metro

Annual Report
2021

COMPANY PROFILE

METRO INC. is a food and pharmacy leader in Québec and Ontario. As a retailer, franchisor, distributor, and manufacturer, the Corporation operates or services a network of 963 food stores under several banners including Metro, Metro Plus, Super C, Food Basics, Adonis and Première Moisson, as well as 649 drugstores primarily under the Jean Coutu, Brunet, Metro Pharmacy and Food Basics Pharmacy banners, providing employment directly or indirectly to more than 90,000 people.

2021 HIGHLIGHTS

- Sales of $18,283.0 million, up 1.6%, and up 9.0% vs 2019
- Net earnings of $825.7 million, up 3.7%, and up 15.6% vs 2019
- Adjusted net earnings(1) of $854.2 million, up 3.0%, and up 16.8% vs 2019
- Fully diluted net earnings per share of $3.33, up 6.1%, and up 19.8% vs 2019
- Adjusted fully diluted net earnings per share(1) of $3.44, up 5.2%, and up 21.1% vs 2019
- Expenses related to COVID-19 totalling $104 million, including $24 million of gift cards to front-line employees
- Record level of capital spending of just under $600 million
- Return on equity of 13.1% and 13.6% based on adjusted net earnings, exceeding 12% for the 29th consecutive year
- Dividends per share increase of 11.4%, the 27th consecutive year of dividend growth

RETAIL NETWORK

		Québec		Ontario		New Brunswick	Total
Supermarkets	Metro Metro Plus	198	Metro	130			328
	Adonis	11	Adonis	4			15
Discount stores	Super C	98	Food Basics	139			237
Neighbourhood stores	Marché Richelieu	53					
	Marché Ami	307					360
Specialized stores	Première Moisson	22	Première Moisson	1			23
Total food		**689**		**274**			**963**

Drugstores	Brunet Brunet Plus Brunet Clinique Clini Plus	157	Metro Pharmacy Food Basics Pharmacy	74			231
	PJC Jean Coutu PJC Health PJC Health & Beauty	381	PJC Jean Coutu PJC Health	9	PJC Jean Coutu PJC Health PJC Health & Beauty	28	418
Total drugstores		**538**		**83**		**28**	**649**

Forward-looking information: *For any information on statements in this Annual Report that are of a forward-looking nature, see section on "Forward-looking information" in the Management's Discussion and Analysis (MD&A).*

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FINANCIAL HIGHLIGHTS

	2021	2020	2019	2018	2017 *(53 weeks)*
OPERATING RESULTS *(Millions of dollars)*					
Sales	**18,283.0**	17,997.5	16,767.5	14,383.4	13,175.3
Operating income*	**1,732.5**	1,683.6	1,321.5	1,011.1	966.4
Net earnings	**825.7**	796.4	714.4	1,718.5	608.4
Adjusted net earnings(1)	**854.2**	829.1	731.6	579.2	548.2
Cash flows from operating activities**	**1,583.3**	1,474.1	794.6	750.4	696.2
FINANCIAL STRUCTURE *(Millions of dollars)*					
Total assets	**13,592.1**	13,423.9	11,073.9	10,922.2	6,050.7
Non-current debt***	**2,618.2**	2,612.0	2,629.0	2,630.4	1,441.6
Non-current lease liabilities****	**1,657.5**	1,811.4	—	—	—
Equity	**6,412.8**	6,155.4	5,968.6	5,656.0	2,923.9
PER SHARE *(Dollars)*					
Basic net earnings	**3.34**	3.15	2.79	7.20	2.59
Fully diluted net earnings	**3.33**	3.14	2.78	7.16	2.57
Adjusted fully diluted net earnings(1)	**3.44**	3.27	2.84	2.41	2.31
Dividends	**0.9750**	0.8750	0.7800	0.7025	0.6275
FINANCIAL RATIOS *(%)*					
Operating income*/ Sales*****	**9.5**	9.4	7.9	7.0	7.3
Return on equity	**13.1**	13.1	12.3	40.1	21.7
Non-current debt and lease liabilities /total capital****	**40.0**	41.8	30.6	31.7	33.0
SHARE PRICE *(Dollars)*					
High	**66.25**	64.61	58.94	45.44	47.41
Low	**52.63**	49.03	39.04	38.32	38.00
Closing price (At year-end)	**60.18**	64.02	57.91	40.18	42.91

* *Operating income before depreciation and amortization (OI)*

** *Interest paid on debt and payments and interests on lease liabilities reclassified to financing activities as well as payments and interests received from subleases reclassified to investing activities following the adoption of IFRS 16 Leases in the first quarter of fiscal 2020*

*** *Including in 2021 is the current debt related to the Series C Notes refinanced in November 2021 and in 2019 is the current debt related to the Series E Notes refinanced in February 2020*

**** *Non-current lease liabilities resulting from to the adoption of IFRS 16 in 2020*

***** *Ratio of 8.4% in 2021 and 8.3% in 2020 when excluding the impact of the adoption of IFRS 16*

(1) *See table on "Net earnings adjustments" and section on "Non-IFRS measurements"*
(2) *See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"*
(3) *See section on "Forward-looking information"*

MESSAGE FROM THE CHAIR OF THE BOARD

Dear Shareholders,

I would first like to acknowledge the involvement and leadership of Mr. Réal Raymond, whom I have succeeded as Chairman of the Board of the Company at the end of the January 2021 shareholders' meeting. Mr. Raymond had been a director of the Company since 2008, became Lead Director in 2010 and then Chairman of the Board in 2015. He was an effective Chairman at a time of significant growth for the Company, notably the acquisition of the Jean Coutu Group. On behalf of the Board, I would like to express our gratitude and appreciation to Mr. Raymond for his contribution to METRO's success.

As in 2020, the 2021 fiscal year was marked by the COVID-19 pandemic. I would like to acknowledge the exemplary work of the management team, employees, our retailers, and pharmacist owners in the face of changing conditions during the year. They continued to adapt to the circumstances to allow the stores, pharmacies, distribution centers and offices to maintain their operations and made the required effort and took the necessary measures to provide a safe environment for our customers and employees.

The Board of Directors continued to support the Company's management in its efforts regarding COVID-19 and was regularly involved and informed about the pandemic and its impact on the Company's operations through written updates from management and at meetings of the Board of Directors and its committees.

The Company maintained a strong financial performance throughout the year that compares favourably to pre-pandemic results. I would also like to highlight the record level of capital expenditures of close to $600 million related to the Company's major projects including supply chain modernization, store network and omnichannel strategy. The Board of Directors fully support management in the pursuit of these major projects and closely monitor their progress.

Board of Directors

Throughout the year, the Board of Directors also continued to support management in the realization of the strategic plan as well as in the various projects, including the development of the new 2022-2026 corporate responsibility plan, which will be published in January. To assist management in the development of this new plan, the Governance and Corporate Responsibility Committee discussed the new plan with the members of senior management responsible for its development prior to its approval by the Board of Directors.

Again in 2021, the Chair of the Governance and Corporate Responsibility Committee and I met with some of the Company's significant shareholders to discuss matters relating to the Board of Directors. This initiative is part of the program established each year by the Governance and Corporate Responsibility Committee to engage in a constructive dialogue with the Company's shareholders.

The year 2021 was also marked by sustained efforts by the Governance and Corporate Responsibility Committee to ensure succession planning for the Board of Directors. The Committee identified the criteria, profiles and skills sought on the Board and, with the help of its recruitment consultants, identified and met with several potential candidates. As a result of this rigorous process, the Board of Directors appointed Mr. Brian McManus as a director of the Company in April 2021. This process also led to the recruitment of Ms. Lori-Ann Beausoleil who is now a first-time candidate for a position on the Board of Directors.

After 16 years as a director of the Company, Mr. Claude Dussault will retire from the Board of Directors at the end of the next annual shareholders' meeting. From 2015 to 2021, Mr. Dussault was Chairman of the Human Resources Committee and ensured that the Company's executive compensation practices were aligned with the Company's performance and encouraged sound risk-taking to stimulate growth and performance. Mr. Dussault was also Chairman of the Corporate Governance Committee from 2008 to 2015 where he ensured the development of good governance practices for the Company. I would also like to acknowledge the departure of Ms. Line Rivard who accepted last November the position of Quebec Delegate General in London, United Kingdom. Ms. Rivard served on the Board of Directors of the Corporation from 2014 to 2021 and was a member of the Audit and Human Resources

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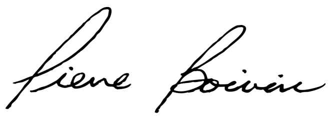
Committees. On behalf of my colleagues and our shareholders, I would like to thank them for their great contribution and leadership on the Board and its committees over the years. Their professionalism and experience have been of great benefit to the Company.



Pierre Boivin
Chairman of the Board

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MESSAGE FROM THE PRESIDENT AND CEO

Another Exceptional Year

Our 2021 fiscal year began at the height of the second wave of the pandemic and ended with the fourth wave. The second year of the pandemic presented many challenges and demanded a lot from our teams in difficult conditions. I would like to acknowledge the remarkable work and extraordinary resilience of our employees, our affiliated merchants and pharmacist owners, and our executive team. Together, we continued to provide a safe environment for all while meeting the food and pharmacy needs of our customers and joining forces with the health care system to support the provincial vaccination campaigns. We are proud to have lived our Company purpose: *To nourish the health and well-being of our communities*.

Furthermore, while operating in the midst of a pandemic, our team also achieved three key milestones of our strategic plan: the opening of our Toronto fresh produce distribution centre in January 2021, the start of operations of an online order fulfillment site in Montreal in June 2021 and the completion of the METRO, Groupe Jean Coutu and McMahon combination in July 2021.

Impact

Contributing to the health of our customers by offering them quality products, healthy choices, the medication they need and tools and advice to improve their well-being is an important business priority for METRO.

As additional measures were announced by the governments of Quebec, Ontario and New Brunswick to curb the pandemic which led to a lockdown in Quebec, a partial closure in Ontario in late 2020 and a lockdown in parts of New Brunswick in early 2021, communities were able to continue to count on us to serve them safely. For several weeks, when we were among the only businesses open, we were able to provide our customers with the food and pharmacy products and services they needed, without ever relaxing the prevention measures we put in place to protect our customers and our employees.

We have tangibly thanked all our food store and distribution centre employees who have been on the front lines since the beginning of the pandemic. They were recognized on three occasions, in December 2020, February and May 2021, with gift cards of $300, $150 or $75, totaling over $24 million.

Bill 31, which came into effect in January 2021 in Quebec, increased the frontline responsibilities of pharmacists by expanding their scope of practice. Pharmacists in our networks and their teams were thus able to play a leading role in the vaccination campaign, working in tandem with government authorities to deploy vaccination in pharmacies. Some 430 Jean Coutu and Brunet pharmacies in Quebec, Ontario and New Brunswick took part in the vaccination campaign, as did most of our supermarket pharmacies in Ontario. In total, nearly 470,000 doses were administered in our network.

METRO also contributed to the vaccination effort in Quebec, in partnership with four other major companies, by offering COVID-19 vaccination clinics to its employees, their immediate family members and the community at clinics in Montreal, Laval, Brossard and Quebec City. As a result, we facilitated the vaccination of close to 70,000 employees, family and community members.

Finally, an innovative partnership between three health and social services centres on the island of Montreal and our Jean Coutu and Brunet pharmacies made it possible to launch two "Vaccivans", vehicles designed to reach out to citizens in parks and other outdoor locations in order to offer a first or second dose of the vaccine without an appointment.

We can be proud of our contribution to the collective effort to fight the pandemic which will allow us to get back to our normal lives and get the economy moving again.

Strategic Achievements

January marked the opening of our new fresh produce distribution centre in Toronto. This semi-automated facility represents the first phase of our distribution network modernization project, an $800 million investment in METRO's future. Our new centre puts us in an excellent position to deliver the freshest, highest quality products in the most efficient way possible.

Another important milestone in our modernization project is approaching with work nearing completion on our Toronto automated frozen food distribution centre. This facility is scheduled to be operational in January 2022.

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In Quebec, construction is well underway on a new automated distribution centre for fresh and frozen products in Terrebonne. This new centre, scheduled to open in 2023, will use state-of-the-art technology, which will allow us to make significant efficiency gains and improve service to our stores with increased accuracy and reduced handling time.

Despite an eight-week labour conflict at our Varennes distribution centre in the fall of 2021, the combination of METRO, The Jean Coutu Group and McMahon was completed at the end of the summer with the integration of distribution activities in Varennes, including transportation and replenishment. The deployment of pharmacy software solutions in the Brunet network was also completed last June. This pooling of pharmacy tools and information systems allows us to unify our operational chain to maximize its potential.

We continued to invest in our food and pharmacy networks together with our affiliated retailers and pharmacy owners. We completed 17 major renovations and opened 11 new stores and pharmacies in Québec and Ontario. Marché Adonis opened the chain’s 15th store, the first in Quebec City.

To better respond to changing consumer shopping behaviour, METRO continues to accelerate the deployment of its digital plan by adding new services and more options to its portfolio. We opened an online order fulfillment site in June 2021 that offers delivery service on the island of Montreal, allowing us to better serve our customers in this region. The in-store click and collect service continues to expand and is now available in 196 Metro supermarkets in Quebec and Ontario. In addition, 260 Jean Coutu pharmacies in Quebec, Ontario and New Brunswick now offer click and collect. In Quebec, Super C is now part of the partnership concluded last year with Cornershop for our Metro, Jean Coutu and Brunet banners, which allows for delivery in two hours or less.

Ultimately, METRO's digital strategy will enable us to reach a larger portion of the population, increase our operational capabilities and leverage partnerships to be even more efficient and timely in delivering orders, serving 85% of the market in Quebec and Ontario.

We also continued to roll out our technology initiatives in our various banners in Quebec and Ontario. 350 stores now offer self-service checkout and 187 stores have switched to electronic shelf labels. Seventeen stores now offer "Scan, Bag and Go" technology, allowing customers to scan products as they add them to their cart. Self-service checkout was also made available to our Jean Coutu and Brunet networks and pharmacies have begun implementation. We also deployed online prescription payment, a first in Quebec.

Meeting the needs of our customers is at the heart of METRO's business strategy. The Metro banner has launched an innovative program in Quebec and Ontario: *My health my choices*. This is a unique guide on the food attributes of products for consumers who want to make the best choices according to their lifestyle, values or health needs. Nearly 10,000 products in stores, online and on the My Metro application carry one or more of the program's 50 attributes, offering an easier and faster shopping experience to customers.

Financial Results

We had an excellent financial performance once again in Fiscal 2021. Revenues increased 1.6% to $18,283.0 million, and were up 9.0% over 2019. Adjusted net income increased 3.0% to $854.2 million, and were up 16.8% over 2019. The Company's financial position is strong. In fiscal 2021, we generated $1,583 million in operating cash flow, made record capital investments of nearly $600 million, and increased our dividend per share by more than 11%. This was our 27th consecutive annual dividend increase. Under our annual share buyback program, which ended November 24, 2021, we repurchased 8.5 million common shares at an average price of $58.55.

In fiscal 2021, the share price ranged from $52.63 to $66.25 to close at $60.18 compared to $64.02 at the end of fiscal 2020, a 6% decrease in share price for the year but a 36% increase over 5 years and a 304% increase over 10 years.

2022 Outlook and Priorities

Our strategies remain customer-focused while considering the upcoming post-pandemic environment. The pandemic caused an increase in food consumption at home, and we expect that a portion of this increase will remain in the short and mid term. Many consumers changed their habits and adopted new ways of shopping. In this regard, we are well positioned with our e-commerce offer, providing operational flexibility to serve our customers in the way that is most convenient for them.

Consumers also expect technology to improve their in-store experience. It is very important to choose the right solutions and deploy them at the right time.

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Consumer interest in local products, a priority in our corporate responsibility approach, has increased significantly during the pandemic. We look forward to continuing to build lasting relationships with entrepreneurs who will grow with us and thereby contribute to the growth of local businesses.

Inflationary pressures on our costs began to emerge at the end of fiscal 2021 and we expect them to increase in the coming months, including the cost of goods, transportation and labour. In this context, consumers will be more prudent and will look for more value for their money. Furthermore, our teams will need to continue to deal with labour shortages and find solutions that support talent acquisition, retention and development.

Our priorities for Fiscal 2022 are:

1. Increase our market share in the food sector
2. Increase our leadership position in the pharmacy sector
3. Continue to modernize our supply chain and accelerate the company's digital transformation
4. Continue to develop our loyalty programs
5. Develop the best team
6. Achieve our corporate responsibility objectives

Community Investments

Supporting the communities in which we live and work remains at the heart of what we do to help the most vulnerable and most in need. Thanks to the generosity and hard work of employees across METRO's food and pharmacy banners, we exceeded our goals for our 23rd United Way campaign, with more than $2.3 million donated, an increase of 11% over last year's total. We are particularly proud to have achieved this result in the context of the pandemic. In addition, METRO provided financial support to numerous health, education and cultural organizations, and gave more than 4,700 tonnes of food to Ontario and Quebec food banks.

Acknowledgements

I would like to thank all our employees, retailers and pharmacist owners for their hard work and dedication, and especially all frontline employees who again this year worked in demanding circumstances. We have a great management team, and I thank them for executing our business plans and advancing our strategic priorities. I would also like to thank our directors for their continued support and oversight. Finally, thank you, dear shareholders, for your confidence.

Eric La Flèche
President and Chief Executive Officer

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CORPORATE RESPONSIBILITY

This year, we concluded our 2016-2020 Corporate Responsibility (CR) plan, which was extended to 2021 due to the pandemic. Throughout the year, in addition to working on the priorities of our plan, we continued to improve our understanding of key issues such as responsible procurement, animal welfare and the environment, as we prepared our 2022-2026 CR plan development.

We continued the implementation of our Responsible Procurement Framework. We advanced our efforts to characterize our supply chain by updating the assessment of our purchases. We developed new tools to document our suppliers' practices on specific topics of interest, including a questionnaire on working conditions, such as employee housing. Proactive management allows us to ensure compliance with our Supplier Code of Conduct.

Our leading food waste initiative, One More Bite, continued this year at Metro, Super C, Food Basics, Adonis and Marché Richelieu stores. Started in 2014, our food recovery program consists of donating unsold products collected in our participating stores in Quebec and Ontario that are still fit for consumption, to our food bank partners – Food Banks of Québec as well as Second Harvest and Feed Ontario in Ontario. Thanks to the collaboration of our in-store teams and our partners, the program has made it possible to recover and redistribute more than 4,700 tonnes of food, the equivalent of more than 9.4 million meals.

