013 - \$ nil and \$(0.3)))	(0.1)	(0.1)	0.6	0.5
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings (net of income taxes of \$ nil and \$ nil for the 13 and 52 weeks to date (May 4, 2013 - \$ nil and \$(0.5)))	-	0.1	-	1.2
Unrealized gains (losses) on available for sale financial assets (net of income taxes of \$(0.1) and \$ nil for the 13 and 52 weeks to date (May 4, 2013 - \$0.5 and \$(0.3)))	0.3	(1.4)	(0.2)	1.3
Reclassification of gains on available for sale financial assets to earnings (net of income taxes of \$ nil and \$ nil for the 13 and 52 weeks to date (May 4, 2013 - \$ nil and \$0.6))	-	-	-	(3.0)
Share of other comprehensive income of investments, at equity (net of income taxes of \$0.6 and \$ nil for the 13 and 52 weeks to date (May 4, 2013 - \$(0.2) and \$(0.7)))	1.1	0.5	2.7	1.7
Exchange differences on translation of foreign operations	2.7	1.2	6.0	1.0
Items that will not be reclassified subsequently to net earnings				
Actuarial gains on defined benefit plans (net of income taxes of \$(5.6) and \$(11.4) for the 13 and 52 weeks to date (May 4, 2013 - \$0.4 and \$(3.5)))	14.4	0.9	29.9	11.7
Total comprehensive income	\$ 19.7	\$ 108.1	\$ 282.4	\$ 403.0
Total comprehensive income for the period attributable to:				
Non-controlling interest	\$ 0.5	\$ 1.0	\$ 8.0	\$ 9.1
Owners of the parent	19.2	107.1	274.4	393.9
	\$ 19.7	\$ 108.1	\$ 282.4	\$ 403.0
Total comprehensive income (loss) attributable to owners of the parent arises from:				
Continuing operations	\$ 19.9	\$ 103.7	\$ 190.0	\$ 386.7
Discontinued operations (Note 11)	(0.7)	3.4	84.4	7.2
	\$ 19.2	\$ 107.1	\$ 274.4	\$ 393.9

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

⁽¹⁾ Certain fiscal 2013 amounts have been restated (see Note 3(a)(i) and 11)

Empire Company Limited
Condensed Consolidated Statements of Changes in Shareholders'
Equity
Unaudited (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 5, 2012⁽¹⁾	\$ 319.3	\$ 6.1	\$ (10.8)	\$ 3,080.9	\$ 3,395.5	\$ 35.1	\$ 3,430.6
Dividends declared on common shares	-	-	-	(65.2)	(65.2)	-	(65.2)
Employee share options	-	0.6	-	-	0.6	-	0.6
Capital transactions with structured entities	-	-	-	-	-	(12.9)	(12.9)
Transactions with owners	-	0.6	-	(65.2)	(64.6)	(12.9)	(77.5)
Net earnings	-	-	-	379.5	379.5	9.1	388.6
Other comprehensive income							
Unrealized gains on derivatives designated as cash flow hedges	-	-	0.5	-	0.5	-	0.5
Reclassification of losses on derivative instruments designated as cash flow hedges to earnings	-	-	1.2	-	1.2	-	1.2
Unrealized gains on available for sale financial assets	-	-	1.3	-	1.3	-	1.3
Reclassification of gains on available for sale financial assets to earnings	-	-	(3.0)	-	(3.0)	-	(3.0)
Actuarial gains on defined benefit plans	-	-	-	11.7	11.7	-	11.7
Share of other comprehensive income of investments, at equity	-	-	1.7	-	1.7	-	1.7
Exchange differences on translation of foreign operations	-	-	1.0	-	1.0	-	1.0
Total comprehensive income for the period	-	-	2.7	391.2	393.9	9.1	403.0
Balance at May 4, 2013⁽¹⁾	\$ 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 8)	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 period	-	-	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

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

⁽¹⁾ Certain fiscal 2013 amounts have been restated (see Note 3(a)(i))