Our efforts to promote local products and support their artisans continued as consumer interest and demand keep growing. In this regard, we maintained our collaboration with our partners, such as the MAPAQ (Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec), Aliments du Québec, as well as OMAFRA (Ontario Ministry of Agriculture, Food and Rural Affairs).

Several new collaborations were initiated both in Ontario and Quebec. Many regional suppliers have grown with us, adding new products to their offer available in our stores, or distributing to more stores.

In September 2021, we launched a new Respect in the Workplace policy. We see this latest best practice framework as a complement to our Diversity policy that will allow us to continue to promote a healthy workplace where employees can grow and develop their full potential while respecting their differences.

We have updated our Environmental policy, which reflects the evolution of our approach with new issues that are now taken into account, such as pollution prevention, climate change mitigation, sustainable resource use and the protection of biodiversity and ecosystems.

With respect to our Packaging and printed materials management policy, our teams continued to make progress in several areas and are aligned with our commitments to reduce the environmental footprint of our packaging and printed material as much as possible. In fact, we surpassed our objective to reduce the total weight of paper used in the flyers of our food and pharmacy banners relative to 2018.

METRO's CR report covering the 2021 fiscal year will be available on January 25, 2022, at which time we will also introduce our new 2022-2026 CR plan. Our goal is to focus on what METRO can and should do to fulfill its mission from a sustainability perspective and to continue to properly integrate environmental, social and governance (ESG) factors into its business model.

For more details, please visit the Corporate Responsibility section of our corporate website: *metro.ca/responsibility*.

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MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 25, 2021

metro

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The following Management's Discussion and Analysis sets out the financial position and consolidated results of METRO INC. for the fiscal year ended September 25, 2021, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 25, 2021. This report is based upon information as at November 16, 2021 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for fiscal 2021, is available on the SEDAR website at www.sedar.com.

OVERVIEW

The Corporation is a leader in food and pharmaceutical industry in Québec and Ontario.

The Corporation, as a retailer, franchisor or distributor, operates under different grocery banners in the conventional supermarket and discount segments. For consumers seeking a higher level of service and a greater variety of products, we operate 328 supermarkets under the Metro and Metro Plus banners. The 237 discount stores operating under the Super C and Food Basics banners offer products at low prices to consumers who are both cost and quality-conscious. The Adonis banner, which currently has 15 stores, is specialized in fresh products as well as Mediterranean and Middle-Eastern products. The Corporation also operates Première Moisson, a banner specialized in premium quality artisan bakery, pastry, and deli products. Première Moisson sells its products to the Corporation's stores, to restaurants and other chains as well as directly to consumers in its 23 stores. The majority of the stores are owned by the Corporation or by structured entities and their financial statements are consolidated with those of the Corporation. Independent owners bound to the Corporation by leases or affiliation agreements operate a large number of Metro and Metro Plus stores. The corporation supplies these stores and their purchases are included in our sales. The Corporation also acts as a distributor for independent neighborhood grocery stores. Their purchases are included in the Corporation's sales.

The Corporation also acts as franchisor and distributor for 418 PJC Jean Coutu, PJC Health and PJC Health & Beauty drugstores as well as 157 Brunet Plus, Brunet, Brunet Clinique, and Clini Plus drugstores, held by pharmacist owners. The Corporation operates 74 drugstores in Ontario under Metro Pharmacy and Food Basics Pharmacy banners and their sales are included in the Corporation's sales. Sales also include the supply of non-franchised drugstores and various health centres. The Corporation is also active in generic drug manufacturing through its subsidiary Pro Doc Ltée.

PURPOSE, MISSION AND STRATEGY

For nearly 75 years, METRO has made its mark, first in Quebec and then in Ontario and New Brunswick, by meeting the nutrition and health needs of the communities it serves. Its organic and acquisition-led growth has positioned it today as a leader in the food and pharmacy sectors in Eastern Canada.

The 2018 acquisition of The Jean Coutu Group strengthens METRO's position in the health sector. The combination of these two leading companies creates a $18 billion retail leader to meet the growing needs of consumers in food, pharma, health and beauty.

METRO's purpose is a reflection of its increased presence in health and represents its current reality and aspirations. For METRO, **nourishing the health and well-being of our communities** is the work our employees undertake with excellence, day after day, to feed and serve the people of the communities where we operate.

Our purpose is based on four pillars, which are anchored in our daily practices and ways. These guide our actions and decisions, allowing us to fulfill our mission of exceeding our customers' expectations every day to earn their long-term loyalty.

Customer focus

We put the customer at the center of all our decisions in each of our banners. Offering them the best experience as well as quality products at competitive prices and professional health services to help them live healthier lives are at the heart of our actions.

Best team

We strive to attract and retain the best talent by offering them opportunities for development and advancement in a collaborative, healthy and safe environment where they can achieve their full potential. In addition, we are committed to ensure that our employees make a difference at work and in the communities where we live and work.

Operational Excellence

We set high operating standards and are results-oriented. We measure our performance systematically to be agile to our customers' needs and the competition.

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Financial Discipline

We deliver the expected results and achieve our objectives by managing our resources optimally and by exercising strict financial control.

The foundation of our business strategy remains corporate responsibility and the continued integration of ESG factors into our business model. We aim[3] to ensure that our actions bring value to METRO, and to our stakeholders - customers, employees, suppliers, shareholders and community partners.

KEY PERFORMANCE INDICATORS

We evaluate the Corporation's overall performance using the following principal indicators:

- sales:
  - same-store sales growth;
  - average customer transaction size and number of transactions;
  - average weekly sales;
  - average weekly sales per square foot;
  - sales per hour worked by store to assess productivity;
  - percentage of sales represented by customers who are loyalty program members;
  - market share;
  - customer satisfaction;
- gross margin percentage;
- operating income before depreciation and amortization as a percentage of sales;
- net earnings as a percentage of sales;
- net earnings per share growth;
- return on equity;
- retail network investments:
  - dollar value and nature of store investments;
  - number of stores;
  - store square footage growth.

KEY ACHIEVEMENTS

Sales for Fiscal 2021 totalled $18,283.0 million, up 1.6% compared to $17,997.5 million for Fiscal 2020 as we cycled exceptionally strong sales last year due to the pandemic but up 9.0% over two years. Net earnings for Fiscal 2021 were $825.7 million compared with $796.4 million for Fiscal 2020, while fully diluted net earnings per share were $3.33 compared with $3.14 in 2020, up 3.7% and 6.1% respectively, and up 15.6% and 19.8% respectively on a two-year basis. Adjusted net earnings[1] for Fiscal 2021 totalled $854.2 million compared with $829.1 million for Fiscal 2020, and adjusted fully diluted net earnings per share[1] amounted to $3.44 versus $3.27, up 3.0% and 5.2% respectively, and up 16.8% and 21.1% respectively over two years.

We realized several projects over the fiscal year, including the following major ones:

- The crisis related to COVID-19 continued to test our resilience and adaptability throughout the year and all of our employees, our retailers, and pharmacist owners, as well as our supplier partners, worked together to provide our customers the essential services of food and pharmacy while never compromising on safety.
- METRO, through the commitment of its affiliated pharmacists and their presence in the community, as well as through its participation in the establishment of four corporate vaccination clinics, has actively contributed to the campaign to immunize the population against COVID-19. To date, more than 540,000 vaccinations have been administered through our diverse initiatives.
- In March 2020, METRO announced a $420 million investment over five years for the construction of a new, automated distribution centre for fresh and frozen products in Terrebonne, just north of Montréal, and the expansion of its produce and dairy products distribution centre in Laval. These investments will enable METRO

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to better meet the expectations of its current and future customers and to continue its growth. The new Terrebonne distribution centre is expected[3] to open in 2023, while the expansion of the Laval distribution centre is expected[3] to be completed in 2024. We have invested almost $137 million in this project so far.

- In October 2017, we announced a $400 million investment over six years in our Ontario distribution network. Phase 1 of the project, our new fresh distribution centre, was commissioned during the year and is now fully operational. The start-up of Phase 2, the frozen distribution facility, is expected[3] to occur in January 2022. Equipped with state-of-the-art technology, these facilities will help us improve service to our store network and offer greater product freshness and variety. METRO will be able to better meet the constantly evolving customer preferences and position itself as the retailer providing the best customer experience in each of its banners.
- We have accelerated our plans to increase capacity of our online grocery service. During the year, we executed on the next phase of our omnichannel strategy with the opening of a dedicated store for online grocery serving Montréal. We also expanded our click-and-collect service, which is now available in 196 stores, and is expected[3] to exceed 200 by the end of fiscal 2022.
- We completed the combination of pharmacy activities and best practices between METRO and the Jean Coutu Group with the integration of our McMahon distribution center into the modern Jean Coutu Group facility in Varennes.
- We continued to invest in our retail network. In Québec, we opened two Metro Plus stores and one Adonis store, we also relocated a Metro Plus store, and we carried out major renovations and expansions at four other stores. In Ontario, we opened a Food Basics store, and carried out major renovations and expansions at five other stores.
- In 2021, we invested a record level of capital expenditures of nearly $600 million related to the Company's major projects including supply chain modernization, store network and omnichannel strategy.
- In 2021, we focused our efforts on key Corporate Responsibility programs that will continue with a long-term vision. The health and safety of our colleagues and customers remained the number one priority throughout this pandemic year. We have multiplied our initiatives in support of local purchasing at a time when our customers are looking more than ever for these products, structured our approach to deploy our packaging and printing materials optimization actions and continued our efforts to reduce our greenhouse gas emissions more efficiently. Our One More Bite Food Donation Program continued in a context where the demand for food aid has exploded.

  Together with the management team, we worked to develop our Corporate Responsibility 2022-2026 Plan. We paid particular attention to identifying our priorities, goals and targets, as well as solidifying our disclosure practices and tools.

EVENT AFTER THE REPORTING PERIOD

On November 30, 2021, the Corporation issued through a private placement Series J unsecured senior notes in the aggregate principal amount of $300.0 million, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024. In conjunction with this offering, Metro entered into a $300.0 million interest rate swap effectively locking in a floating rate of interest of 11 basis points (0.11%) over the 3-month bankers' acceptance rate (CDOR) over the life of the Series J Notes. On December 1, 2021, the Corporation redeemed all of the Series C notes, bearing interest at a fixed nominal rate of 3.2%, in the amount of $300.0 million that matured on the same day.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

SELECTED ANNUAL INFORMATION

	2021	2020	Change	2019	Change	Change 2021 vs 2019
(Millions of dollars, unless otherwise indicated)			%		%	%
Sales	**18,283.0**	17,997.5	1.6	16,767.5	7.3	9.0
Net earnings attributable to equity holders of the parent	**823.0**	795.2	3.5	711.6	11.7	15.7
Net earnings attributable to non-controlling interests	**2.7**	1.2	125.0	2.8	(57.1)	(3.6)
Net earnings	**825.7**	796.4	3.7	714.4	11.5	15.6
Basic net earnings per share	**3.34**	3.15	6.0	2.79	12.9	19.7
Fully diluted net earnings per share	**3.33**	3.14	6.1	2.78	12.9	19.8
Adjusted net earnings(1)	**854.2**	829.1	3.0	731.6	13.3	16.8
Adjusted fully diluted net earnings per share(1)	**3.44**	3.27	5.2	2.84	15.1	21.1
Return on equity *(%)*	**13.1**	13.1	—	12.3	—	—
Dividends per share *(Dollars)*	**0.9750**	0.8750	11.4	0.7800	12.2	25.0
Total assets	**13,592.1**	13,423.9	1.3	11,073.9	21.2	22.7
Current and non-current portions of debt	**2,636.7**	2,632.6	0.2	2,657.6	(0.9)	(0.8)

Sales for Fiscal 2021 totalled $18,283.0 million, up 1.6% compared to $17,997.5 million for Fiscal 2020 as we cycled exceptionally strong sales last year due to the pandemic but up 9.0% over two years. Sales for fiscal 2020 totalled $17,997.5 million versus $16,767.5 million for fiscal 2019, an increase of 7.3%. Excluding the impact of IFRS 16 Leases adopted in the first quarter of fiscal 2020, sales were up 7.7%.

Net earnings for fiscal 2021, 2020 and 2019 totalled $825.7 million, $796.4 million and $714.4 million, respectively, while fully diluted net earnings per share amounted to $3.33, $3.14 and $2.78. Taking into account the items relating to fiscal 2021 and fiscal 2020 shown in the “Net earnings adjustments” table in the “Operating results” section, as well as for fiscal 2019, the retail network restructuring expenses and a net gain on the divestiture of pharmacies, adjusted net earnings(1) for fiscal 2021 stood at $854.2 million compared with $829.1 million for fiscal 2020 and $731.6 million for fiscal 2019, while adjusted fully diluted net earnings per share(1) was $3.44 for 2021 compared with $3.27 for 2020 and $2.84 for 2019, up 5.2% and 15.1% respectively.

Total assets reached $13,592.1 million in 2021, $13,423.9 in 2020 compared with $11,073.9 million in 2019, an increase of 21.2% in 2020 mainly attributable to the recognition in 2020 of right-of-use assets totalling $1,150.5 million and current and non-current accounts receivable on subleases totalling $684.3 million following the adoption of IFRS 16.

Return on equity in 2021 and 2020 was 13.1% compared with 12.3% in 2019 due to the strong increase in net earnings in the fiscals 2021 and 2020 and to the share buybacks carried out during those fiscal years.

OUTLOOK(3)

While it is difficult to predict how our customers’ habits, the labour market and food basket inflation will evolve over the short term, the fundamentals of our business remain strong, and our sales continue to compare favourably to pre-pandemic levels. Our industry is experiencing cost inflation pressures, mostly with respect to cost of goods sold, however we will strive to continue to offer the best value possible to our customers. Our investments in our supply chain modernization projects remain on track with only minor delays due to the pandemic, and our ecommerce footprint continues to grow at a measured pace. As we begin a new fiscal year, our steadfast focus is on exceeding our customers’ expectations every day while delivering on our strategic priorities.

(1) *See table on "Net earnings adjustments" and section on "Non-IFRS measurements"*
(2) *See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"*
(3) *See section on "Forward-looking information"*

OPERATING RESULTS

SALES

Sales for Fiscal 2021 totalled $18,283.0 million, up 1.6% compared to $17,997.5 million for Fiscal 2020 as we cycled exceptionally strong sales last year due to the pandemic but up 9.0% over two years. Food same-store sales were up 1.5% (up 9.7% in 2020) and increased 11.3% compared to 2019. Online food sales in 2021 increased by 60% versus last year while online sales nearly tripled in 2020. Pharmacy same-store sales were up 3.4% (4.3% in 2020), with a 6.3% increase in prescription drugs and a 2.5% decrease in front-store sales.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

This earnings measurement excludes financial costs, taxes, depreciation and amortization.

Operating income before depreciation and amortization for Fiscal 2021 totalled $1,732.5 million or 9.5% of sales, up 2.9% versus last year. During Fiscal 2020, we recognized a loss of $7.5 million on the disposal of our meal-kit subsidiary. Excluding this item, adjusted operating income before depreciation and amortization(2) for Fiscal 2021 increased by 2.4% versus last year.

Operating income before depreciation and amortization adjustments (OI)(2)

	2021			2020		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	*(%)*	OI	Sales	*(%)*
Operating income before depreciation and amortization	**1,732.5**	**18,283.0**	**9.5**	1,683.6	17,997.5	9.4
Loss on disposal of a subsidiary	**—**			7.5		
Adjusted operating income before depreciation and amortization(2)	**1,732.5**	**18,283.0**	**9.5**	1,691.1	17,997.5	9.4

Gross margin on sales for Fiscal 2021 was 20.0% versus 19.9% for Fiscal 2020.

Operating expenses as a percentage of sales for Fiscal 2021 were 10.5%, flat versus Fiscal 2020. The costs related to COVID-19 for Fiscal 2021 were approximately $104 million, including $24 million of gift cards to front-line employees, compared to $137 million in 2020. This decrease of $33 million was offset by an increase in other operating expenses, mainly related to activities and services that have been reinstated after initially being halted at the start of the pandemic, and non-recurring costs of approximately $10 million related to the transition to our new fresh distribution center in Ontario.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for Fiscal 2021 was $478.3 million versus $462.5 million for Fiscal 2020. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

Net financial costs for Fiscal 2021 were $133.5 million compared with $136.8 million for 2020.

INCOME TAXES

The income tax expense of $295.0 million for Fiscal 2021 represented an effective tax rate of 26.3% compared with an income tax expense of $287.9 million for Fiscal 2020 which represented an effective tax rate of 26.6%.

(1) *See table on "Net earnings adjustments" and section on "Non-IFRS measurements"*
(2) *See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"*
(3) *See section on "Forward-looking information"*

NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for Fiscal 2021 were $825.7 million compared with $796.4 million for Fiscal 2020, while fully diluted net earnings per share were $3.33 compared with $3.14 in 2020, up 3.7% and 6.1% respectively, and up 15.6% and 19.8% respectively on a two-year basis. Excluding the specific items shown in the table below, adjusted net earnings[1] for Fiscal 2021 totalled $854.2 million compared with $829.1 million for Fiscal 2020, and adjusted fully diluted net earnings per share[1] amounted to $3.44 versus $3.27, up 3.0% and 5.2% respectively, and up 16.8% and 21.1% respectively over two years. The impact of the labour conflict at the Jean Coutu distribution center in the first quarter of Fiscal 2021, was approximately $0.05 per share.

Net earnings adjustments[1]

	2021		2020		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**825.7**	**3.33**	796.4	3.14	3.7	6.1
Loss on disposal of a subsidiary, after taxes	**—**		4.2			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**28.5**		28.5			
Adjusted net earnings[1]	**854.2**	**3.44**	829.1	3.27	3.0	5.2

[1] See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
[2] See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
[3] See section on "Forward-looking information"

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2021**	2020	Change *(%)*
Sales			
Q1[4]	**4,278.2**	4,029.8	6.2
Q2[4]	**4,193.0**	3,988.9	5.1
Q3[5]	**5,719.8**	5,835.2	(2.0)
Q4[4]	**4,092.0**	4,143.6	(1.2)
Fiscal	**18,283.0**	17,997.5	1.6
Net earnings			
Q1[4]	**191.2**	170.2	12.3
Q2[4]	**188.1**	176.2	6.8
Q3[5]	**252.4**	263.5	(4.2)
Q4[4]	**194.0**	186.5	4.0
Fiscal	**825.7**	796.4	3.7
Adjusted net earnings[1]			
Q1[4]	**197.7**	180.9	9.3
Q2[4]	**194.7**	182.8	6.5
Q3[5]	**261.2**	272.3	(4.1)
Q4[4]	**200.6**	193.1	3.9
Fiscal	**854.2**	829.1	3.0
Fully diluted net earnings per share ***(Dollars)***			
Q1[4]	**0.76**	0.67	13.4
Q2[4]	**0.75**	0.69	8.7
Q3[5]	**1.03**	1.04	(1.0)
Q4[4]	**0.79**	0.74	6.8
Fiscal	**3.33**	3.14	6.1
Adjusted fully diluted net earnings per share[1] ***(Dollars)***			
Q1[4]	**0.79**	0.71	11.3
Q2[4]	**0.78**	0.72	8.3
Q3[5]	**1.06**	1.08	(1.9)
Q4[4]	**0.81**	0.77	5.2
Fiscal	**3.44**	3.27	5.2

(4) 12 weeks
(5) 16 weeks

Sales in the first quarter of Fiscal 2021 reached $4,278.2 million, up 6.2% compared to $4,029.8 million in the first quarter of Fiscal 2020. Food same-store sales were up 10.0% (1.4% in 2020). Online food sales increased by about 170% versus last year. Our food basket inflation was approximately 2.5% (2.0% in 2020). Pharmacy same-store sales were up 1.3% (3.6% in 2020), with a 4.0% increase in prescription drugs and a 3.8% decrease in front-store sales, mainly due to lower traffic, the milder cold and flu season, and reduced promotional activity during the labour conflict. Our warehouse sales to franchisees were impacted by the labour conflict at our Jean Coutu distribution center which had a dampening effect on the total sales increase of the Corporation.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

Sales in the second quarter of Fiscal 2021 reached $4,193.0 million, up 5.1% compared to $3,988.9 million in the second quarter of 2020. Food same-store sales were up 5.5% (9.7% in 2020) and were up 10.1% for the first 10 weeks of the quarter as we experienced an unprecedented surge in sales in the last two weeks of the second quarter last year due to the pandemic. Online food sales increased by about 240% versus last year. Our food basket inflation was approximately 2.0% (2.0% in 2020). Pharmacy same-store sales were down 0.8% (up 7.9% in 2020), with a 4.2% increase in prescription drugs and a 10.5% decrease in front-store sales. This decrease is mainly due to restrictions on sales of non-essential products in Quebec for a period of six weeks during the quarter, the milder cold and flu season, and the pandemic-related increase in sales experienced at the end of the second quarter last year.

Sales in the third quarter of Fiscal 2021 remained strong, reaching $5,719.8 million, down 2.0% compared to $5,835.2 million in the third quarter of 2020 as we cycled the peak sales experienced at the start of the pandemic but up 9.4% over two years. Food same-store sales were down 3.6% versus the same quarter last year (up 15.6% in 2020) but increased 11.4% compared to the third quarter of 2019. Online food sales increased by 19% versus last year (about 300% in 2020). Our food basket inflation was approximately 1.0% (3.0% in 2020). Pharmacy same-store sales were up 7.6% (1.0% in 2020), with a 9.3% increase in prescription drugs and a 3.8% increase in front-store sales.

Sales in the fourth quarter of Fiscal 2021 remained strong, reaching $4,092.0 million, down 1.2% compared to $4,143.6 million in the fourth quarter of 2020 as we cycled exceptionally strong sales last year due to the pandemic but up 6.0% over two years. Food same-store sales were down 2.9% versus the same quarter last year (up 10.0% in 2020) but increased 6.8% compared to the fourth quarter of 2019. Online food sales were flat versus last year (up about 160% in 2020). Our food basket inflation was approximately 2.0% (1.0% in the third quarter of 2021). Pharmacy same-store sales were up 4.1% (5.5% in 2020), with a 6.7% increase in prescription drugs and a 1.1% decrease in front-store sales as the prior year included a significant uplift in sales of COVID-19 related products such as masks and sanitizers.

Net earnings for the first quarter of Fiscal 2021 were $191.2 million compared with $170.2 million for the first quarter of Fiscal 2020, while fully diluted net earnings per share were $0.76 compared with $0.67 in 2020, up 12.3% and 13.4%, respectively. Excluding from the first quarter of Fiscals 2021 and 2020 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $8.9 million and from the first quarter of Fiscal 2020 the $7.5 million loss on disposal of a subsidiary as well as income taxes relating to these items, adjusted net earnings(1) for the first quarter of Fiscal 2021 totalled $197.7 million compared with $180.9 million for the corresponding quarter of 2020 and adjusted fully diluted net earnings per share(1) amounted to $0.79 compared with $0.71, up 9.3% and 11.3%, respectively. The impact of the labour conflict at the Jean Coutu distribution center was approximately $0.05 per share resulting from lower revenues and additional costs incurred to implement our contingency plan.

Net earnings for the second quarter of Fiscal 2021 were $188.1 million compared with $176.2 million for the second quarter of 2020, while fully diluted net earnings per share were $0.75 compared with $0.69 in 2020, up 6.8% and 8.7%, respectively. Excluding from the second quarter of Fiscals 2021 and 2020 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $8.9 million as well as income taxes relating to these items, adjusted net earnings(1) for the second quarter of Fiscal 2021 totalled $194.7 million compared with $182.8 million for the corresponding quarter of 2020 and adjusted fully diluted net earnings per share(1) amounted to $0.78 compared with $0.72, up 6.5% and 8.3%, respectively.

Net earnings for the third quarter of Fiscal 2021 were $252.4 million compared with $263.5 million for the third quarter of 2020, while fully diluted net earnings per share were $1.03 compared with $1.04 in 2020, down 4.2% and 1.0%, respectively but up 13.5% and 19.8% respectively on a two-year basis. Excluding from the third quarter of Fiscals 2021 and 2020 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $11.9 million as well as income taxes relating to these items, adjusted net earnings(1) for the third quarter of Fiscal 2021 totalled $261.2 million compared with $272.3 million for the corresponding quarter of 2020 and adjusted fully diluted net earnings per share(1) amounted to $1.06 compared with $1.08, down 4.1% and 1.9%, respectively but up 13.4% and 17.8% respectively over two years.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

metro

Net earnings for the fourth quarter of Fiscal 2021 were $194.0 million compared with $186.5 million for the fourth quarter of 2020, while fully diluted net earnings per share were $0.79 compared with $0.74 in 2020, up 4.0% and 6.8%, respectively and up 15.9% and 19.7% respectively on a two-year basis. Excluding from the fourth quarter of Fiscals 2021 and 2020 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $9.0 million as well as income taxes relating to these items, adjusted net earnings[1] for the fourth quarter of Fiscal 2021 totalled $200.6 million compared with $193.1 million for the corresponding quarter of 2020 and adjusted fully diluted net earnings per share[1] amounted to $0.81 compared with $0.77, up 3.9% and 5.2% respectively, and up 15.3% and 19.1% respectively over two years.

	2021				2020			
(Millions of dollars)	**Q1**	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Net earnings	**191.2**	**188.1**	**252.4**	**194.0**	170.2	176.2	263.5	186.5
Loss on disposal of a subsidiary, after taxes	**—**	**—**	**—**	**—**	4.2	—	—	—
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.5**	**6.6**	**8.8**	**6.6**	6.5	6.6	8.8	6.6
Adjusted net earnings[1]	**197.7**	**194.7**	**261.2**	**200.6**	180.9	182.8	272.3	193.1

	2021				2020			
(Dollars)	**Q1**	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Fully diluted net earnings per share	**0.76**	**0.75**	**1.03**	**0.79**	0.67	0.69	1.04	0.74
Adjustments impact	**0.03**	**0.03**	**0.03**	**0.02**	0.04	0.03	0.04	0.03
Adjusted fully diluted net earnings per share[1]	**0.79**	**0.78**	**1.06**	**0.81**	0.71	0.72	1.08	0.77

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash inflows of $1,583.3 million in Fiscal 2021 compared with $1,474.1 million in Fiscal 2020. This difference resulted primarily from the increase in earnings and the change in non-cash working capital items that generated cash inflows of $162.2 million in 2021 compared with cash outflows of $34.5 million in 2020, partly offset by the increase in taxes paid in 2021.

INVESTING ACTIVITIES

In Fiscal 2021, investing activities required cash outflows of $471.6 million compared with $444.1 million for Fiscal 2020. This difference stemmed mainly from higher investments in tangible and intangible assets and investment properties of $88.6 million in 2021, partly offset by the buyout of minority interests in Groupe Première Moisson Inc. in the amount of $51.6 million in the first quarter of 2020.

During Fiscal 2021, we and our retailers opened 4 stores, carried out major expansions and renovations of 9 stores and relocated 1 store for a net increase of 260,000 square feet or 1.3% of our food retail network.

FINANCING ACTIVITIES

Financing activities required cash outflows of $1,107.4 million in Fiscal 2021 compared with $861.9 million in Fiscal 2020. This difference resulted also from higher share repurchases of $239.1 million in 2021.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

FINANCIAL POSITION

We do not anticipate[3] any liquidity risk and consider our financial position at the end of Fiscal 2021 as very solid. We had an unused authorized revolving credit facility of $600.0 million. Our non-current debt and lease liabilities represented 40.0% of the combined total of non-current debt, lease liabilities and equity (non-current debt and lease liabilities/total capital).

At the end of Fiscal 2021, the main elements of our non-current debt were as follows:

	Interest Rate	Maturity	Balance *(Millions of dollars)*
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	September 3, 2026	—
Series C Notes	3.20% fixed rate	December 1, 2021	300.0
Series F Notes	2.68% fixed rate	December 5, 2022	300.0
Series G Notes	3.39% fixed rate	December 6, 2027	450.0
Series B Notes	5.97% fixed rate	October 15, 2035	400.0
Series D Notes	5.03% fixed rate	December 1, 2044	300.0
Series H Notes	4.27% fixed rate	December 4, 2047	450.0
Series I Notes	3.41% fixed rate	February 28, 2050	400.0

The Corporation reclassified the Series C Notes of $300.0 million to current liabilities as it matures on December 1, 2021. On November 30, 2021, the Corporation issued through a private placement Series J unsecured senior notes in the aggregate principal amount of $300.0 million and redeemed the Series C notes, in the amount of $300.0 million that matured on the same day. For more details, see the Event after the reporting period section.

Our main financial ratios were as follows:

	As at September 25, 2021	As at September 26, 2020
Financial structure		
Non-current debt *(Millions of dollars)*	**2,618.2**	2,612.0
Non-current lease liabilities *(Millions of dollars)*	**1,657.5**	1,811.4
	4,275.7	4,423.4
Equity *(Millions of dollars)*	**6,412.8**	6,155.4
Non-current debt and lease liabilities/total capital *(%)*	**40.0**	41.8

Since the Corporation refinanced the Series C Notes presented under current debt, the amount of $300.0 million was added to non-current debt when calculating the ratio of non-current debt and lease liabilities/total capital. For more details, see the Event after the reporting period section.

	2021	2020
Interest Coverage Ratio		
Operating income before depreciation and amortization/Financial costs *(Times)*	**13.0**	12.3

[1] See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
[2] See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
[3] See section on "Forward-looking information"

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CAPITAL STOCK

	Common Shares issued	
(Thousands)	**2021**	2020
Balance – beginning of year	**250,795**	254,440
Share redemption	**(7,850)**	(3,910)
Stock options exercised	**446**	265
Balance – end of year	**243,391**	250,795
Balance as at December 1, 2021 and November 27, 2020	**241,560**	249,746

	Treasury shares	
(Thousands)	**2021**	2020
Balance – beginning of year	**552**	577
Acquisition	**—**	112
Release	**(110)**	(137)
Balance – end of year	**442**	552
Balance as at December 1, 2021 and November 27, 2020	**442**	552

STOCK OPTIONS PLAN

	As at December 1, 2021	**As at September 25, 2021**	As at September 26, 2020
Stock options *(Thousands)*	**2,300**	**2,318**	2,322
Exercise prices *(Dollars)*	**35.42 to 57.81**	**35.42 to 57.81**	21.90 to 56.92
Weighted average exercise price *(Dollars)*	**46.78**	**46.69**	41.27

PERFORMANCE SHARE UNIT PLAN

	As at December 1, 2021	**As at September 25, 2021**	As at September 26, 2020
Performance share units *(Thousands)*	**615**	**615**	618

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between November 25, 2020 and November 24, 2021, the Corporation repurchased 8,500,000 Common Shares at an average price of $58.55, for a total consideration of $497.7 million.

The Corporation decided to renew the issuer bid program as an additional option for using excess funds. Thus, the Corporation will be able to repurchase, in the normal course of business, between November 25, 2021 and November 24, 2022, up to 7,000,000 of its Common Shares representing approximately 2.9% of its issued and outstanding shares on November 11, 2021. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, or through the facilities of alternative trading systems as well as by other means as may be permitted by a securities regulatory authority, including by private agreements. Between November 25, 2021 and December 1, 2021, the Corporation has repurchased 400,000 Common Shares at an average price of $62.14 for a total consideration of $24.9 million.

DIVIDEND

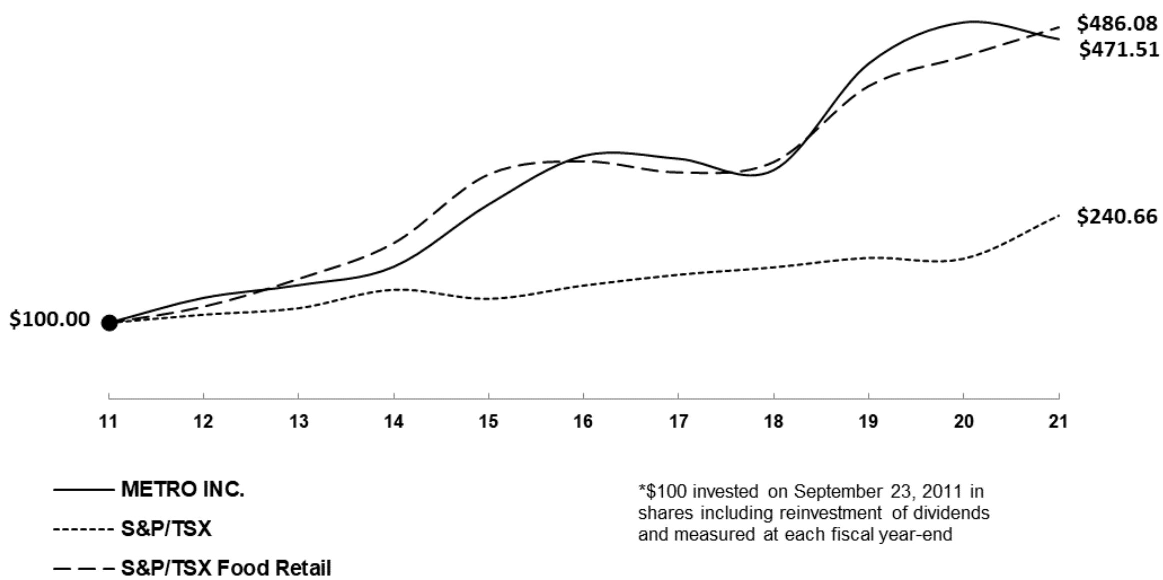
For the 27th consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 11.4%, to $0.9750 per share compared to $0.8750 in 2020, for total dividends of $240.1 million in 2021 compared to $220.7 million in 2020.

[1] *See table on "Net earnings adjustments" and section on "Non-IFRS measurements"*
[2] *See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"*
[3] *See section on "Forward-looking information"*

SHARE TRADING

The value of METRO shares remained in the $52.63 to $66.25 range throughout fiscal 2021 ($49.03 to $64.61 in 2020). A total of 141.6 million shares traded on the TSX during this fiscal year (156.7 million in 2020). The closing price on Friday, September 24, 2021 was $60.18, compared to $64.02 at the end of fiscal 2020. Since fiscal year-end, the value of METRO shares has remained in the $59.14 to $66.36 range. The closing price on December 1, 2021 was $60.68. METRO shares have maintained sustained growth over the last 10 years.

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



CONTINGENCIES

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these litigations or the amount of potential losses. No accruals or provisions for contingent losses have been recognized in the Corporation's annual consolidated financial statements.

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including, in Québec, a subsidiary of the Corporation, Pro Doc Ltée and, in Ontario, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. In February 2020, a proposed class action relating to opioids was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc Ltée. and The Jean Coutu Group (PJC) Inc. In April 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the City of Grande Prairie, in Alberta. In September 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band, in Saskatchewan. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the Province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. All these proposed class actions contain allegations of breach of the *Competition Act*, of fraudulent misrepresentation and deceit, and negligence. The Province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The City of Grande Prairie, on its behalf and on behalf of all Canadian municipalities and local governments, seeks damages which are unquantified in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. The Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band are attempting a similar recourse, claiming unquantified damages from multiple defendants on their own behalf and on behalf of all Indigenous, Metis, First Nations and Inuit communities and governments in Canada. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

In October 2017, the Canadian Competition Bureau began an investigation into the supply and sale of commercial bread which involves certain Canadian suppliers and retailers, including the Corporation. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the *Competition Act*. Proposed class-action lawsuits have also been filed against the Corporation, suppliers and other retailers. On December 19, 2019, the Québec Superior Court granted the application for authorization to institute one of these class actions, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation is contesting all these actions at the certification stage and on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

During the 2016 fiscal year, an application for authorization to institute a class action was served on The Jean Coutu Group (PJC) Inc. by Sopropharm, an association incorporated under the *Professional Syndicates Act* of which certain franchised drugstore owners of the Jean Coutu Group are members. The application seeks to have the class action authorized in the form of a declaratory action seeking amongst others (i) to set aside certain contractual provisions of the Jean Coutu Group's standard franchise agreements, including the clause providing for the payment of royalties on sales of medication by franchised establishments; (ii) to restore certain benefits; and (iii) to reduce certain contractual obligations. On November 1, 2018, the Court granted the application for authorization to institute a class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation contests this action on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

SOURCES OF FINANCING

Our operating activities generated in 2021 cash flows in the amount of $1,583.3 million. These cash flows were used to finance our investing activities, including $599.3 million in fixed asset and intangible asset acquisitions, to redeem shares for an amount of $456.3 million, to pay dividends of $240.1 million, to reimburse interest on debt of $109.1 million and to pay lease liabilities (principal and interest), nets of payments and interest received from subleases totalling $204.8 million, as well as to carry out other investing and financing activities.

At the end of fiscal 2021, our financial position mainly consisted of cash and cash equivalents in the amount of $445.8 million, an unused authorized Revolving Credit Facility of $600.0 million maturing in 2026, Series C Notes in the amount of $300.0 million maturing in 2021, Series F Notes in the amount of $300.0 million maturing in 2022, Series G Notes in the amount of $450.0 million maturing in 2027, Series B Notes in the amount of $400.0 million maturing in 2035, Series D Notes in the amount of $300.0 million maturing in 2044, Series H Notes in the amount of $450.0 million maturing in 2047 and Series I Notes in the amount of $400.0 million maturing in 2050.