Empire Company Limited Condensed Consolidated Statements of Cash Flows Unaudited (in millions of Canadian dollars)	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013 ⁽¹⁾	May 3 2014	May 4 2013 ⁽¹⁾
Operations				
Net earnings	\$ 1.3	\$ 106.9	\$ 243.4	\$ 388.6
Adjustments for:				
Restructuring	169.8	-	169.8	-
Depreciation	99.3	79.6	362.5	314.8
Income taxes (Note 11)	(26.9)	33.8	49.6	138.3
Finance costs, net (Note 10 and 11)	47.7	14.0	134.0	57.0
Amortization of intangibles	25.0	12.3	68.1	44.5
Gain on disposal of assets (Note 9 and 11)	(2.7)	(18.9)	(137.5)	(47.2)
Impairment (reversal) of non-financial assets, net	0.6	2.2	(7.0)	6.9
Amortization of deferred items	6.1	0.3	7.1	0.9
Equity in earnings of other entities, net of dividends received	6.0	6.5	27.5	37.8
Employee future benefits obligation	(8.2)	1.0	2.9	2.7
(Decrease) increase in long-term lease obligation	(1.9)	(0.3)	1.2	4.2
Decrease in long-term provisions	(0.2)	(0.1)	(0.6)	(8.0)
Stock-based compensation	0.9	0.2	4.8	0.6
Losses recognized on re-measurement of assets and re-structuring costs of discontinued operations (Note 11)	-	-	34.8	-
Net change in non-cash working capital	165.0	25.1	38.4	(73.6)
Income taxes paid, net	(43.1)	(24.9)	(211.6)	(86.5)
Cash flows from operating activities	<u>438.7</u>	<u>237.7</u>	<u>787.4</u>	<u>781.0</u>
Investment				
Net decrease (increase) in investments	0.1	(13.5)	(151.6)	(150.4)
Property, equipment and investment property purchases	(166.8)	(131.6)	(571.4)	(531.9)
Proceeds on disposal of property, equipment and investment property	354.2	81.4	1,644.4	181.1
Additions to intangibles	(10.0)	(2.8)	(18.5)	(12.3)
Loans and other receivables	2.2	(12.2)	21.2	(19.1)
Other assets and other long-term liabilities	10.3	(5.0)	1.1	12.2
Proceeds on sale of asset-backed commercial paper	-	-	26.0	-
Business acquisitions (Note 14)	(10.8)	(4.9)	(5,825.0)	(17.9)
Interest received	0.6	0.6	4.4	3.0
Non-controlling interest	(1.8)	(1.5)	1.7	(12.9)
Cash flows from (used in) investing activities	<u>178.0</u>	<u>(89.5)</u>	<u>(4,867.7)</u>	<u>(548.2)</u>
Financing				
Increase (decrease) in bank indebtedness	-	4.9	(6.0)	1.6
Issue of long-term debt (Note 7)	33.3	4.7	3,337.6	133.7
Deferred debt financing costs	(3.7)	-	(50.6)	-
Repayment of long-term debt	(428.5)	(40.6)	(798.6)	(303.0)
Stock option purchases	-	-	(9.1)	-
Interest paid	(49.0)	(16.2)	(102.3)	(54.9)
Issue of Non-voting Class A shares, net (Note 8)	-	-	1,842.6	-
Share issue costs	(0.1)	-	(75.9)	-
Dividends paid, common shares	(24.0)	(16.3)	(83.3)	(65.2)
Cash flows (used in) from financing activities	<u>(472.0)</u>	<u>(63.5)</u>	<u>4,054.4</u>	<u>(287.8)</u>
Increase (decrease) in cash and cash equivalents	144.7	84.7	(25.9)	(55.0)
Cash and cash equivalents, beginning of period	284.6	370.5	455.2	510.2
Cash and cash equivalents, end of period	<u>\$ 429.3</u>	<u>\$ 455.2</u>	<u>\$ 429.3</u>	<u>\$ 455.2</u>

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

⁽¹⁾ Certain fiscal 2013 amounts have been restated (see Note 3(a)(i) and 11)

Empire Company Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
May 3, 2014
(in millions of Canadian dollars, except per share amounts)

1. Reporting entity

Empire Company Limited (“Empire” or the “Company”) is a diversified Canadian company whose key businesses include food retailing and corporate investment activities. The Company is incorporated in Canada and the address of its registered office of business is 115 King Street, Stellarton, Nova Scotia, B0K 1S0, Canada. The unaudited, interim condensed consolidated financial statements for the period ended May 3, 2014 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 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 unaudited, interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain information and note disclosures normally included in annual consolidated financial statements have been omitted or condensed. The unaudited, interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended May 3, 2014.