We believe(3) that cash flows from next year's operating activities will be sufficient to finance the Corporation's current investing activities.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

(Millions of dollars)	Loans	Notes	Lease liabilities	Service contract commitments	Total
2022	20.4	396.7	313.5	149.0	879.6
2023	3.5	388.4	309.2	129.5	830.6
2024	1.8	87.1	287.3	45.6	421.8
2025	1.4	87.1	252.0	29.9	370.4
2026	1.2	87.1	214.9	16.7	319.9
2027 and thereafter	29.2	3,234.2	795.7	3.9	4,063.0
	57.5	4,280.6	2,172.6	374.6	6,885.3

RELATED PARTY TRANSACTIONS

During fiscal 2021, we supplied drugstores held by a member of the Board of Directors. These transactions were carried out in the normal course of business and recorded at exchange value. They are itemized in note 23 to the consolidated financial statements.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

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FOURTH QUARTER

(Millions of dollars, except for net earnings per share)	**2021**	2020	Change (%)
Sales	**4,092.0**	4,143.6	(1.2)
Operating income before depreciation and amortization	**403.6**	403.5	—
Adjusted operating income before depreciation and amortization (1)	**403.6**	403.5	—
Net earnings	**194.0**	186.5	4.0
Adjusted net earnings(1)	**200.6**	193.1	3.9
Fully diluted net earnings per share	**0.79**	0.74	6.8
Adjusted fully diluted net earnings per share(1)	**0.81**	0.77	5.2
Cash flows from:			
Operating activities	**415.3**	415.8	—
Investing activities	**(187.3)**	(181.9)	—
Financing activities	**(193.2)**	(159.0)	—

OPERATING RESULTS

SALES

Sales in the fourth quarter of Fiscal 2021 remained strong, reaching $4,092.0 million, down 1.2% compared to $4,143.6 million in the fourth quarter of 2020 as we cycled exceptionally strong sales last year due to the pandemic but up 6.0% over two years. Food same-store sales were down 2.9% versus the same quarter last year (up 10.0% in 2020) but increased 6.8% compared to the fourth quarter of 2019. Online food sales were flat versus last year (up about 160% in 2020). Our food basket inflation was approximately 2.0% (1.0% in the third quarter of 2021). Pharmacy same-store sales were up 4.1% (5.5% in 2020), with a 6.7% increase in prescription drugs and a 1.1% decrease in front-store sales as the prior year included a significant uplift in sales of COVID-19 related products such as masks and sanitizers.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

This earnings measurement excludes financial costs, taxes, depreciation and amortization.

Operating income before depreciation and amortization for the fourth quarter of Fiscal 2021 totalled $403.6 million, or 9.9% of sales and remained stable versus the corresponding quarter of Fiscal 2020.

Gross margin on sales for the fourth quarter of Fiscal 2021 was 20.4% versus 20.2% for the corresponding quarter of 2020.

Operating expenses as a percentage of sales for the fourth quarter of Fiscal 2021 were 10.5% versus 10.4% for the corresponding quarter of 2020. COVID-19 related expenses for the fourth quarter of Fiscal 2021 were approximately $9 million versus approximately $27 million in the same quarter last year. This decrease was offset by an increase in costs related to activities and services that were reinstated after initially being halted at the start of the pandemic.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter of Fiscal 2021 was $110.8 million versus $118.5 million for the corresponding quarter of 2020. In the fourth quarter of 2020, we recorded accelerated amortization totalling $10.7 million related to the opening of our new fresh products distribution centre in Ontario.

Net financial costs for the fourth quarter of Fiscal 2021 were $28.7 million compared with $30.8 million for the corresponding quarter of 2020.

(1) *See table on "Net earnings adjustments" and section on "Non-IFRS measurements"*
(2) *See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"*
(3) *See section on "Forward-looking information"*

INCOME TAXES

The income tax expense of $70.1 million for the fourth quarter of Fiscal 2021 represented an effective tax rate of 26.5% compared with an income tax expense of $67.7 million in the fourth quarter of Fiscal 2020 which represented an effective tax rate of 26.6%.

NET EARNINGS AND ADJUSTED NET EARNINGS[(1)]

Net earnings for the fourth quarter of Fiscal 2021 were $194.0 million compared with $186.5 million for the corresponding quarter of 2020, while fully diluted net earnings per share were $0.79 compared with $0.74 in 2020, up 4.0% and 6.8% respectively, and up 15.9% and 19.7% respectively on a two-year basis. Excluding the specific items shown in the table below, adjusted net earnings[(1)] for the fourth quarter of Fiscal 2021 totalled $200.6 million compared with $193.1 million for the corresponding quarter of 2020, and adjusted fully diluted net earnings per share[(1)] amounted to $0.81 versus $0.77, up 3.9% and 5.2% respectively, and up 15.3% and 19.1% respectively over two years.

Net earnings adjustments[(1)]

	12 weeks / Fiscal Year					
	2021		2020		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**194.0**	**0.79**	186.5	0.74	4.0	6.8
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**		6.6			
Adjusted net earnings[(1)]	**200.6**	**0.81**	193.1	0.77	3.9	5.2

CASH POSITION

Operating activities

Operating activities generated cash inflows of $415.3 million in the fourth quarter of fiscal 2021 compared with $415.8 million for the corresponding quarter of fiscal 2020. Higher benefits in the fourth quarter of 2021 offset higher taxes paid in the quarter.

Investing activities

Investing activities required cash outflows of $187.3 million in the fourth quarter of fiscal 2021 compared with $181.9 million for the corresponding quarter of fiscal 2020. This difference stemmed mainly from higher investments in tangible and intangible assets and investment properties of $12.5 million in 2021.

Financing activities

In the fourth quarter of 2021, financing activities required cash outflows of $193.2 million compared with $159.0 million in the corresponding quarter of 2020. This difference resulted mainly from higher share repurchases of $40.8 million in 2021.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation adopted a financial risk management policy, approved by the Board of Directors in April 2010 and amended in 2019, setting forth guidelines relating to its use of derivative financial instruments. These guidelines prohibit the use of derivatives for speculative purposes. During fiscal 2021, the Corporation used derivative financial instruments as described in notes 2 and 25 to the consolidated financial statements.

FORWARD-LOOKING INFORMATION

We have used, throughout this annual report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "continue", “anticipate”, "believe", "aim", "expect", "estimate" "predict" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained in this report are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2022 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. The arrival of a new competitor is an example of the risks described under the “Risk Management” section of this annual report that could have an impact on these statements. As with the preceding risks, the COVID-19 pandemic constitutes a risk that could have an impact on the business, operations, projects and performance of the Corporation as well as on the realization of forward-looking statements contained in this document.

We believe these statements to be reasonable and relevant as at the date of publication of this report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

NON-IFRS MEASUREMENTS

In addition to the International Financial Reporting Standards (IFRS) earnings measurements provided, we have included certain non-IFRS earnings measurements. These measurements are presented for information purposes only. They do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measurements presented by other public companies.

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude some items that must be recognized under IFRS. They are non-IFRS measurements. We believe(3) that presenting earnings without these items, which are not necessarily reflective of the Corporation's performance, leaves readers of financial statements better informed as to the current period and corresponding prior year's period's operating earnings, thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and judge its future outlook. The exclusion of these items does not imply that they are non-recurring.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

CONTROLS AND PROCEDURES

The President and Chief Executive Officer, and the Executive Vice President, Chief Financial Officer and Treasurer of the Corporation, are responsible for the implementation and maintenance of disclosure controls and procedures (DC&P), and of the internal control over financial reporting (ICFR), as provided for in National Instrument 52-109 regarding the Certification of Disclosure in Issuers' Annual and Interim Filings. They are assisted in this task by the Disclosure Committee, which is comprised of members of the Corporation's senior management.

An evaluation was completed under their supervision in order to measure the effectiveness of DC&P and ICFR. Based on this evaluation, the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Treasurer of the Corporation concluded that the DC&P and the ICFR were effective as at the end of the fiscal year ended September 25, 2021.

Therefore, the design of the DC&P provides reasonable assurance that material information relating to the Corporation is made known to it by others, particularly during the period in which the annual filings are being prepared, and that the information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Furthermore, the design of the ICFR provides reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of its financial statements for external purposes in accordance with IFRS.

SIGNIFICANT JUDGMENTS AND ESTIMATES

Our Management's Discussion and Analysis is based upon our annual consolidated financial statements, prepared in accordance with IFRS, and it is presented in Canadian dollars, our unit of measure. The preparation of the consolidated financial statements and other financial information contained in this Management's Discussion and Analysis requires management to make judgments, estimates and assumptions that affect the recognition and valuation of assets, liabilities, sales, other income and expenses. These estimates and assumptions are based on historical experience and other factors deemed relevant and reasonable and are reviewed at every closing date. The use of different estimates could produce different amounts in the consolidated financial statements. Actual results may differ from these estimates.

JUDGMENTS

In applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Consolidation of structured entities

The Corporation has no voting rights in certain food stores. However, the franchise contract gives it the ability to control these stores' main activities. Its decisions are not limited to protecting its trademarks. The Corporation retains the majority of stores' profits and losses. For these reasons, the Corporation consolidates these food stores in its financial statements.

The Corporation has no voting rights in the trust created for performance share unit plan participants. However, under the trust agreement, it instructs the trustee as to the sale and purchase of Corporation shares and payments to beneficiaries, gives the trustee money to buy Corporation shares, assumes vesting variability, and ensures that the trust holds a sufficient number of shares to meet its obligations to the beneficiaries. For these reasons, the Corporation consolidates this trust in its financial statements.

The Corporation also has an agreement with a third party that operates a plant exclusively for the needs and according to the specifications of the Corporation, which assumes all costs and control the plant's main activities. For these reasons, the Corporation consolidates it in the Corporation's financial statements.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The reportable operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

ESTIMATES

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the value of assets and liabilities within the next period, are discussed below:

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 11 and 12 to the annual consolidated financial statements.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 20 to the annual consolidated financial statements.

Leases

The application of IFRS 16 requires the use of estimates that affect the measurement of right-of-use-assets and lease liabilities, including the appropriate discount rate used to measure lease liabilities. The Corporation discounts lease payments at its incremental borrowing rate, which is based on estimates of the risk-free interest rate, credit spreads and lease terms. In addition, it assesses the duration of the lease based on the terms of the contract and the renewal options it has reasonable certainty to exercise. A change in these assumptions could affect the amounts recorded. The key assumptions are disclosed in note 10.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

RISK MANAGEMENT

Management identifies the main risks to which the Corporation is exposed as well as the appropriate measures for proactively managing these risks and presents both the risks and risk reduction measures to the Audit Committee and the Board of Directors on an ongoing basis. Internal Audit and its assurance partners have the mandate to audit all business risks triennially. Hence, each segment is audited every three years to ensure that controls have been implemented to deal with the business risks related to its business area.

In the normal course of business, we are exposed to various risks, which are described below, that could have a material impact on our earnings, financial position and cash flows. In order to counteract the principal risk factors, we have implemented strategies specifically adapted to them.

CRISIS MANAGEMENT

The Corporation may be subject to events beyond its control including the risks of natural disasters, such as severe and more frequent weather events related to climate change, pandemics, and epidemic outbreaks, that could seriously affect the continuity of our operations. We have set up business continuity plans for all our operations. These plans provide for some disaster alternative physical sites, generators in case of power outages and back-up computers as powerful as the Corporation's existing computers.

Amid the current pandemic environment, we have created a strategic committee responsible for overseeing the management and coordination of the actions required to protect the Corporation's employees, customers, and partners from the effects of COVID-19. This committee is composed of executives from the Corporation's various business units.

BRAND, REPUTATION, AND TRUST

Product safety

We are exposed to potential liability and costs regarding food and pharmaceutical safety, product contamination, handling, and defective products. Such liability may arise from product manufacturing, packaging, and labelling, design, preparation, warehousing, distribution, and presentation. Food products represent the greater part of our sales and we could be at risk in the event of a major outbreak of a food-borne illness or an increase in public health concerns regarding certain food products.

To counter these risks, we apply very strict food safety procedures and controls throughout the whole distribution chain. Employees receive continuous training in this area from Metro's *L'École des professionnels*. Our main meat distribution facilities are *Hazard Analysis and Critical Control Point* (HACCP) accredited, the industry's highest international standard. Our systems also enable us to trace every meat product distributed from any of our main distribution centres to its consumer point of sale.

We are also exposed to product safety issues regarding the sale of pharmaceutical products. Our distribution activities are subject to regulatory oversight by Health Canada and our pharmacists must meet professional standards as they carry out their work across the pharmacy network.

Brand reputation

The Corporation benefits from well-recognized brands. Failure to act with integrity or to maintain ethical and socially responsible activities could damage our reputation and have a material impact on our financial position. To mitigate these risks, we have implemented internal policies, controls and governance processes including a code of conduct, a confidential whistle blower program and a Corporate Responsibility approach.

TECHNOLOGY RISKS

Cybersecurity and data protection

We rely on various computer systems that are necessary for our business activities and we could have to deal with certain security risks, notably cyberattacks, which could harm the availability and integrity of the systems or compromise data privacy.

In the normal course of business, we gather information that is confidential in nature concerning our customers, suppliers, employees, partners, and loyalty program participants. Personal and confidential data is also gathered from customers who do business with the drugstores affiliated with our banners. Furthermore, the online shopping sites

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
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represent an additional risk with respect to the security of our systems. As a result, we are even more exposed to the risk of cyberattacks aimed at stealing information or interrupting our computer systems.

A cyberattack or an intrusion into our systems could result in unauthorized persons altering our systems or gaining access to sensitive and confidential information and then using or damaging it. Such situations could also affect third parties who provide essential services to our operations or who store confidential information. These events could have a negative impact on our customers and partners that could result in financial losses, reducing our competitive advantage or tarnishing our reputation.

In order to respond to these risks, a committee comprised of executives from the Corporation oversees cybersecurity activities, including Information Security Service activities. Meetings are held regularly to monitor the progress of various cybersecurity projects, review significant incidents and review various security-related performance indicators. This committee reports on its work to the members of the Board of Directors on a biannual basis.The Information Security Service sets up and coordinates prevention, detection, and remediation measures in the area of cybersecurity. Cybersecurity measures include, among others, setting up strong controls with respect to systems access and hiring a specialized firm to carry out occasional intrusion tests. We have also implemented an information security awareness and training program for our employees.

Technology systems

We depend on extensive information technology systems to manage virtually all aspects of our business. A system breakdown or any disruption to these systems or the data collected by them could have a significant adverse impact on our operations and our financial results.

In order to mitigate these risks, management has deployed various technological security measures, which include a high availability environment for all of its critical systems, and has set up processes, procedures and controls related to the various systems concerned.

No significant incident attributable to the Corporation's technology occurred over the past fiscal year. Considering the rapid evolution of risks with respect to cybersecurity as well as the complexity of threats, we cannot guarantee that the measures taken, by the Corporation and third parties it deals with, will be sufficient to prevent or detect a cyberattack. In that regard, we stay current with the latest information security trends and practices in order to take proactive action.

HUMAN RESOURCE RISKS

Labour relations

The majority of our store and distribution centre employees are unionized. Collective bargaining may give rise to work stoppages or slowdowns that could negatively impact the Corporation. We negotiate collective agreements with different maturity dates and conditions that ensure our competitiveness, and terms that promote a positive work environment in all our business segments. We develop contingency plans to minimize the impact of possible labour conflicts. We have experienced some labour conflicts over the last few years, and we expect(3) to maintain good labour relations in the future.

Occupational health and safety

Workplace accidents may occur at any of our sites. To minimize this risk, we have developed a worked-related accident prevention policy. Furthermore, at all of our sites, we have workplace health and safety committees responsible for setting-up action and accident prevention plans.

Hiring, employee retention and organization structure

Our recruitment program, salary structure, performance evaluation programs, succession plan and training plan all entail risks which could negatively impact our capacity to execute our strategic plan as well as our ability to attract and retain necessary qualified resources to sustain the Corporation's growth and success. We have proven practices to attract the professionals necessary for our operations. Our performance evaluation practices are supervised by our human resources department. Our compensation structure is regularly reviewed in order to ensure that we remain competitive on the market. We have a succession plan in place to ensure we have well-identified resources for the Corporation's key positions.

(1) *See table on "Net earnings adjustments" and section on "Non-IFRS measurements"*
(2) *See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"*
(3) *See section on "Forward-looking information"*

LEGAL, REGULATORY AND CORPORATE RESPONSIBILITY RISKS

Legal Proceedings

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these litigations or the amount of potential losses. A more detailed description of certain proceedings affecting the Company or its subsidiaries can be found in the “Contingencies” Section of this Management Discussion & Analysis.

Regulatory environment

Changes are regularly made to accounting policies, laws, regulations, rules or policies impacting our operations. We monitor these changes closely.

The Corporation relies on prescription drug sales for a significant portion of its sales and operating income. The pharmacy activities are exposed to risks related to the regulated nature of some of our activities and the activities of our pharmacist/owner franchisees.

Any changes to laws and regulations or policies regarding the Corporation's activities could have a material adverse effect on its performance and on the sales growth. Processes are in place to ensure our compliance as well as to monitor any and all changes to the laws and regulations in effect and any new laws and regulations.

Corporate responsibility

In 2010, the Company adopted a Corporate Responsibility approach. Over the past decade, we have implemented structuring programs and we disclose our progress and challenges in a report published annually. To anticipate and manage risks related to environmental, social and governance issues, we stay abreast of emerging issues and new practices and work to continuously improve our processes.

We aim(3) to ensure that our actions bring value to METRO, and to our stakeholders - customers, employees, suppliers, shareholders and community partners. ESG issues are central to our corporate responsibility approach and allow us to assume our position as a leader in the food and pharmaceutical industry in a responsible manner. For more information, visit *metro.ca/corporateresponsibility*.

MARKET RISKS

Competition and prices

Intensifying competition, the possible arrival of new competitors and changing consumer needs are constant concerns for us.

To cope with competition and maintain our leadership position in the Québec and Ontario markets, we are on the alert for new ways of doing things and new sites. We have an ongoing investment program for all our stores to ensure that our retail network remains one of the most modern in Canada.

Increased competition could lead to pressure on retail prices and margins. As a result, we adopt innovative marketing strategies to better meet the evolving needs of consumers and protect our market shares.