The unaudited, interim condensed consolidated financial statements were authorized for issue by the Board of Directors on June 26, 2014.

Basis of measurement

The unaudited, interim condensed consolidated financial statements are prepared on the historical cost basis, except the following assets and liabilities which are stated at their fair value: financial instruments classified as fair value through profit and loss (“FVTPL”), financial instruments classified as available for sale and 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 interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the condensed 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 condensed consolidated financial statements are summarized in the Company’s annual consolidated financial statements for the year ended May 3, 2014. For the period ended May 3, 2014, estimates, judgments and assumptions relating to business combinations could also have a significant impact on the amounts recognized in the condensed consolidated financial statements. For business combinations, the Company applied judgment on the allocation of acquisition cost adjustments, and estimates were utilized to calculate and measure such adjustments, and to calculate the proforma results as if the business combinations had occurred at the beginning of the Company’s fiscal year.

The Company’s investments in associates are accounted for using the equity accounting method. In assessing the potential impact of International Financial Reporting Standard (“IFRS”) 10 which became effective during the first quarter of 2014 (Note 3(a)(ii)), management used significant judgment in determining whether the Company has power over each of its investments contained in investments in associates and its ability to use its power over the investees. The criteria for determining whether an investee should be accounted for using the consolidation or equity accounting method are whether the investor possesses power over the investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns.

Empire Company Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
May 3, 2014
(in millions of Canadian dollars, except per share amounts)

3. Summary of significant accounting policies

These unaudited, interim condensed consolidated financial statements were prepared using the same accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended May 3, 2014.

(a) Accounting standards and policies adopted during fiscal 2014

(i) Employee benefits

In June 2011, the IASB issued amendments to IAS 19, "Employee Benefits", which eliminate the option to defer the recognition of actuarial gains and losses, streamline the presentation of changes in assets and liabilities arising from defined benefit plans to be presented in other comprehensive income or loss and enhance disclosure requirements around the characteristics of the defined benefit plans and risks associated with participation in those plans. The Company adopted and implemented the amendments to IAS 19 during its first quarter of fiscal 2014 and retrospective application was required. The impact from the adoption of the amendments to IAS 19 is summarized as follows:

Condensed Consolidated Statements of Earnings and Comprehensive Income	May 4, 2013	May 4, 2013
Increase (Decrease)	(13 Weeks Ended)	(52 Weeks Ended)
Selling and administrative expenses	\$ 0.4	\$ 0.9
Operating income	(0.4)	(0.9)
Finance costs, net	1.5	6.2
Earnings before income taxes	(1.9)	(7.1)
Income taxes	(0.4)	(1.8)
Net earnings	(1.5)	(5.3)
Other comprehensive income, net of taxes	1.2	4.7
Total comprehensive income	\$ (0.3)	\$ (0.6)

Condensed Consolidated Balance Sheets	As at	As at
Increase (Decrease)	May 4, 2013	May 5, 2012
Deferred tax assets	\$ 0.3	\$ 0.2
Other long-term liabilities	1.7	1.0
Retained earnings	(1.4)	(0.8)

The enhanced annual disclosures required for defined benefit plans are included in the Company's annual consolidated financial statements for the year ended May 3, 2014.

(ii) Consolidated financial statements

In May 2011, the IASB issued IFRS 10, "Consolidated Financial Statements", which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The objective of IFRS 10 is to define principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. It replaces portions of IAS 27, "Consolidated and Separate Financial Statements", and supersedes Standing Interpretations Committee ("SIC") 12, "Consolidation - Special Purpose Entities", completely. The standard became effective in the first quarter of 2014. The Company has evaluated the impact of this standard on its "Investments in associates" and has determined that while having significant influence on these investments, the criteria for control are not met and therefore equity accounting for these investments continues to be appropriate. Management has also evaluated the impact of this standard as it applies to SE's. Adoption of this standard had no significant impact on the Company's financial results.

(iii) Joint arrangements

In May 2011, the IASB issued IFRS 11, "Joint Arrangements", which establishes principles for financial reporting by entities that have an interest in a joint arrangement. IFRS 11 supersedes IAS 31, "Interest in Joint Ventures", and SIC 13, "Jointly Controlled Entities - Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, the IFRS establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are jointly controlled. The standard became effective in the first quarter of 2014 and did not have a significant impact on the Company's financial statements.

(iv) Disclosure of interests in other entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities", which outlines disclosure requirements for an entity that has interests in a subsidiary, a joint arrangement, an associate and an unconsolidated structured entity. IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard became effective in the first quarter of 2014 and resulted in additional disclosures in the Company's annual consolidated financial statements for the year ended May 3, 2014.

(v) Fair value measurement

In May 2011, the IASB issued IFRS 13, "Fair Value Measurement", which defines fair value, sets out in a single IFRS a framework for measuring fair value and identifies required disclosures about fair value measurements. This standard became effective in the first quarter of 2014. The adoption of this standard had no measurement impact on the Company's financial results. Enhanced disclosures have been included in Note 15 to these unaudited, interim condensed consolidated financial statements.

(vi) Presentation of financial statements

In May 2012, the IASB issued amendments to IAS 1, "Presentation of Financial Statements", clarifying the requirements for comparative information. The amendments became effective in the first quarter of 2014 and did not have a significant impact on the Company's financial results and disclosures.

(b) Future accounting policies

(i) Financial instruments

In November 2009, the IASB issued IFRS 9, "Financial Instruments", which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The replacement is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities, and a new hedge accounting model with corresponding disclosures about risk management activity. The effective date for implementation of this standard has been deferred. IFRS 9 allows for early adoption, but the Company does not intend to do so at this time.

(ii) 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. IAS 32 amendments are effective for annual periods beginning on or after January 1, 2014.

(iii) 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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

(iv) 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 is effective for annual periods beginning on or after January 1, 2017.

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

Empire Company Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
May 3, 2014
(in millions of Canadian dollars, except per share amounts)

4. Inventories

The cost of inventories (including those from discontinued operations) recognized as an expense during the 13 and 52 weeks ended May 3, 2014 was \$4,433.1 and \$15,956.4 respectively (May 4, 2013 - \$3,251.9 and \$13,350.1). The Company has recorded \$10.1 (May 4, 2013 - \$8.6) as an expense for the write-down of inventories below cost to net realizable value for inventories on hand as at May 3, 2014. There were no reversals of inventories written down previously (May 4, 2013 - \$ nil).

5. Assets held for sale

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 ULC (the "Canada Safeway acquisition"), 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 the fourth quarter, the Company divested 19 of the retail stores for cash proceeds of \$337.7. The assets and liabilities of \$112.2 for the remaining 11 retail stores have been included in assets held for sale as of May 3, 2014, and are expected to be divested during the Company's first quarter of fiscal 2015. All proceeds will be used to repay bank borrowings.

6. Investments, at equity

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

	May 3 2014	May 4 2013
Investment in associates		
Crombie Real Estate Investment Trust ("Crombie REIT")	\$ 333.5	\$ 195.2
Canadian real estate partnerships	143.7	136.0
U.S. real estate partnerships	67.3	67.2
Investment in joint ventures		
Canadian Digital Cinema Partnership ("CDCP")	9.7	9.2
Total	\$ 554.2	\$ 407.6

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

	May 3 2014	May 4 2013
Crombie REIT	\$ 682.9	\$ 622.7

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.

7. Long-term debt

On September 26, 2012, the Company extended the term of its credit facilities to a maturity date of June 30, 2015. The credit facilities were further extended on November 4, 2013 to November 4, 2017.

Empire Company Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
May 3, 2014
(in millions of Canadian dollars, except per share amounts)

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 provides 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 3, 2014, the outstanding amount of the Acquisition Facility was \$1,625.0, the Bridge Facility was fully repaid and matured, and Sobeys had issued \$79.0 in letters of credit against the RT facility (2013 - \$80.6). Deferred financing fees in the amount of \$29.3 were incurred on the draw down of the Acquisition and Bridge Facilities and have been offset against the long term debt amounts for presentation purposes. 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.

Further information on Sobeys' Canada Safeway acquisition can be found in Note 14.

8. Capital stock

On November 4, 2013, in connection with the Canada Safeway acquisition 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, have been offset against the proceeds as they directly relate to the issuance of the common shares.