We have also developed a successful market segmentation strategy. Our grocery banners: the conventional Metro supermarkets, Super C and Food Basics discount banners, and Adonis international food stores, target three different market segments. The Première Moisson banner is specialized in bakery, pastry, deli products and other food offerings prepared on an artisanal basis and respectful of great traditions.

In the pharmacy market, we have large, medium, and small drugstores under the Jean Coutu, Brunet, Metro Pharmacy, and Food Basics Pharmacy banners. We acquired in 2018 the Jean Coutu Group which operates a network of 418 franchised drugstores in Québec, New Brunswick and Ontario under the PJC Jean Coutu, PJC Santé and PJC Santé Beauté banners.

With the *metro&moi* and *Air Miles*® loyalty programs in our Metro and Metro Plus supermarkets and our Jean Coutu drugstore network, we are able to know the buying habits of loyal customers, offer them personalized promotions so as to increase their purchases at our stores.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

Consumer behaviour and digital shift

Consumer buying habits are evolving and if we are unable to adapt our offering it could have a negative impact on our financial results.

Our online grocery service, websites and various mobile applications are part of the Corporation's overall digital strategy, which aims to position METRO as the retailer that offers the food experience most suited to the needs and behaviors of consumers.

SUPPLY CHAIN

Suppliers

Negative events such as disruptions related to climate change or other catastrophic or public health events or labour disputes could affect a supplier and lead to service breakdowns and store delivery delays. To remediate this situation, we deal with several suppliers. In the event of a supplier's service breakdown, we can turn to another supplier reasonably quickly.

Distribution center business interruption

A prolonged interruption at one of our distribution centers could impact our ability to supply our stores and have an unfavorable impact on our financial results. We have measures in place to prevent business disruptions and have developed contingency plans to respond in the event an interruption occurs.

Modernization of our distribution facilities

Investments in the modernization of our distribution centres in Québec and Ontario translate into large-scale projects. Poor management of human, material and financial resources could turn into significant costs and not meet our objective. Efficient project management and adequate change management of these new technologies, including automation, will allow us to achieve the expected results according to our business plan.

FINANCIAL RISKS

Exchange rates and financial instruments

We make some foreign-denominated purchases of goods and services and we have, depending on market conditions, US borrowings, exposing ourselves to exchange rate risks. According to our financial risk management policy, we may use derivative financial instruments, such as foreign exchange forward contracts and cross currency interest rate swaps. The policy's guidelines prohibit us from using derivative financial instruments for speculative purposes, but they do not guarantee that we will not sustain losses as a result of our derivative financial instruments.

Credit

We hold receivables generated mainly from sales to customers. To guard against credit losses, we have adopted a credit policy that defines mandatory credit requirements to be maintained and guarantees to be provided. Affiliate customer assets guarantee the majority of our receivables.

Liquidity

We are also exposed to liquidity risk mainly through our non-current debt and creditors. We evaluate our cash position regularly and estimate(3) that cash flows generated by our operating activities will be sufficient to provide for all outflows required by our financing activities.

Price of fuel, energy and utilities

We are a big consumer of utilities, electricity, natural gas, and fuel. Increases in the price of these items may affect us.

Montréal, Canada, December 10, 2021

(1) See table on "Net earnings adjustments" and section on "Non-IFRS measurements"
(2) See table on "Operating income before depreciation and amortization" and section on "Non-IFRS measurements"
(3) See section on "Forward-looking information"

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements of METRO INC. and the other financial information contained in this Annual Report are the responsibility of management. This responsibility is based on a judicious choice of appropriate accounting principles and policies, the application of which requires making estimates and informed judgments. It also includes ensuring that the financial information in the Annual Report is consistent with the consolidated financial statements. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards and were approved by the Board of Directors.

METRO INC. maintains accounting systems and internal controls over the financial reporting process which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's affairs.

The Board of Directors fulfills its duty to oversee management in the performance of its financial reporting responsibilities and to review the consolidated financial statements and Annual Report, principally through its Audit Committee. This Committee is comprised solely of directors who are independent of the Corporation and is also responsible for making recommendations for the nomination of external auditors. Also, it holds periodic meetings with members of management as well as internal and external auditors to discuss internal controls, auditing matters and financial reporting issues. The external and internal auditors have access to the Committee without management. The Audit Committee has reviewed the consolidated financial statements and Annual Report of METRO INC. and recommended their approval to the Board of Directors.

The enclosed consolidated financial statements were audited by Ernst & Young LLP and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

Eric La Flèche
President and Chief Executive Officer

François Thibault
Executive Vice President,
Chief Financial Officer and Treasurer

December 10, 2021

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INDEPENDENT AUDITORS' REPORT

To the shareholders of **METRO INC.**

Opinion

We have audited the consolidated financial statements of METRO Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 25, 2021 and September 26, 2020, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 25, 2021 and September 26, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment test of the goodwill of the pharmaceutical operating segment Impairment testing of goodwill is to be done at least annually, or at any time an indicator of impairment exists. As disclosed in note 12, goodwill with a carrying amount of $1,323.3M was attributed to the operating segment related to pharmaceutical operations. For the purpose of the impairment test, the recoverable amount was determined based on its value in use, which was calculated using discounted pre-tax cash flow forecasts from management-approved budgets.	To test the estimated recoverable amount of the pharmaceutical operating segment, we performed, among others, the following procedures: • Recalculated the value in use of the pharmaceutical operating segment using the Corporation's discounted cash flow model. • Compared Management's underlying assumptions used in the recoverable amount, such as the revenue growth rates and EBITDA margins to business plans and previous forecasts to actual results. • Evaluated, with the assistance of our valuation specialists, the Corporation's valuation methodology and significant assumptions such as the discount rate by referencing current industry, economic and comparable company information.

Auditing management's annual goodwill impairment test was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the pharmaceutical operating segment as at September 25, 2021. Significant assumptions included revenue growth rate, earnings before interest, tax, depreciation and amortization (EBITDA) margins, and the discount rate, which are affected by expectations about future market and economic conditions.

- Performed sensitivity analyses of the significant assumptions to evaluate changes in the recoverable amount that would result from changes in the underlying inputs.
- Assessed the adequacy of the disclosures in respect of the significant judgements made by management as described above.

Other Information

Management is responsible for the other information. The other information comprises:

- The information included in the Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

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

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

We obtained Management's Discussion and Analysis and The Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Martine Quintal.

Ernst & Young LLP [1]

Montréal, Canada
December 10, 2021

[1] CPA auditor, CA, public accountancy permit no. A112005

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Annual Consolidated Financial Statements

METRO INC.

September 25, 2021

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Consolidated statements of income

Years ended September 25, 2021 and September 26, 2020

(Millions of dollars, except for net earnings per share)

	2021	2020
Sales *(notes 4 and 23)*	**18,283.0**	17,997.5
Cost of sales and operating expenses *(note 4)*	**(16,550.5)**	(16,306.4)
Loss on disposal of a subsidiary *(notes 4 and 12)*	**—**	(7.5)
Operating income before depreciation and amortization	**1,732.5**	1,683.6
Depreciation and amortization *(note 4)*	**(478.3)**	(462.5)
Financial costs, net *(note 4)*	**(133.5)**	(136.8)
Earnings before income taxes	**1,120.7**	1,084.3
Income taxes *(note 5)*	**(295.0)**	(287.9)
Net earnings	**825.7**	796.4
Attributable to:		
Equity holders of the parent	**823.0**	795.2
Non-controlling interests	**2.7**	1.2
	825.7	796.4
Net earnings per share *(Dollars) (notes 6 and 18)*		
Basic	**3.34**	3.15
Fully diluted	**3.33**	3.14

See accompanying notes

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Consolidated statements of comprehensive income

Years ended September 25, 2021 and September 26, 2020

(Millions of dollars)

	2021	2020
Net earnings	**825.7**	796.4
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (losses) *(note 20)*	**214.2**	(15.5)
Asset ceiling effect *(note 20)*	**(41.5)**	(0.3)
Minimum funding requirement *(note 20)*	**(21.4)**	0.8
Corresponding income taxes *(note 5)*	**(40.1)**	4.1
	111.2	(10.9)
Comprehensive income	**936.9**	785.5
Attributable to:		
Equity holders of the parent	**934.2**	784.3
Non-controlling interests	**2.7**	1.2
	936.9	785.5

See accompanying notes

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Consolidated statements of financial position

As at September 25, 2021 and September 26, 2020

(Millions of dollars)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	**445.8**	441.5
Accounts receivable *(notes 13 and 23)*	**679.2**	641.8
Accounts receivable on subleases *(note 10)*	**92.8**	88.0
Inventories *(note 7)*	**1,169.0**	1,268.2
Prepaid expenses	**46.6**	45.0
Current taxes	**33.4**	16.0
	2,466.8	2,500.5
Non-current assets		
Fixed assets *(note 8)*	**3,129.8**	2,860.8
Investment properties *(note 9)*	**33.4**	40.2
Right-of-use assets *(note 10)*	**1,064.7**	1,150.5
Intangible assets *(note 11)*	**2,854.7**	2,850.2
Goodwill *(note 12)*	**3,301.2**	3,300.7
Deferred taxes *(note 5)*	**57.1**	43.5
Defined benefit assets *(note 20)*	**84.8**	19.7
Accounts receivable on subleases *(note 10)*	**549.6**	596.3
Other assets *(note 13)*	**50.0**	61.5
	13,592.1	13,423.9
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans *(note 14)*	**0.1**	0.4
Accounts payable *(note 15)*	**1,546.5**	1,458.9
Deferred revenues	**35.9**	38.0
Current taxes	**25.9**	81.7
Provisions *(note 16)*	**1.6**	2.5
Current portion of debt *(note 17)*	**318.5**	20.6
Current portion of lease liabilities *(note 10)*	**269.7**	258.0
	2,198.2	1,860.1
Non-current liabilities		
Debt *(note 17)*	**2,318.2**	2,612.0
Lease liabilities *(note 10)*	**1,657.5**	1,811.4
Defined benefit liabilities *(note 20)*	**61.5**	129.9
Provisions *(note 16)*	**13.5**	19.2
Deferred taxes *(note 5)*	**927.7**	833.9
Other liabilities	**2.7**	2.0
	7,179.3	7,268.5
Equity		
Attributable to equity holders of the parent	**6,399.9**	6,142.2
Attributable to non-controlling interests	**12.9**	13.2
	6,412.8	6,155.4
	13,592.1	13,423.9

Commitments and contingencies *(notes 21 and 22)*
Event after the reporting period *(note 26)*

See accompanying notes

On behalf of the Board

ERIC LA FLÈCHE
Director

RUSSELL GOODMAN
Director

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Consolidated statements of changes in equity

Years ended September 25, 2021 and September 26, 2020

(Millions of dollars)

	Attributable to the equity holders of the parent						
	Capital stock *(note 18)*	Treasury shares *(note 18)*	Contributed surplus	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at September 26, 2020	**1,713.8**	**(25.1)**	**22.2**	**4,431.3**	**6,142.2**	**13.2**	**6,155.4**
Net earnings	**—**	**—**	**—**	**823.0**	**823.0**	**2.7**	**825.7**
Other comprehensive income (loss)	**—**	**—**	**—**	**111.2**	**111.2**	**—**	**111.2**
Comprehensive income	**—**	**—**	**—**	**934.2**	**934.2**	**2.7**	**936.9**
Stock options exercised	**14.2**	**—**	**(1.6)**	**—**	**12.6**	**—**	**12.6**
Shares redeemed *(note 18)*	**(53.7)**	**—**	**—**	**—**	**(53.7)**	**—**	**(53.7)**
Share redemption premium *(note 18)*	**—**	**—**	**—**	**(402.6)**	**(402.6)**	**—**	**(402.6)**
Share-based compensation cost	**—**	**—**	**10.6**	**—**	**10.6**	**—**	**10.6**
Performance share units settlement	**—**	**4.6**	**(7.0)**	**(0.9)**	**(3.3)**	**—**	**(3.3)**
Dividends *(note 19)*	**—**	**—**	**—**	**(240.1)**	**(240.1)**	**(1.9)**	**(242.0)**
Repurchase of shares in joint ventures	**—**	**—**	**—**	**—**	**—**	**(1.1)**	**(1.1)**
	(39.5)	**4.6**	**2.0**	**(643.6)**	**(676.5)**	**(3.0)**	**(679.5)**
Balance as at September 25, 2021	**1,674.3**	**(20.5)**	**24.2**	**4,721.9**	**6,399.9**	**12.9**	**6,412.8**

	Attributable to the equity holders of the parent						
	Capital stock *(note 18)*	Treasury shares *(note 18)*	Contributed surplus	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at September 28, 2019	1,732.3	(24.6)	19.2	4,228.3	5,955.2	13.4	5,968.6
Net earnings	—	—	—	795.2	795.2	1.2	796.4
Other comprehensive income (loss)	—	—	—	(10.9)	(10.9)	—	(10.9)
Comprehensive income	—	—	—	784.3	784.3	1.2	785.5
Stock options exercised	8.2	—	(1.0)	—	7.2	—	7.2
Shares redeemed *(note 18)*	(26.7)	—	—	—	(26.7)	—	(26.7)
Share redemption premium *(note 18)*	—	—	—	(190.5)	(190.5)	—	(190.5)
Acquisition of treasury shares	—	(6.2)	—	—	(6.2)	—	(6.2)
Share-based compensation cost	—	—	9.5	—	9.5	—	9.5
Performance share units settlement	—	5.7	(5.5)	(0.2)	—	—	—
Dividends *(note 19)*	—	—	—	(220.7)	(220.7)	(1.4)	(222.1)
Adoption of IFRS 16 "*Leases*"	—	—	—	(169.4)	(169.4)	—	(169.4)
Change in fair value of non-controlling interests liability *(note 25)*	—	—	—	(0.5)	(0.5)	—	(0.5)
	(18.5)	(0.5)	3.0	(581.3)	(597.3)	(1.4)	(598.7)
Balance as at September 26, 2020	1,713.8	(25.1)	22.2	4,431.3	6,142.2	13.2	6,155.4

See accompanying notes

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Consolidated statements of cash flows

Years ended September 25, 2021 and September 26, 2020

(Millions of dollars)

	2021	2020
Operating activities		
Earnings before income taxes	**1,120.7**	1,084.3
Non-cash items		
Gain on disposal of an investment	**(0.3)**	—
Loss on disposal of a subsidiary *(note 12)*	**—**	7.5
Depreciation and amortization	**478.3**	462.5
Gain on disposal and write-offs of fixed and intangible assets and investment properties	**(7.1)**	(4.5)
Impairment losses on fixed assets and right-of-use assets	**—**	3.0
Share-based compensation cost	**10.6**	9.5
Difference between amounts paid for employee benefits and current year cost	**13.5**	3.8
Financial costs, net	**133.5**	136.8
	1,749.2	1,702.9
Net change in non-cash working capital items	**162.2**	(34.5)
Income taxes paid	**(328.1)**	(194.3)
	1,583.3	1,474.1
Investing activities		
Net proceeds on disposal of a subsidiary *(note 12)*	**—**	3.5
Buyout of a minority interest *(note 25)*	**(1.1)**	(51.6)
Net change in other assets	**1.7**	0.8
Additions to fixed assets and investment properties *(notes 8 et 9)*	**(520.0)**	(463.3)
Disposals of fixed assets and investment properties *(notes 8 et 9)*	**22.4**	12.4
Additions to intangible assets *(note 11)*	**(79.3)**	(47.4)
Payments received from subleases	**89.0**	85.6
Interests received from subleases	**15.7**	15.9
	(471.6)	(444.1)
Financing activities		
Net change in bank loans	**(0.3)**	0.4
Shares issued *(note 18)*	**12.6**	7.2
Shares redeemed *(note 18)*	**(456.3)**	(217.2)
Acquisition of treasury shares *(note 18)*	**—**	(6.2)
Performance share units settlement	**(3.3)**	—
Increase in debt	**21.9**	413.1
Repayment of debt	**(24.0)**	(428.7)
Interest paid on debt	**(109.1)**	(107.1)
Payment of lease liabilities (principal)	**(260.9)**	(252.9)
Payment of lease liabilities (interest)	**(48.6)**	(51.1)
Net change in other liabilities	**0.7**	1.3
Dividends *(note 19)*	**(240.1)**	(220.7)
	(1,107.4)	(861.9)
Net change in cash and cash equivalents	**4.3**	168.1
Cash and cash equivalents – beginning of year	**441.5**	273.4
Cash and cash equivalents – end of year	**445.8**	441.5

See accompanying notes

1. DESCRIPTION OF BUSINESS

METRO INC. (the Corporation), is incorporated under the laws of Quebec. The Corporation is one of Canada's leading food and pharmacy retailers and distributors. It operates a network of supermarkets, discount stores and drugstores. Its head office is located at 11011 Maurice-Duplessis Blvd., Montréal, Québec, Canada, H1C 1V6. Its business segments, food operations and pharmaceutical operations, are combined into a single reportable operating segment due to the similar nature of their operations (see note 3).

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements, in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared within the reasonable limits of materiality, on a historical cost basis, except for certain financial instruments and defined benefit plan assets measured at fair value and defined benefit obligations measured at present value. The significant accounting policies are summarized below:

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as those of structured entities (notes 3 and 23). All intercompany transactions and balances were eliminated on consolidation.

Revenue from contracts with customers

Revenue from contracts with customers are accounted for when control of goods or services is transferred to the customer. Retail sales of corporate stores and stores that qualify as structured entities are recorded at the time of sale to the consumer. Sales to unconsolidated affiliated or franchised stores and other customers are recorded when the goods are delivered to them. Discounts granted by the Corporation are recorded as a reduction in revenue.

Recognition of considerations from vendors

Cash considerations from vendors are considered as an adjustment to the vendor's product pricing and are therefore characterized as a reduction of cost of sales and related inventories when recognized in the consolidated financial statements.

Loyalty programs

The Corporation has two loyalty programs.

The first program, for which the Corporation acts as an agent, belongs to a third party and its cost is recorded as a reduction in sales at the time of sale to the customer.

The second program belongs to the Corporation. At the time of a sale to the customer, part of it is recorded as deferred revenue equal to the fair value of the program's issued points. This fair value is determined based on the exchange value of the points awarded and the expected redemption rate which are regularly remeasured. The deferred revenue is recognized as sales when the points are redeemed.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. At each closing, monetary items denominated in foreign currency are translated using the exchange rate at the closing date. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Gains or losses resulting from currency translations are recognized in net earnings.

Income taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to determine these amounts are those that are enacted or substantively enacted by tax authorities by the closing date.