9. Other income

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Gain on disposal of assets	\$ 2.7	\$ 14.8	\$ 8.0	\$ 26.4
Dilution gains	-	1.5	4.3	18.2
Investment income	0.2	4.9	1.8	9.6
Total	\$ 2.9	\$ 21.2	\$ 14.1	\$ 54.2

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10. Finance costs, net

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

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Finance income				
Interest income from cash and cash equivalents	\$ 0.6	\$ 0.6	\$ 9.1	\$ 3.0
Fair value gains on cash flow hedges	-	0.1	-	0.2
Fair value gains on other financial assets	-	-	-	1.6
Gain on disposal of financial assets	-	-	1.2	-
Total finance income	0.6	0.7	10.3	4.8
Finance costs				
Interest expense on financial liabilities measured at amortized cost	44.7	12.0	132.5	49.6
Fair value losses on forward contracts	0.1	0.2	0.6	0.8
Losses on cash flow hedges reclassified from other comprehensive income	-	0.1	-	1.7
Net pension finance costs	3.4	2.0	10.4	8.1
Total finance costs	48.2	14.3	143.5	60.2
Finance costs, net	\$ 47.6	\$ 13.6	\$ 133.2	\$ 55.4

11. Discontinued operations

During the second quarter, Empire Theatres completed its asset sales transactions with two unrelated parties as announced on June 27, 2013. 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

Certain assets which remain with Empire Theatres have been presented as held for sale.

Assets of disposal groups classified as held for sale:

	May 3 2014
Property and equipment	\$ 5.3

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Analysis of the operating results of the discontinued operations, and results recognized as a result of re-measurement of the disposal groups, sale of the disposal groups and recognition of restructuring costs is as follows:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Sales	\$ -	\$ 51.5	\$ 127.5	\$ 211.9
Other income	-	2.6	-	2.6
Expenses, including finance costs of \$0.1 and \$0.8 for the 13 and 52 weeks to date (May 4, 2013 - \$0.4 and \$1.6)	0.9	50.1	120.2	205.4
(Loss) earnings before income taxes of discontinued operations	(0.9)	4.0	7.3	9.1
Income taxes	(0.2)	0.6	2.1	1.9
Net (loss) earnings of discontinued operations	(0.7)	3.4	5.2	7.2
Loss recognized on re-measurement of assets of disposal groups to fair value less cost to sell, net of tax of \$ nil and \$6.2 for the 13 and 52 weeks to date	-	-	(15.7)	-
Gain on disposal of assets, net of tax of \$ nil and \$(21.0) for the 13 and 52 weeks to date	-	-	104.2	-
Restructuring costs, net of tax of \$ nil and \$3.6 for the 13 and 52 weeks to date	-	-	(9.3)	-
Net gain from re-measurement and disposal of assets and from restructuring costs	-	-	79.2	-
Net (loss) earnings from discontinued operations	\$ (0.7)	\$ 3.4	\$ 84.4	\$ 7.2

Cash flows from discontinued operations:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Operating cash flows	\$ (29.7)	\$ (2.4)	\$ (24.9)	\$ 22.8
Investing cash flows	\$ 0.3	\$ 14.1	\$ 239.3	\$ (14.1)
Financing cash flows	\$ -	\$ (13.3)	\$ (21.0)	\$ (7.5)

12. Earnings per share

The weighted average number of outstanding shares for the 13 and 52 weeks ended May 3, 2014 used for basic earnings per share amounted to 92,302,364 and 80,049,235 (May 4, 2013 - 67,948,510) shares.

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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:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Weighted average number of shares used in basic earnings per share	92,302,364	67,948,510	80,049,235	67,948,510
Shares deemed to be issued for no consideration in respect of stock-based payments	52,676	182,646	159,691	134,746
Weighted average number of shares used in diluted earnings per share	92,355,040	68,131,156	80,208,926	68,083,256

13. 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. Inter-segment transactions are carried out at market prices.

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:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Segmented sales				
Food retailing	\$ 5,937.0	\$ 4,259.2	\$ 20,994.9	\$ 17,402.7
Investments and other operations	0.5	0.6	5.2	9.8
	5,937.5	4,259.8	21,000.1	17,412.5
Sales to discontinued operations	-	2.4	7.1	11.7
Total	\$ 5,937.5	\$ 4,257.4	\$ 20,993.0	\$ 17,400.8

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Segmented operating income				
Food retailing	\$ 6.0	\$ 128.8	\$ 291.6	\$ 514.4
Investments and other operations				
Crombie REIT	6.9	4.9	19.2	13.7
Real estate partnerships	10.9	13.7	30.4	29.6
Other operations, net of corporate expenses	(0.9)	2.9	(12.7)	15.5
	16.9	21.5	36.9	58.8
Total	\$ 22.9	\$ 150.3	\$ 328.5	\$ 573.2

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	May 3 2014	May 4 2013
Total assets by segment		
Food retailing	\$ 11,555.0	\$ 6,440.4
Investments and other operations (including discontinued operations)	683.0	700.0
	\$ 12,238.0	\$ 7,140.4

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

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Total operating income	\$ 22.9	\$ 150.3	\$ 328.5	\$ 573.2
Finance costs, net	47.6	13.6	133.2	55.4
Total	\$ (24.7)	\$ 136.7	\$ 195.3	\$ 517.8

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

14. Business acquisitions

The Company completed the Canada Safeway acquisition and also acquired franchise and non-franchise stores, retail gas locations, and prescription files during the 13 and 52 weeks ended May 3, 2014. 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.

The following table represents the amounts of identifiable assets from resulting acquisitions for the respective periods:

	13 Weeks Ended		52 Weeks Ended	
	May 3 2014	May 4 2013	May 3 2014	May 4 2013
Stores, retail gas locations and theatres				
Inventories	\$ 8.3	\$ 0.9	\$ 457.9	\$ 1.7
Property, equipment and investment property	(59.4)	2.1	1,109.3	10.1
Intangibles	1.9	-	138.8	-
Deferred tax assets	-	-	40.3	-
Assets held for sale	9.3	-	391.4	-
Assets acquired for sale-leaseback	-	-	991.3	-
Goodwill	46.3	2.7	2,884.4	8.3
Accounts payable and accrued liabilities	(0.5)	-	(397.7)	-
Pension obligations	1.1	-	(137.5)	-
Deferred tax liabilities	(0.6)	-	(8.7)	-
Other assets and liabilities	4.4	(0.8)	49.0	(2.4)
	10.8	4.9	5,518.5	17.7
Prescription files				
Intangibles	-	-	306.5	0.2
Cash consideration	\$ 10.8	\$ 4.9	\$ 5,825.0	\$ 17.9

From the date of acquisition, the businesses acquired contributed sales of \$1,617.4 and \$3,286.1 and net earnings of \$40.7 and \$76.0 for the 13 and 52 weeks ended May 3, 2014 respectively.

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If the acquisitions had occurred on May 5, 2013, management estimates that consolidated sales would have been \$24,058.2 and consolidated net earnings would have been \$274.3 for the 52 weeks ended May 3, 2014. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisitions had occurred on May 5, 2013. These amounts do not include an estimate for the impact that may have occurred to sales and net earnings for the 52 weeks ended May 3, 2014, related to the retail stores required to be divested. The consolidated net earnings includes one-time non-recurring adjustments relating to the Canada Safeway acquisition, including \$17.1 in cost of sales resulting from the turnover of inventory acquired and measured at fair value, and \$97.8 in selling and administrative expenses for transaction costs.

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. 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. On October 22, 2013, regulatory clearance was obtained from the Competition Bureau which required the divestiture of 23 Sobeys and Canada Safeway ULC stores. During the Company's fourth quarter, 12 of the 23 stores were divested, and the remaining 11 stores have been included in assets held for sale as of May 3, 2014, as discussed in Note 5. The Canada Safeway acquisition closed effective Sunday, November 3, 2013, with funds being delivered on Monday, November 4, 2013. Empire and Sobeys financed the acquisition with a combination of the following: (i) a \$1,844.1, net of fees of \$75.8, Empire equity offering which closed on July 31, 2013; (ii) a \$991.3 sale-leaseback of acquired real estate assets, as discussed in Note 16; (iii) \$2,025.0 in term credit facilities, as discussed in Note 7; (iv) the issuance of \$1,000.0 in unsecured notes by Sobeys, as discussed in Note 7; and (v) available cash on hand. Crombie REIT has a right of first offer in respect of any real estate sales undertaken by Sobeys.

The fair value of the identifiable assets acquired and liabilities assumed as at the acquisition date are as follows:

Inventories	\$ 451.0
Property, equipment and investment property	1,096.6
Assets held for sale	391.4
Assets acquired for sale-leaseback	991.3
Intangibles	444.8
Deferred tax assets	40.3
Accounts payable and accrued liabilities	(397.7)
Pension obligations	(137.5)
Deferred tax liabilities	(8.7)
Other assets and liabilities	49.5
Total identifiable net assets	\$ 2,921.0
Excess consideration paid over identifiable net assets acquired allocated to goodwill	\$ 2,879.0

The fair value of the identifiable net assets and goodwill acquired effective November 3, 2013 have been determined provisionally and are subject to adjustment pending the finalization of the valuations and related accounting.