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be in effect when the temporary differences are expected to reverse. Changes in these amounts are included in current net earnings in the period in which they occur. The carrying amount of deferred tax assets is reviewed at every closing date and reduced to the extent that it is no longer probable that sufficient earnings will be available to allow all or part of the deferred tax assets to be utilized.

Income tax relating to items recognized directly in equity is recognized in equity.

Share-based payment

A share-based compensation expense is recognized for the stock option and performance share unit (PSU) plans offered to certain employees as well as a deferred share unit (DSU) plan offered to directors.

Stock option awards vest gradually over the vesting term and each tranche is considered as a separate award. The value of the remuneration expense is calculated based on the fair value of the stock options at the option grant date and using the Black-Scholes valuation model. The compensation expense is recognized over the vesting term of each tranche.

The compensation expense for the PSU plan is determined based on the market value of the Corporation's Common Shares at grant date. Compensation expense is recognized on a straight-line basis over the vesting period. The impact of any changes in the number of PSUs is recorded in the period where the estimate is revised. The grant qualifies as an equity instrument.

The compensation expense and corresponding liability for the DSU plan are recognized on the grant date and determined based on the grant date market value of the Corporation’s Common Shares. The DSU liability is included in accounts payable and is periodically adjusted to reflect any changes in the stock market valuation of the Corporation’s Common Shares.

Net earnings per share

Basic net earnings per share is calculated by dividing the net earnings attributable to equity holders of the parent by the weighted average number of Common Shares outstanding during the year. For the fully diluted net earnings per share, the net earnings attributable to equity holders of the parent and the weighted average number of Common Shares outstanding are adjusted to reflect all potential dilutive shares.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, highly liquid investments (with an initial term of three months or less) and outstanding deposits. They are classified as “Financial assets at fair value through net earnings”.

Accounts receivable

Accounts receivable, accounts receivable on subleases and loans to certain customers are classified as “Loans and receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method. For the Corporation, the measured amount generally corresponds to cost.

Inventories

Inventories are valued at the lower of cost and net realizable value. Warehouse inventories cost is determined using the average cost method net of certain considerations received from vendors. Retail inventories cost is valued at the retail price less the gross margin and certain considerations received from vendors. All costs incurred in bringing the inventories to their present location and condition are included in the cost of warehouse and retail inventories.

Investment in a joint venture

The Corporation has an investment in a joint venture, whereby the venturers have a contractual agreement that establishes joint control over the economic activity of the entity. The investment is accounted for using the equity method and is presented in other assets.

(Millions of dollars, unless otherwise indicated)

Fixed assets

Fixed assets are initially recorded at cost. Principal components of a fixed asset with different useful lives are depreciated separately. Buildings and equipment are depreciated on a straight-line basis over their useful lives. Leasehold improvements are depreciated on a straight-line basis over the shorter of their estimated useful lives or the remaining lease term. The depreciation method and estimate of useful lives are reviewed annually.

Buildings	20 to 50 years
Equipment	3 to 20 years
Leasehold improvements	5 to 20 years

Leases

The Corporation as lessee

The Corporation recognizes right-of-use assets and the corresponding lease liabilities at the lease inception date, the date at which the lessor makes available the leased asset to the Corporation. Rental payments under short-term leases or leases with low-value underlying assets and variable payments that are not based on an index or rate are recorded in operating expenses on a straight line basis over the duration of the lease.

Lease liabilities represent the present value of fixed and variable lease payments that are based on an index or rate, net of lease incentives receivable. Subsequent to the initial measurement, the Corporation measures the lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when a change is made to the lease agreement. Lease payments are discounted at the lessee's incremental borrowing rate at lease inception. The interest expense is recognized in net financial costs. The lease term includes renewal options that the Corporation is reasonably certain to exercise.

Right-of-use assets are measured at the initial value of the lease liabilities, less lease incentives received and restoration costs. Subsequent to initial measurement, the Corporation applies the cost model to right-of-use assets. Right-of-use assets are measured at cost less accumulated amortization, accumulated impairment losses and any remeasurement of lease liabilities. Assets are depreciated from the lease inception date on a straight-line basis over the shorter of the asset's useful life and the lease term.

The Corporation as lessor

For subleases, for which the Corporation acts as an intermediate lessor, it evaluates the classification in relation to the right-of-use assets arising from the main lease. The Corporation accounts for the main lease and the sublease as two separate leases. A sublease contract is classified as a finance lease if substantially all risks and rewards incidental to the underlying asset are transferred to the lessee. Otherwise, leases are classified as operating leases and rental income is recognized on a straight-line basis over the lease term.

For subleases that are classified as finance leases, the Corporation derecognizes the corresponding right-of-use assets and records a net investment in the subleases. Interest income is recorded in net financial costs. The net investment is presented in current and non-current accounts receivable on subleases.

Investment properties

Investment properties are held for capital appreciation and to earn rentals. They are not occupied by the owner for its ordinary activities. They are recognized at cost. Principal components, except for land which is not depreciated, are depreciated on a straight-line basis over their respective useful lives which vary from 20 to 50 years. The depreciation method and estimates of useful lives are reviewed annually.

Intangible assets

Intangible assets with finite useful lives are recorded at cost and amortized on a straight-line basis over their useful lives. The amortization method and estimates of useful lives are reviewed annually.

Leasehold rights	20 to 40 years
Software	3 to 7 years
Retail network retention premiums	5 to 30 years
Customer relationships	10 to 27 years

The banners that the Corporation intends to keep and operate, the private labels for which it continues to develop new products and the loyalty programs it intends to maintain qualify as intangible assets with indefinite useful lives. They are recorded at cost and not amortized.

Goodwill

Goodwill, which represents the excess of purchase price over the fair value of the acquired enterprise's identifiable net assets at the date of acquisition, is recognized at cost and is not amortized.

Impairment of non financial assets

At each reporting date, the Corporation must determine if there is any indication of depreciation of its fixed assets, intangible assets with finite and indefinite useful lives, investment properties, right-of-use assets and goodwill. If any indication exists, the Corporation has to test the assets for impairment. Impairment testing of intangible assets with indefinite useful lives and goodwill is to be done at least annually, regardless of any indication of depreciation.

Impairment testing is conducted at the level of the asset itself, a cash generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each store is a separate CGU. Impairment testing of warehouses is conducted at the level of the different groups of CGUs. Impairment testing of common assets is conducted at the level of the smallest CGU to which assets have been allocated. Impairment testing of goodwill is conducted at the level of the smallest CGU to which the goodwill relates. Impairment testing of investment properties, banners, private labels and loyalty programs is conducted at the level of the asset itself.

To test for impairment, the carrying amount of an asset, CGU or group of CGUs is compared with its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The value in use corresponds generally to the pre-tax cash flow projections from the management-approved budgets for the next fiscal year. These projections reflect past experience and are discounted at a pre-tax rate corresponding to the expected market rate for this type of investment. The recoverable amount of investment properties, banners, private labels and loyalty programs is these assets' fair value less costs of disposal. Fair value represents the price that would be obtained for the sale of an asset in an arm's length transaction. If the carrying amount exceeds the recoverable amount, an impairment loss in the amount of the excess is recognized in net earnings. CGU or group of CGUs' impairment losses are allocated first to goodwill, if applicable then pro rata to the assets of the CGU or group of CGUs, without however reducing the carrying amount of the assets below the highest of their fair value less costs of disposal, their value in use or zero.

Except for goodwill, any reversal of an impairment loss is recognized immediately in net earnings. A reversal of an impairment loss for a CGU or group of CGUs is allocated pro rata to the assets of the CGU or group of CGUs. The recoverable amount of an asset increased by a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized for the asset in prior years.

Employee benefits

Employee benefits include short-term employee benefits which correspond to wages and fringe benefits and are recognized immediately in net earnings as are termination benefits which are also recorded as a liability when the Corporation cannot withdraw the offer of termination.

Employee benefits also include post-employment benefits which comprise pension benefits (both defined benefit and defined contribution plans) and ancillary benefits such as post-employment life and medical insurance. Employee benefits also comprise other long-term benefits, namely long-term disability benefits not covered by insurance plans and ancillary benefits provided to employees on long-term disability. Assets and obligations related to employee defined benefit plans, ancillary retirement benefits and other long-term benefits plan are accounted for using the following accounting policies:

- Defined benefit obligations and the cost of pension, ancillary retirement benefits and other long-term benefits earned by participants are determined from actuarial calculations according to the projected credit unit method. The calculations are based on management’s best assumptions relating to salary escalation, retirement age of participants, inflation and expected health care costs.
- Defined benefit obligations are discounted using high-quality corporate bond yield rates with cash flows that match the timing and amount of expected benefit payments.

- Defined benefit plan assets or liabilities recognized in the consolidated statement of financial position correspond to the difference between the present value of defined benefit obligations and the fair value of plan assets. In the case of a surplus funded plan, these assets are limited at the lesser of the actuarial value determined for accounting purposes or the value of the future economic benefit by way of surplus refunds or contribution holidays. Furthermore, an additional liability could be recorded when minimum funding requirements for past services exceed economic benefits available.
- The interest expense on defined benefit obligations, on the asset ceiling and on the minimum funding requirement is net of interest income on plan assets, which is calculated by applying the same rate used to evaluate the obligations, and is recognized as financing costs.
- Actuarial gains or losses on pension plans and ancillary post-employment benefits arise from changes to current year end actuarial assumptions used to determine the defined benefit obligations. They also arise from variances between the experience adjustments of the plans for the current year and the assumptions defined at the end of the previous fiscal year to determine the employee benefit expense for the current fiscal year and the defined benefit obligations at the previous fiscal year end.
- Remeasurements of defined benefit net liabilities include actuarial gains or losses, the yield on plan assets, and asset ceiling and minimum funding requirement changes, excluding the amount already recorded in net interest. Remeasurements are recognized under other comprehensive income during the period in which they occur and reclassified from accumulated other comprehensive income to retained earnings at the end of each period.
- Actuarial gains or losses related to other long-term employee benefits are recognized in full immediately in net earnings.
- Past service amendment costs are recognized immediately in net earnings.
- Defined contribution plan costs, including those of multi-employer plans, are recorded when the contributions are due. As sufficient information to reliably determine multi-employer defined benefit plan obligations and assets is not available and as there is no actuarial valuation according to IFRS, these plans are accounted for as defined contribution plans and the Corporation participation is limited to the negotiated contributions. The vast majority of the Corporation's contributions to multi-employer plans are paid into the Canadian Commercial Workers Industry Pension Plan (CCWIPP). The Corporation and its franchisees represent approximately 25% of the Plan’s total number of participants.

Deferred revenues

The portion of revenue that is unearned is recorded in deferred revenues when payments are received. This includes prepayments received by the Corporation for future periods for which revenue is recognized when the goods are delivered or services are rendered. Deferred revenues also include loyalty points issued as part of the Corporation’s loyalty programs and gift cards outstanding as at year end for which revenue is recognized upon redemption.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) resulting from a past event, when it will likely have to settle the obligation and the amount of which can be reliably estimated. The amount recognized as provision is the best estimate of the expense required to settle the present obligation at the closing date. When a provision is measured based on estimated cash flows required to settle the present obligation, its carrying amount is the discounted value of these cash flows.

Other financial liabilities

Bank loans, accounts payable, the revolving credit facility, notes and loans payable are classified as “Liabilities measured at amortized cost” and initially measured at fair value less financing costs. They are subsequently measured at amortized cost using the effective interest method.

Financing costs related to debt are deferred and amortized using the effective interest method over the term of the corresponding loans. When one of these loans is repaid, the corresponding financing costs are charged to net earnings.

Non-controlling interests

Non-controlling interests are recognized in equity.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of a financial instrument. Upon initial recognition, financial instruments are measured at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss (FVTPL). Subsequently, financial assets are measured on the basis of their classification, which is included in one of the following categories: at amortized cost, at fair value through other comprehensive income (FVOCI), and at FVTPL.

Financial assets that are not designated as FVTPL upon initial recognition, are classified and measured at amortized cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and the contractual terms give rise, on specified dates, to cash flows that correspond only to payments of principal and interest. Otherwise, they are classified and measured at FVOCI, as long as the asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, and the contractual terms, on specified dates, give rise to cash flows that correspond only to payments of principal and interest. Classification and measurement of financial liabilities are based on amortized cost or FVTPL.

In summary, the Corporation's assets and liabilities are classified and measured valued as follows:
- Cash, cash equivalents, accounts receivable, accounts receivable on subleases and loans to certain customers are classified and measured at amortized cost;
- Bank loans, accounts payable, the revolving credit facility, notes and loans are classified and measured at amortized cost;
- Non-controlling interests are classified and measured at FVTPL. Gains and losses from the remeasurement at the end of each period are recorded through retained earnings;
- Derivative financial instruments that are not designated as hedges are classified and measured at FVTPL.

Impairment of financial assets

At the end of each reporting period, the Corporation estimates expected credit losses (ECL) based on lifetime credit losses. ECLs are adjusted for factors specific to receivables, receivables on subleases and loans to certain customers, the general economic condition and an assessment of the current and expected economic conditions at the reporting date, including the time value of the money, if applicable. The measurement is carried out using the simplified method for cash, current assets and long-term accounts receivable on subleases and the general method for loans. The net change in ECLs on receivables, receivables on subleases and loans to certain customers is recorded in net income.

Derivative financial instruments

In accordance with its risk management strategy, the Corporation uses derivative financial instruments for hedging purposes. On inception of a hedging relationship, the Corporation indicates whether or not it will apply hedge accounting to the relationship. Should there be any, the Corporation formally documents several factors, such as the election to apply hedge accounting, the hedged item, the hedging item, the risks being hedged and the term over which the relationship is expected to be effective, as well as risk management objectives and strategy.

The effectiveness of a hedging relationship is measured at its inception to determine whether it will be highly effective over the term of the relationship and assessed periodically to ensure that hedge accounting is still appropriate. The results of these assessments are formally documented.

The Corporation could use foreign exchange forward contracts, cross currency interest rate swaps and equity forward transaction. Given their short-term maturity, the Corporation elected not to apply hedge accounting. These derivative financial instruments are classified as "Financial assets or liabilities measured at FVTPL" and measured at fair value with revaluation at the end of each period. Resulting gains or losses are recorded in net earnings.

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal years ended September 25, 2021 and September 26, 2020 included 52 weeks of operations.

3. SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the recognition and valuation of assets, liabilities, sales, other income and expenses. These estimates and assumptions are based on historical experience and other factors deemed relevant and reasonable and are reviewed at every closing date. The use of different estimates could produce different amounts in the consolidated financial statements. Actual results may differ from these estimates.

JUDGMENTS

In applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Consolidation of structured entities

The Corporation has no voting rights in certain food stores. However, the franchise contract gives it the ability to control these stores' main activities. Its decisions are not limited to protecting its trademarks. The Corporation retains the majority of stores' profits and losses. For these reasons, the Corporation consolidates these food stores in its financial statements.

The Corporation has no voting rights in the trust created for PSU plan participants. However, under the trust agreement, it instructs the trustee as to the sale and purchase of Corporation shares and payments to beneficiaries, gives the trustee money to buy Corporation shares, assumes vesting variability, and ensures that the trust holds a sufficient number of shares to meet its obligations to the beneficiaries. For these reasons, the Corporation consolidates this trust in its financial statements.

The Corporation also has an agreement with a third party that operates a plant exclusively for the needs and according to the specifications of the Corporation, which assumes all costs and control the plant's main activities. For these reasons, the Corporation consolidates it in the Corporation's financial statements.

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The reportable operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

ESTIMATES

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the value of assets and liabilities within the next period, are discussed below:

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 11 and 12.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 20.

Leases

The application of IFRS 16 requires the use of estimates that affect the measurement of right-of-use-assets and lease liabilities, including the appropriate discount rate used to measure lease liabilities. The Corporation discounts lease payments at its incremental borrowing rate, which is based on estimates of the risk-free interest rate, credit spreads and lease terms. In addition, it assesses the duration of the lease based on the terms of the contract and the renewal options it has reasonable certainty to exercise. A change in these assumptions could affect the amounts recorded. The key assumptions are disclosed in note 10.