Goodwill of \$2,879.0 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 \$2,220.6 of goodwill is expected to be deductible for income tax purposes.

Acquisition costs of \$3.2 and \$97.8 relating to external legal, consulting, due diligence, financial advisory and other closing costs incurred during the 13 and 52 weeks ended May 3, 2014 respectively, have been included in selling and administrative expenses in the condensed consolidated statements of earnings.

15. Financial instruments

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.

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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.

Level 3 – unobservable inputs for the asset or liability.

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 approximates fair value 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.

There were no transfers between classes of the fair value hierarchy during the 52 weeks ended May 3, 2014.

The following table summarizes the classification of the Company's financial instruments, as well as their carrying amounts and fair values.

May 3, 2014	FVTPL	Available for Sale	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Financial Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 429.3	\$ -	\$ 429.3	\$ 429.3
Receivables	-	-	460.5	-	460.5	460.5
Loans and other receivables	-	-	98.9	-	98.9	98.9
Investments	-	24.8	-	-	24.8	24.8
Other assets ⁽¹⁾	6.8	-	-	-	6.8	6.8
Total financial assets	\$ 6.8	\$ 24.8	\$ 988.7	\$ -	\$ 1,020.3	\$ 1,020.3
Fair value level 1	\$ 6.3	\$ 24.8				\$ 31.1
Fair value level 2	0.5	-				0.5
Fair value level 3	-	-				-
	\$ 6.8	\$ 24.8				\$ 31.6
Financial Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 2,246.0	\$ 2,246.0	\$ 2,246.0
Long-term debt	-	-	-	3,497.9	3,497.9	3,637.7
Total financial liabilities	\$ -	\$ -	\$ -	\$ 5,743.9	\$ 5,743.9	\$ 5,883.7
Fair value level 1	\$ -	\$ -				\$ -
Fair value level 2	-	-				-
Fair value level 3	-	-				-
	\$ -	\$ -				\$ -

⁽¹⁾ The total carrying value of financial assets included in other assets is \$6.8.

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The fair value of financial assets included in other assets, classified as Level 3, are determined based on estimates made using available market interest rates as proxies, as no market data exists for these financial instruments. Management believes that its valuation technique is appropriate. On October 23, 2013, the Company sold its fair value Level 3 assets which included asset-backed commercial paper. The following table summarizes the change in fair value recorded:

	May 3, 2014	May 4, 2013
	(52 Weeks Ended)	(52 Weeks Ended)
Financial Assets		
Balance, beginning of period	\$ 24.8	\$ 23.8
Fair value gains, net of losses, recognized in net earnings	-	1.6
Disposals during the period	(24.8)	(0.6)
Balance, end of period	\$ -	\$ 24.8

Derivative financial instruments

Derivative financial instruments are recorded on the condensed 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. Foreign exchange contracts are used to hedge future purchases or expenditures of foreign currency denominated goods or services. 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.

Cash flows from cash flow hedges are expected to flow over the next four years until fiscal 2018, 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.

16. Related party transactions

The Company has related party transactions with Crombie REIT. The Company holds a 41.6 percent ownership interest and accounts for its investment using the equity method.

On July 3, 2012, the Company purchased \$24.0 of convertible unsecured subordinated debentures (the "Debentures") from Crombie REIT, pursuant to a bought-deal prospectus offering for a total of \$60.0. The Debentures have a maturity date of September 30, 2019. The Debentures have a coupon of 5.00% per annum and each \$1,000 principal amount of Debenture is convertible into approximately 49.7512 units of Crombie REIT, at any time, at the option of the holder, based on a conversion price of \$20.10 per unit.

On September 25, 2012, the Company converted convertible unsecured subordinated debentures with a face value of \$10.0 into 909,090 units of Crombie REIT. The units were recorded at the exchange amount of \$13.8, resulting in a pre-tax gain of \$3.8.