(Millions of dollars, unless otherwise indicated)

4. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	2021	%	2020	%
Sales	**18,283.0**		17,997.5	
Cost of sales	**(14,628.2)**		(14,415.7)	
Gross margin	**3,654.8**	**20.0**	3,581.8	19.9
Operating expenses				
Wages and fringe benefits	**(980.6)**		(954.9)	
Employee benefits expense *(note 20)*	**(106.6)**		(96.9)	
Rent and occupancy charges *(note 10)*	**(302.3)**		(296.2)	
Loss on disposal of a subsidiary *(note 12)*	**—**		(7.5)	
Other	**(532.8)**		(542.7)	
	(1,922.3)	**10.5**	(1,898.2)	10.5
Operating income before depreciation and amortization	**1,732.5**	**9.5**	1,683.6	9.4
Depreciation and amortization				
Fixed assets *(note 8)*	**(240.9)**		(232.3)	
Investment properties *(note 9)*	**(0.6)**		(0.6)	
Right-of-use assets *(note 10)*	**(158.6)**		(154.2)	
Intangible assets *(note 11)*	**(78.2)**		(75.4)	
	(478.3)		(462.5)	
Financial costs, net				
Current interest	**(3.6)**		(3.1)	
Non-current interest	**(105.0)**		(103.4)	
Net interest on lease liabilities *(note 10)*	**(32.9)**		(34.9)	
Interest on defined benefit obligations net of plan assets *(note 20)*	**(4.3)**		(4.0)	
Amortization of deferred financing costs	**(1.7)**		(2.4)	
Interest income	**14.3**		11.2	
Passage of time	**(0.3)**		(0.2)	
	(133.5)		(136.8)	
Earnings before income taxes	**1,120.7**		1,084.3	

(Millions of dollars, unless otherwise indicated)

5. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	**2021**	2020
Combined statutory income tax rate	**26.5**	26.5
Changes		
Loss on disposal of a subsidiary *(note 12)*	**—**	(0.3)
Other	**(0.2)**	0.4
	26.3	26.6

The main components of the income tax expense were as follows:

Consolidated income statements

	2021	2020
Current		
Current tax expense	**254.9**	271.1
Deferred		
Adjustment related to temporary differences	**40.1**	16.8
	295.0	287.9

Consolidated comprehensive income statements

	2021	2020
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial losses	**56.8**	(4.2)
Asset ceiling effect	**(11.0)**	(0.1)
Minimum funding requirement	**(5.7)**	0.2
	40.1	(4.1)

Deferred income taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The main components of the deferred tax expense and deferred tax assets and liabilities were as follows:

	Consolidated statements of financial position		Consolidated statements of income	
	As at September 25, 2021	As at September 26, 2020	**2021**	2020
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	**18.4**	21.3	**(2.9)**	(1.7)
Lease liabilities	**510.7**	546.4	**(35.7)**	(24.5)
Deferred tax losses	**5.6**	8.8	**(3.2)**	8.0
Inventories	**(10.2)**	(11.3)	**1.1**	0.1
Employee benefits	**(7.1)**	27.5	**5.5**	2.4
Accounts receivable on subleases	**(170.2)**	(181.3)	**11.1**	9.5
Investment in a joint venture	**1.0**	1.0	**—**	—
Difference between net carrying value and tax value				
Fixed assets	**(262.2)**	(219.9)	**(42.3)**	(23.7)
Investment properties	**0.4**	0.3	**0.1**	0.2
Right-of-use assets	**(282.1)**	(305.0)	**22.9**	11.1
Intangible assets	**(618.7)**	(624.8)	**6.1**	5.1
Goodwill	**(56.2)**	(53.4)	**(2.8)**	(3.3)
	(870.6)	(790.4)	**(40.1)**	(16.8)

Deferred tax assets	**57.1**	43.5
Deferred tax liabilities	**(927.7)**	(833.9)
	(870.6)	(790.4)

6. NET EARNINGS PER SHARE

Basic net earnings per share and fully diluted net earnings per share were calculated using the following number of shares:

(Millions)	**2021**	2020
Weighted average number of shares outstanding – Basic	**246.2**	252.1
Dilutive effect under:		
Stock option plan	**0.6**	0.7
Performance share unit plan	**0.5**	0.5
Weighted average number of shares outstanding – Fully diluted	**247.3**	253.3

(Millions of dollars, unless otherwise indicated)

7. INVENTORIES

	2021	2020
Wholesale inventories	**686.6**	808.1
Retail inventories	**482.4**	460.1
	1,169.0	1,268.2

8. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Buildings under finance leases	Total
Cost						
Balance as at September 28, 2019	480.4	1,276.6	1,557.4	861.8	55.8	4,232.0
Acquisitions	8.8	171.6	198.4	84.5	—	463.3
Disposals and write-offs	(2.0)	(12.5)	(79.4)	(43.3)	—	(137.2)
Adoption of IFRS16	—	—	—	—	(55.8)	(55.8)
Balance as at September 26, 2020	**487.2**	**1,435.7**	**1,676.4**	**903.0**	**—**	**4,502.3**
Acquisitions	**49.9**	**167.9**	**226.8**	**74.5**	**—**	**519.1**
Disposals and write-offs	**(2.4)**	**(34.9)**	**(50.7)**	**(18.2)**	**—**	**(106.2)**
Balance as at September 25, 2021	**534.7**	**1,568.7**	**1,852.5**	**959.3**	**—**	**4,915.2**
Accumulated depreciation and impairment						
Balance as at September 28, 2019	—	(281.8)	(830.4)	(422.8)	(39.2)	(1,574.2)
Depreciation	—	(49.9)	(122.0)	(60.4)	—	(232.3)
Disposals and write-offs	—	10.6	76.6	40.8	—	128.0
Impairment losses	—	—	(1.0)	(1.2)	—	(2.2)
Adoption of IFRS16	—	—	—	—	39.2	39.2
Balance as at September 26, 2020	**—**	**(321.1)**	**(876.8)**	**(443.6)**	**—**	**(1,641.5)**
Depreciation	**—**	**(56.3)**	**(132.7)**	**(51.9)**	**—**	**(240.9)**
Disposals and write-offs	**—**	**30.3**	**48.5**	**18.2**	**—**	**97.0**
Balance as at September 25, 2021	**—**	**(347.1)**	**(961.0)**	**(477.3)**	**—**	**(1,785.4)**
Net carrying value						
Balance as at September 26, 2020	487.2	1,114.6	799.6	459.4	—	2,860.8
Balance as at September 25, 2021	**534.7**	**1,221.6**	**891.5**	**482.0**	**—**	**3,129.8**

Impairment losses were recorded during fiscal 2020 on food store assets where cash flows decreased due to local competition. As food stores' profitability improved, impairment loss reversals can be recognized on previously impaired food store assets.

As at September 25, 2021, work in progress not yet amortized included in buildings, equipment and leasehold improvements totalled $196.4, $77.6 and $1.6, respectively.

As at September 25, 2021, the Corporation had contractual commitments to purchase fixed assets totaling $244.1 in 2022, consisting mainly of buildings and equipment.

(Millions of dollars, unless otherwise indicated)

9. INVESTMENT PROPERTIES

	Cost	Accumulated depreciation	Net carrying value
Balance as at September 28, 2019	42.9	(1.4)	41.5
Disposals and write-offs	(0.9)	0.2	(0.7)
Depreciation	—	(0.6)	(0.6)
Balance as at September 26, 2020	**42.0**	**(1.8)**	**40.2**
Acquisitions	**0.9**	**—**	**0.9**
Disposals and write-offs	**(7.3)**	**0.2**	**(7.1)**
Depreciation	**—**	**(0.6)**	**(0.6)**
Balance as at September 25, 2021	**35.6**	**(2.2)**	**33.4**

The fair value of investment properties was $39.9 as at September 25, 2021 ($45.6 as at September 26, 2020). The Corporation classified the fair value measurement in Level 2, as it is derived from observable market inputs, i.e. recent transactions on these assets or similar assets.

10. LEASES

The Corporation as lessee

The main right-of-use assets held under the Corporation's leases are real estate, vehicles and equipment.

As at September 25, 2021, changes in right-of-use assets were as follows:

	Buildings	Rolling stock and other	Total
Balance at September 29, 2019	1,194.4	28.0	1,222.4
New leases	85.2	13.4	98.6
Terminations and adjustments	(15.5)	—	(15.5)
Impairment losses	(0.8)	—	(0.8)
Depreciation	(143.7)	(10.5)	(154.2)
Balance as at September 26, 2020	**1,119.6**	**30.9**	**1,150.5**
New leases	**46.9**	**10.1**	**57.0**
Terminations and adjustments	**16.5**	**(0.7)**	**15.8**
Depreciation	**(147.8)**	**(10.8)**	**(158.6)**
Balance as at September 25, 2021	**1,035.2**	**29.5**	**1,064.7**

The Corporation has variable lease payments for property taxes, common operating costs and insurance costs for leased properties. The Corporation also has variable lease payments that vary according to a percentage of retail sales. These expenses are recorded in operating expenses and totalled $122.0 in 2021 ($111.2 in 2020).

(Millions of dollars, unless otherwise indicated)

As at September 25, 2021, changes in lease liabilities were as follows:

Balance as at September 29, 2019	2,199.8
Additions	150.1
Terminations and adjustments	(27.6)
Lease payments	(303.7)
Interest expense on lease liabilities	50.8
Balance as at September 26, 2020	2,069.4
Current portion	258.0
Non-current portion	1,811.4

Balance as at September 26, 2020	**2,069.4**
Additions	**86.4**
Terminations and adjustments	**32.3**
Lease payments	**(309.6)**
Interest expense on lease liabilities	**48.7**
Balance as at September 25, 2021	**1,927.2**
Current portion	**269.7**
Non-current portion	**1,657.5**

The weighted average incremental borrowing rate was 2.41% as at September 25, 2021 (2.35% in 2020). The weighted average remaining contractual life as at September 25, 2021 was 6 years (8 years in 2020).

Contractual undiscounted payments under leases defined above will be as follows:

2022	313.5
2023	309.2
2024	287.3
2025	252.0
2026	214.9
2027 and thereafter	795.7
	2,172.6

The Corporation has also entered into short-term leases or leases with underlying low-value asset, specifically for the rental of machinery and equipment, as well as vehicles and trailers. These leases were recorded in operating expenses for a total of $5.8 in 2021 ($5.3 in 2020).

(Millions of dollars, unless otherwise indicated)

The Corporation as lessor

The Corporation acted as intermediate lessor for real estate subleases.

Finance leases

Finance income for the year ended in 2021 was $15.7 ($15.9 in 2020). Future minimum lease payments receivable by the Corporation relating to subleased properties to third parties will be as follows:

2022	105.9
2023	105.3
2024	98.9
2025	89.3
2026	72.1
2027 and thereafter	233.0
Total undiscounted lease payments receivable	704.5
Unearned finance income	(62.1)
Accounts receivable on subleases	642.4
Current portion	92.8
Non-current portion	549.6

Operating leases

The Corporation leases buildings under operating leases. The Corporation recorded rental income of $51.0 in 2021 ($51.2 in 2020).

The lease payments expected to be received over the next five fiscal years for owned properties will be as follows:

2022	45.7
2023	34.4
2024	23.4
2025	14.9
2026	10.5
2027 and thereafter	62.2
	191.1

(Millions of dollars, unless otherwise indicated)

11. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Leasehold rights	Software	Retail network retention premiums	Customer relationships	Total
Cost					
Balance as at September 28, 2019	57.4	246.3	262.6	1,067.4	1,633.7
Acquisitions	—	37.9	14.5	—	52.4
Disposals and write-offs	—	(2.2)	(13.6)	—	(15.8)
Adoption of IFRS16	(57.4)	—	—	—	(57.4)
Balance as at September 26, 2020	**—**	**282.0**	**263.5**	**1,067.4**	**1,612.9**
Acquisitions	**—**	**65.5**	**17.8**	**—**	**83.3**
Disposals and write-offs	**—**	**(0.3)**	**(10.7)**	**—**	**(11.0)**
Balance as at September 25, 2021	**—**	**347.2**	**270.6**	**1,067.4**	**1,685.2**
Accumulated amortization and impairment					
Balance as at September 28, 2019	(43.9)	(183.5)	(121.7)	(73.9)	(423.0)
Amortization	—	(16.1)	(18.5)	(40.8)	(75.4)
Disposals and write-offs	—	0.3	13.2	—	13.5
Adoption of IFRS16)	43.9	—	—	—	43.9
Balance as at September 26, 2020	**—**	**(199.3)**	**(127.0)**	**(114.7)**	**(441.0)**
Amortization	**—**	**(19.4)**	**(18.0)**	**(40.8)**	**(78.2)**
Disposals and write-offs	**—**	**0.2**	**10.2**	**—**	**10.4**
Balance as at September 25, 2021	**—**	**(218.5)**	**(134.8)**	**(155.5)**	**(508.8)**
Net carrying value					
Balance as at September 26, 2020	—	82.7	136.5	952.7	1,171.9
Balance as at September 25, 2021	**—**	**128.7**	**135.8**	**911.9**	**1,176.4**

Net additions of intangible assets excluded from the consolidated statement of cash flows amounted to $4.5 in 2021 ($5.6 in 2020).

As at September 25, 2021, work in progress for software not yet amortized totalled $51.5.

Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balances as at September 26, 2020 and September 25, 2021	**1,473.3**	**121.5**	**83.5**	**1,678.3**

(Millions of dollars, unless otherwise indicated)

Impairment testing of loyalty programs and exclusive private labels was conducted at the individual asset level. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the capitalized excess EBIT method. The estimated EBIT directly allocated to the programs and private labels, after deduction of the return on contributory assets, was based on historical data reflecting past experience. For loyalty programs, the earnings multiples used were 21.1 and 17.8 (22.9 and 15.9 in 2020) considering a growth rate of 2.0% (2.0% in 2020) corresponding to the consumer price index. For the private labels, the earnings multiples used were 18.2 and 21.1 (19.5 and 25.0 in 2020) considering a growth rate of 2.0% (2.0% in 2020) corresponding to the consumer price index. The Corporation classified the fair value measurement in Level 3, as it is derived from unobservable market inputs.

Impairment testing of banners and other private labels were conducted at the level of the asset itself. The recoverable amount was determined based on its fair value calculated using the royalty-free license method. The estimated royalty rate was based on information from external sources and historical data reflecting past experience. For the banners and these private labels, the royalty rate used was 1.0% to 3.0% (1.0% to 3.0% in 2020) and the multiples used were between 18.2 and 21.1 (21.6 and 25.0 in 2020) considering growth rate of 2.0% (2.0% in 2020) corresponding to the consumer price index. The Corporation classified the fair value measurement in Level 3, as it is derived from unobservable market inputs.

No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

12. GOODWILL

	2021	2020
Balance – beginning of year	**3,300.7**	3,306.5
Acquisitions through business combinations	**0.5**	0.6
Disposals	**—**	(6.4)
Balance – end of year	**3,301.2**	3,300.7

The Corporation disposed of the assets of subsidiary MissFresh on December 9, 2019 for a cash consideration of $3.5 and recorded a loss on disposal of $7.5 mainly related to tangible and intangible assets. The Corporation also recognized a deferred tax asset of $3.3 related to this subsidiary's fiscal attributes.

For impairment testing, goodwill with a carrying amount of $1,977.9 ($1,977.4 as at September 26, 2020) was allocated to the operating segment related to food operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. The forecasts reflected past experience. A pre-tax discount rate of 8.1% (8.2% in 2020) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

For impairment testing, goodwill with a carrying amount of $1,323.3 ($1,323.3 as at September 26, 2020) was allocated to the operating segment related to pharmaceutical operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. Cash flows for subsequent years are based on forecasts reflecting past experience and 2% growth in line with the consumer price index. A pre-tax discount rate of 8.3% (8.8% in 2020) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

(Millions of dollars, unless otherwise indicated)

13. OTHER ASSETS

	2021	2020
Loans to certain customers, bearing interest at floating rates, weighted average rate of 3.88% in 2021 repayable in monthly installments, maturing through 2031	**50.3**	59.8
Investment in a joint venture	**10.3**	8.4
Other assets	**2.4**	3.4
	63.0	71.6
Current portion included in accounts receivable	**13.0**	10.1
	50.0	61.5

14. BANK LOANS

As at September 25, 2021 and September 26, 2020, the Corporation's bank loans were the credit margins of structured entities. The consolidated structured entities have credit margins totaling $8.7 ($8.4 as at September 26, 2020), bearing interest at prime plus 0.5%, unsecured and maturing on various dates through 2022. As at September 25, 2021, $0.1 had been drawn down under credit margins (0.4 as at September 26, 2020) at an interest rate of 3.0% (3.0% as at September 26, 2020).

15. OFFSETTING

	2021	2020
Accounts payable (gross)	**1,593.1**	1,521.0
Vendor rebate receivables	**(46.6)**	(62.1)
Accounts payable (net)	**1,546.5**	1,458.9

(Millions of dollars, unless otherwise indicated)

16. PROVISIONS

	Retail network restructuring expenses	Pharmacy network closure and restructuring expenses	Distribution network modernization project expenses	Other onerous leases	Total
Balance as at September 28, 2019	14.8	11.6	12.0	2.7	41.1
Amounts used	(6.8)	(2.5)	—	—	(9.3)
Adoption of IFRS16	(5.6)	(2.1)	—	(2.7)	(10.4)
Passage of time	—	—	0.3	—	0.3
Balance as at September 26, 2020	2.4	7.0	12.3	—	21.7
Current provisions	1.5	1.0	—	—	2.5
Non-current provisions	0.9	6.0	12.3	—	19.2
Balance as at September 26, 2020	2.4	7.0	12.3	—	21.7
Balance as at September 26, 2020	**2.4**	**7.0**	**12.3**	**—**	**21.7**
Amounts used	**(1.4)**	**(5.5)**	**(0.1)**	**—**	**(7.0)**
Passage of time	**—**	**—**	**0.4**	**—**	**0.4**
Balance as at September 25, 2021	**1.0**	**1.5**	**12.6**	**—**	**15.1**
Current provisions	**0.4**	**1.2**	**—**	**—**	**1.6**
Non-current provisions	**0.6**	**0.3**	**12.6**	**—**	**13.5**
Balance as at September 25, 2021	**1.0**	**1.5**	**12.6**	**—**	**15.1**

The Corporation announced in October 2017, a projected $400.0 investment over six years in its Ontario distribution network. The Corporation will modernize its Toronto operations between 2018 and 2024, building a new fresh distribution centre and a new frozen distribution centre. During the first quarter of 2018, the Corporation recorded an $11.4 before taxes provision related to termination and retirement benefits in connection with the modernization of the Ontario distribution network.

(Millions of dollars, unless otherwise indicated)

17. DEBT

	2021	2020
Series C Notes, bearing interest at a fixed nominal rate of 3.20%, maturing on December 1, 2021	**300.0**	300.0
Series F Notes, bearing interest at a fixed nominal rate of 2.68%, maturing on December 5, 2022	**300.0**	300.0
Series G Notes bearing interest at a fixed nominal rate of 3.39%, maturing on December 6, 2027	**450.0**	450.0
Series B Notes, bearing interest at a fixed nominal rate of 5.97%, maturing on October 15, 2035	**400.0**	400.0
Series D Notes, bearing interest at a fixed nominal rate of 5.03%, maturing on December 1, 2044	**300.0**	300.0
Series H Notes, bearing interest at a fixed nominal rate of 4.27%, maturing on December 4, 2047	**450.0**	450.0
Series I Notes, bearing interest at a fixed nominal rate of 3.41%, maturing on February 28, 2050	**400.0**	400.0
Loans, maturing on various dates through 2060, bearing interest at an average rate of 2.17% (2.11% in 2020)	**49.7**	47.2
Deferred financing costs	**(13.0)**	(14.6)
	2,636.7	2,632.6
Current portion	**318.5**	20.6
	2,318.2	2,612.0

On February 26, 2020, the Corporation issued through a private placement Series I unsecured senior notes in the aggregate principal amount of $400.0, bearing interest at a fixed nominal rate of 3.41%, maturing on February 28, 2050. On February 27, 2020, the Corporation redeemed all of the Series E notes in the amount of $400.0 that matured on the same day.

The Notes of the Corporation are redeemable at the issuer's option prior to maturity at the prices, terms and conditions specified for each series.

The Corporation has access to an unsecured revolving credit facility with a maximum of $600.0 bearing interest at rates that fluctuate with changes in bankers' acceptance rates. As at September 25, 2021 and September 26, 2020, the authorized revolving credit facility was unused. Given that the Corporation frequently increases and decreases this credit facility through bankers' acceptances with a minimum of 30 days and to simplify its presentation, the Corporation found that it is preferable for the understanding of its financing activities to present the consolidated statement of cash flows solely with net annual changes.

The debt related to the acquisition of intangible assets, excluded from debt changes presented at the consolidated statements of cash flows, totaled $4.5 in 2021 ($5.6 in 2020).