On December 14, 2012, Crombie REIT closed a bought-deal public offering of units at a price of \$14.75 per unit. Concurrent with the public offering, the Company subscribed for \$24.5 of Class B units (which are convertible on a one-for-one basis into units of Crombie REIT).

During the 52 weeks ended May 4, 2013, the Company sold eight properties to Crombie REIT, seven of which were leased back. Cash consideration received for the properties was recorded at the exchange amount of \$106.0, resulting in a pre-tax gain of \$15.0 which was recognized in the consolidated statements of earnings.

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During the quarter ended November 3, 2012, the Company acquired a parcel of land from an associate in which the Company holds a 40.7 percent interest. Cash consideration paid for the land was \$7.6. The gain realized of \$1.6 was eliminated from property and equipment.

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.) Consequently, the Company's interest in Crombie REIT was reduced from 42.1 percent to 41.6 percent

During the quarter ended February 1, 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 statement of earnings.

During the fourth quarter of 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 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 the fourth quarter of fiscal 2014. The properties exchanged were both located in Canmore, Alberta.

17. Contingent liabilities

There are various claims and litigation, which the Company is involved with, 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.

18. Employee future benefits

During the fourth quarter of fiscal 2014, the net employee future benefits expense reported in net earnings was \$3.6 (May 4, 2013 - \$6.7). For the 52 weeks ended May 3, 2014 it was \$37.8 (May 4, 2013 - \$30.6). Actuarial gains before taxes on defined benefit pension plans for the 13 and 52 weeks ended May 3, 2014 were \$20.0 and \$41.3 respectively (May 4, 2013 - \$0.5 and \$15.2). These gains have been recognized in other comprehensive income (loss).

19. Stock-based compensation

Deferred stock units

Members of the Board of Directors may elect to receive all or any portion of their fees 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' 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. 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 condensed consolidated statements of earnings. At May 3, 2014 there were 146,365 (May 4, 2013 - 131,175) DSUs outstanding. During the 13 and 52 weeks ended May 3, 2014, the compensation expense was \$ nil and \$1.1 respectively (May 4, 2013 - \$1.3 and \$2.6).

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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 3, 2014, there were 39,600 (May 4, 2013 - 41,461) PSUs outstanding. During the 13 and 52 weeks ended May 3, 2014, the compensation expense was \$ nil and \$2.7 respectively (May 4, 2013 - \$0.2 and \$0.9).

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 5 day average Empire Non-Voting Class A share value following the announcement of the Company’s fiscal financial performance compared to the 5 day average following the announcement of the Company’s fiscal financial performance of the preceding year. At May 3, 2014 there were 1,244,057 options (May 4, 2013 - 1,515,535) outstanding. During the 52 weeks ended May 3, 2014, the carrying amount of the liability associated with these options was \$11.0 (May 4, 2013 - \$17.6).

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 3, 2014 there were 119,899 units (May 4, 2013 - nil) outstanding. During the 52 weeks ended May 3, 2014, the carrying amount of the liability associated with these units was \$4.2 (May 4, 2013 - \$ nil).

Stock option plan

During fiscal 2014, the Company granted an additional 826,799 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 \$10.65 per option (May 4, 2013 - \$8.23 per option) was determined using the Black-Scholes model with the following weighted average assumptions.

Share price	\$78.90
Expected life	5.25 years
Risk-free interest rate	1.70%
Expected volatility (based on recent 5-year history)	15.1%
Dividend yield	1.36%

The compensation cost relating to the 13 and 52 weeks ended May 3, 2014 was \$1.0 and \$3.4 respectively (May 4, 2013 - \$0.2 and 0.6) 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 \$3.4 (May 4, 2013 - \$0.6).

20. Subsequent events

Subsequent to the close of the fourth quarter, Sobeys entered into an amortizing interest rate swap for a notional amount of \$598.7 at a fixed interest rate of 1.4% effective May 12, 2014 to hedge the interest rate on a portion of its Acquisition Facility (Note 7). The interest rate swap matures on December 31, 2015.

Sobeys also entered into seven Euro/Canadian dollar forward contracts subsequent to the close of the fourth quarter at an approximate Canadian dollar value 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.

Empire Company Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
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(in millions of Canadian dollars, except per share amounts)

On May 30, 2014 Crombie REIT announced it had 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 units (which are convertible on a one-for-one basis into units of Crombie REIT). Consequently the Company's interest in Crombie REIT will be reduced from 41.6% to 41.5%.