Repayments of debt in the upcoming fiscal years will be as follows:

	Loans	Notes	Total
2022	18.5	300.0	318.5
2023	4.2	300.0	304.2
2024	1.4	—	1.4
2025	1.0	—	1.0
2026	0.8	—	0.8
2027 and thereafter	23.8	2,000.0	2,023.8
	49.7	2,600.0	2,649.7

18. CAPITAL STOCK

The authorized capital stock of the Corporation was summarized as follows:

- unlimited number of Common Shares, bearing one voting right per share, participating, without par value;
- unlimited number of Preferred Shares, non-voting, without par value, issuable in series.

Common Shares issued

The Common Shares issued and the changes during the year were summarized as follows:

	Number *(Thousands)*	
Balance as at September 28, 2019	254,440	1,732.3
Shares redeemed for cash, excluding premium of $190.5	(3,910)	(26.7)
Stock options exercised	265	8.2
Balance as at September 26, 2020	**250,795**	**1,713.8**
Shares redeemed for cash, excluding premium of $402.6	**(7,850)**	**(53.7)**
Stock options exercised	**446**	**14.2**
Balance as at September 25, 2021	**243,391**	**1,674.3**

Treasury shares

The treasury shares changes during the year are summarized as follows:

	Number *(Thousands)*	
Balance as at September 28, 2019	577	(24.6)
Acquisitions	112	(6.2)
Released	(137)	5.7
Balance as at September 26, 2020	**552**	**(25.1)**
Released	**(110)**	**4.6**
Balance as at September 25, 2021	**442**	**(20.5)**

Treasury shares are held in trust for the PSU plan. They will be released into circulation when the PSUs settle. The trust, considered a structured entity, is consolidated in the Corporation's financial statements.

Stock option plan

The Corporation has a stock option plan for certain Corporation employees providing for the grant of options to purchase up to 30,000,000 Common Shares. As at September 25, 2021, a balance of 3,478,496 shares could be issued following the exercise of stock options (3,923,996 as at September 26, 2020). The subscription price of each Common Share under an option granted pursuant to the plan is equal to the market price of the shares on the day prior to the option grant date and must be paid in full at the time the option is exercised. While the Board of Directors determines other terms and conditions for the exercise of options, in general no options may have a term of more than five years from the date the option may initially be exercised, in whole or in part, and the total term may in no circumstances exceed ten years from the option grant date. Options may generally be exercised two years after their grant date and vest at the rate of 20% per year.

The outstanding options and the changes during the year were summarized as follows:

	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 28, 2019	2,281	37.30
Granted	355	56.92
Exercised	(265)	27.35
Cancelled	(49)	45.08
Balance as at September 26, 2020	**2,322**	**41.27**
Granted	**488**	**55.95**
Exercised	**(446)**	**28.07**
Cancelled	**(46)**	**51.88**
Balance as at September 25, 2021	**2,318**	**46.69**

The information regarding the stock options outstanding and exercisable as at September 25, 2021 is summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices *(Dollars)*	Number *(Thousands)*	Weighted average remaining period *(Months)*	Weighted average exercise price *(Dollars)*	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
35.42 to 40.31	808	18.2	38.93	613	38.50
41.16 to 57.81	1,510	59.1	50.84	205	43.52
	2,318	44.9	46.69	818	39.76

The weighted average fair value of $6.18 per option ($8.10 in 2020) for stock options granted during fiscal 2021 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 0.4% (1.7% in 2020), expected life of 5.5 years (5.5 years in 2020), expected volatility of 16.2% (16.0% in 2020) and expected dividend yield of 1.8% (1.4% in 2020). The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

Compensation expense for these options amounted to $2.3 for fiscal 2021 ($2.3 in 2020).

Performance share unit plan

The Corporation has a PSU plan. Under this program, senior executives and other key employees (participants) periodically receive a given number of PSUs. The PSUs entitle the participant to Common Shares of the Corporation, or at the latter's discretion, the cash equivalent, if the Corporation meets certain financial performance indicators. PSUs vest at the end of a period of three years.

PSUs outstanding and changes during the year are summarized as follows:

	Number *(Thousands)*
Balance as at September 28, 2019	605
Granted	205
Settled	(137)
Cancelled	(55)
Balance as at September 26, 2020	**618**
Granted	**231**
Settled	**(171)**
Cancelled	**(63)**
Balance as at September 25, 2021	**615**

The weighted average fair value of $55.95 per PSU ($54.11 in 2020) for PSUs granted during fiscal 2021 was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all PSUs amounted to $8.3 for fiscal 2021 ($7.2 in 2020).

(Millions of dollars, unless otherwise indicated)

Deferred Share Unit Plan

The Corporation has a DSU plan designed to encourage stock ownership by directors who are not Corporation officers. Under this program, directors may choose to receive all or part of their compensation in DSUs. DSUs vest when granted. On leaving, a director receives a lump-sum cash payout from the Corporation.

The DSU expense totalled $1.2 for fiscal 2021 ($2.9 in 2020).

As at September 25, 2021, the DSU liability amounted to $15.9 ($17.5 as at September 26, 2020).

19. DIVIDENDS

In fiscal 2021, the Corporation paid $240.1 in dividends to holders of Common Shares ($220.7 in 2020), or $0.9750 per share ($0.8750 in 2020). On September 27, 2021, the Corporation's Board of Directors declared a quarterly dividend of $0.25 per Common Share payable on November 9, 2021.

20. EMPLOYEE BENEFITS

The Corporation maintains several defined benefit and defined contribution plans for eligible employees, which provide most participants with pension, ancillary retirement benefits, and other long-term employee benefits which in certain cases are based on the number of years of service or final average salary. The defined benefit plans are funded by the Corporation's contributions, with some plans also funded by participants' contributions. The Corporation also provides eligible employees and retirees with health care, life insurance and other long-term benefits. Ancillary retirement benefits plans and other long-term employee benefits are not funded and are presented in other plans. Pension committees made up of employer and employee representatives are responsible for all administrative decisions concerning certain plans.

Defined benefit pension plans and ancillary retirement benefit plans expose the Corporation to actuarial risks such as interest rate risk, longevity risk, investment risk and inflation risk. Consequently, the Corporation's investment policy provides for a diversified portfolio whose bond component matches the expected timing and payments of benefits.

The changes in present value of the defined benefit obligation were as follows:

	2021		2020	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance – beginning of year	**1,644.6**	**33.5**	1,512.0	34.9
Participant contributions	**10.1**	**—**	9.6	—
Benefits paid	**(60.2)**	**(3.3)**	(55.2)	(3.5)
Items in net earnings				
Current service cost	**64.9**	**2.4**	56.2	2.5
Past service cost	**2.2**	**—**	—	—
Interest cost	**46.5**	**0.9**	46.9	1.1
Actuarial gains	**—**	**(0.4)**	—	(1.4)
	113.6	**2.9**	103.1	2.2
Items in comprehensive income				
Actuarial gains from demographic assumptions	**(4.7)**	**(0.8)**	—	(2.2)
Actuarial losses (gains) from financial assumptions	**(150.3)**	**(1.4)**	74.9	0.7
Adjustments due to experience	**0.6**	**—**	0.2	1.4
	(154.4)	**(2.2)**	75.1	(0.1)
Balance – end of year	**1,553.7**	**30.9**	1,644.6	33.5

(Millions of dollars, unless otherwise indicated)

The present value of the defined benefit obligation may be reflected as follows:

	2021		2020	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Active plan participants	**58**	**71**	59	70
Deferred plan participants	**5**	**—**	5	—
Retirees	**37**	**29**	36	30

The changes in the fair value of plan assets were as follows:

	2021		2020	
	Pension plans	**Other plans**	Pension plans	Other plans
Fair value – beginning of year	**1,584.0**	**—**	1,475.6	—
Employer contributions	**54.6**	**3.3**	52.0	3.5
Participant contributions	**10.1**	**—**	9.6	—
Benefits paid	**(60.2)**	**(3.3)**	(55.2)	(3.5)
Items in net earnings				
Interest income	**43.5**	**—**	44.5	—
Administration costs	**(2.3)**	**—**	(2.0)	—
	41.2	**—**	42.5	—
Items in comprehensive income				
Return on plan assets, excluding the amounts included in interest income	**57.6**	**—**	59.5	—
Fair value – end of year	**1,687.3**	**—**	1,584.0	—

The changes in the asset ceiling and the minimum funding requirement for pension plans were as follows:

	2021		2020	
	Asset ceiling	**Minimum funding requirement**	Asset ceiling	Minimum funding requirement
Balance - beginning of year	**(16.1)**	**—**	(15.3)	(0.8)
Interest	**(0.4)**	**—**	(0.5)	—
Change in defined benefit assets	**(41.5)**	**—**	(0.3)	—
Change in defined benefit liabilities	**—**	**(21.4)**	—	0.8
Balance - end of year	**(58.0)**	**(21.4)**	(16.1)	—

The value of the economic benefit that determined the asset ceiling represents the present value of future contribution holidays, and the minimum funding requirement represents the present value of required contributions under the law, which do not result, once made, in an economic benefit for the Corporation.

(Millions of dollars, unless otherwise indicated)

The changes in the defined benefit plans' funding status were as follows:

	2021		2020	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance of defined benefit obligation – end of year	**(1,553.7)**	**(30.9)**	(1,644.6)	(33.5)
Fair value of plan assets – end of year	**1,687.3**	**—**	1,584.0	—
Funded status	**133.6**	**(30.9)**	(60.6)	(33.5)
Asset ceiling effect	**(58.0)**	**—**	(16.1)	—
Minimum funding requirement	**(21.4)**	**—**	—	—
	54.2	**(30.9)**	(76.7)	(33.5)
Defined benefit assets	**84.8**	**—**	19.7	—
Defined benefit liabilities	**(30.6)**	**(30.9)**	(96.4)	(33.5)
	54.2	**(30.9)**	(76.7)	(33.5)

The defined contribution and defined benefit plans expense recorded in net earnings was as follows:

	2021		2020	
	Pension plans	**Other plans**	Pension plans	Other plans
Defined contribution plans, including multi-employer plans	**35.2**	**—**	37.6	—
Defined benefit plans				
Current service cost	**64.9**	**2.4**	56.2	2.5
Past service cost	**2.2**	**—**	—	—
Actuarial gains	**—**	**(0.4)**	—	(1.4)
Administration costs	**2.3**	**—**	2.0	—
	69.4	**2.0**	58.2	1.1
Employee benefits expense	**104.6**	**2.0**	95.8	1.1
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in financial costs	**3.4**	**0.9**	2.9	1.1
Net total expense	**108.0**	**2.9**	98.7	2.2

The remeasurements recognized as other comprehensive income were as follows:

	2021		2020	
	Pension plans	**Other plans**	Pension plans	Other plans
Actuarial losses (gains) on accrued obligation	**(154.4)**	**(2.2)**	75.1	(0.1)
Return on plan assets	**(57.6)**	**—**	(59.5)	—
Change in the effect of the asset ceiling	**41.5**	**—**	0.3	—
Change in the minimum funding requirement	**21.4**	**—**	(0.8)	—
	(149.1)	**(2.2)**	15.1	(0.1)

Total cash payments for employee benefits, consisting of cash contributed by the Corporation to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to $57.9 in 2021 ($55.5 in 2020). The Corporation plans to contribute $57.3 to the defined benefit plans and $28.3 to multi-employer plans during the next fiscal year.

(Millions of dollars, unless otherwise indicated)

Weighted average duration of defined benefit obligations was 15 years as at September 25, 2021 and was 16 years as at September 26, 2020.

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2018 and December 2020. The next valuations will be performed in December 2021.

Plan assets, evaluated at level 1 as it is based on quoted market prices in an active market for the shares and at Level 2 for bonds and other as it is derived from observable market inputs, held in trust and their weighted average allocation as at the measurement dates were as follows:

Asset categories *(Percentage)*	**2021**	2020
Shares in Canadian corporations	**21**	19
Shares in foreign corporations	**25**	25
Government and corporation bonds	**48**	49
Other	**6**	7

Pension plan assets included shares issued by the Corporation with a fair value of $4.7 as at September 25, 2021 ($6.3 as at September 26, 2020).

The principal actuarial assumptions used in determining the defined benefit obligation and service costs were as follows:

	2021		2020	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Discount rate on defined benefit obligation	**3.33**	**3.33**	2.74	2.74
Discount rate on service costs	**2.88**	**2.88**	3.30	3.30
Rate of compensation increase	**3.00**	**3.00**	3.00	3.00
Mortality table	**CPM2014Priv**	**CPM2014Priv**	CPM2014Priv	CPM2014Priv

To determine the most suitable discount rate, management considers the interest rates for high-quality bonds issued by entities operating in Canada with cash flows that match the timing and amount of expected benefit payments. The mortality rate is based on available mortality tables. Projected inflation rates are taken into account in establishing future wage and pension increases.

A 1% change in the discount rate, taking into consideration any modifications to other assumptions, would have the following effects:

	Pension plans		Other plans	
	1% increase	1% decrease	1% increase	1% decrease
Effect on defined benefit obligation	(214.2)	274.8	(2.6)	3.2

The assumed annual health care cost trend rate per participant was set at 5.5% (5.5% in 2019). Under the assumption used, this rate should gradually decline to 4.0% in 2040 and remain at that level thereafter. A 1% change in this rate would have the following effects:

	1% increase	1% decrease
Effect on defined benefit obligation	(1.2)	1.4

(Millions of dollars, unless otherwise indicated)

21. COMMITMENTS

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2030 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2021	2020
Under 1 year	**149.0**	100.2
Between 1 and 5 years	**221.7**	178.6
Over 5 years	**3.9**	0.2
	374.6	279.0

22. CONTINGENCIES

Guarantees

The Corporation has guaranteed loans granted to certain customers by financial institutions, with varying terms through 2026. The balance of these loans amounted to $22.2 as at September 25, 2021 ($23.5 as at September 26, 2020). No liability has been recorded in respect of these guarantees for the years ended September 25, 2021 and September 26, 2020.

Buyback agreements

Under inventory repurchase agreements, the Corporation has undertaken with respect to financial institutions to repurchase at cost the inventories of certain customers, when they are in default, up to the amount drawn on lines of credit granted to these same customers by the financial institutions. As at September 25, 2021, inventory financing amounted to $146.3 ($159.3 as at September 26, 2020). However, under these agreements, the Corporation has not undertaken to make up for any deficit created if the value of inventories falls below the amount of the advances.

Under buyback agreements, the Corporation is committed to financial institutions to purchase equipment held by customers and financed by finance leases not exceeding five years and loans not exceeding eight years. For finance leases, the buyback value is linked to the net balance of the lease at the date of the buyback. For equipment financed by bank loans, the minimum buyback value is either set by contract with financial institutions or linked to the loan balance at the buyback date. As at September 25, 2021, financing related to the equipment amounted to $26.6 ($36.2 as at September 26, 2020).

No liability has been recorded in respect of these guarantees for the years ended September 25, 2021 and September 26, 2020 and historically, the Corporation has not made any indemnification payments under such agreements.

Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these litigations or the amount of potential losses. No accruals or provisions for contingent losses have been recognized in the Corporation’s annual consolidated financial statements.

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including, in Québec, a subsidiary of the Corporation, Pro Doc Ltée and, in Ontario, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. In February 2020, a proposed class action relating to opioids was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc Ltée. and The Jean Coutu Group (PJC) Inc. In April 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the City of Grande Prairie, in Alberta. In September 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the Peter

Ballantyne Cree Nation and the Lac La Ronge Indian Band, in Saskatchewan. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the Province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. All these proposed class actions contain allegations of breach of the *Competition Act*, of fraudulent misrepresentation and deceit, and negligence. The Province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The City of Grande Prairie, on its behalf and on behalf of all Canadian municipalities and local governments, seeks damages which are unquantified in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. The Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band are attempting a similar recourse, claiming unquantified damages from multiple defendants on their own behalf and on behalf of all Indigenous, Metis, First Nations and Inuit communities and governments in Canada. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

In October 2017, the Canadian Competition Bureau began an investigation into the supply and sale of commercial bread which involves certain Canadian suppliers and retailers, including the Corporation. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the *Competition Act*. Proposed class-action lawsuits have also been filed against the Corporation, suppliers and other retailers. On December 19, 2019, the Québec Superior Court granted the application for authorization to institute one of these class actions, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation is contesting all these actions at the certification stage and on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

During the 2016 fiscal year, an application for authorization to institute a class action was served on The Jean Coutu Group (PJC) Inc. by Sopropharm, an association incorporated under the *Professional Syndicates Act* of which certain franchised drugstore owners of the Jean Coutu Group are members. The application seeks to have the class action authorized in the form of a declaratory action seeking amongst others (i) to set aside certain contractual provisions of the Jean Coutu Group's standard franchise agreements, including the clause providing for the payment of royalties on sales of medication by franchised establishments; (ii) to restore certain benefits; and (iii) to reduce certain contractual obligations. On November 1, 2018, the Court granted the application for authorization to institute a class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation contests this action on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

(Millions of dollars, unless otherwise indicated)

23. RELATED PARTY TRANSACTIONS

The Corporation has significant interest in the following subsidiaries and joint venture:

Names	Country of incorporation	Percentage of interest in the capital	Percentage of voting rights
Subsidiaries			
Metro Richelieu Inc.	Canada	100.0	100.0
Metro Ontario Inc.	Canada	100.0	100.0
The Jean Coutu Group (PJC) Inc.	Canada	100.0	100.0
McMahon Distributeur pharmaceutique Inc.	Canada	100.0	100.0
Pro Doc Ltée	Canada	100.0	100.0
RX Information Centre Ltd.	Canada	100.0	100.0
Metro Québec Immobilier Inc.	Canada	100.0	100.0
Metro Ontario Real Estate Limited	Canada	100.0	100.0
Metro Ontario Pharmacies Limited	Canada	100.0	100.0
Groupe Adonis Inc.	Canada	100.0	100.0
Groupe Phoenicia Inc.	Canada	100.0	100.0
Groupe Première Moisson Inc.	Canada	100.0	100.0
Cuisine centrale Prêt-à-Manger Inc.	Canada	100.0	100.0
Joint venture			
Medicus Group Inc.	Canada	46.5	46.5

In the normal course of business, the following transactions have been entered into with related parties:

	2021		2020	
	Sales	**Accounts receivable**	Sales	Accounts receivable
Companies controlled by a member of the Board of Directors	**18.5**	**1.3**	32.8	2.1
	18.5	**1.3**	32.8	2.1

Compensation for the principal officers and directors was as follows:

	2021	2020
Compensation and current benefits	**6.7**	6.1
Post-employment benefits	**1.3**	1.3
Share-based payment	**6.9**	5.8
	14.9	13.2

(Millions of dollars, unless otherwise indicated)

24. MANAGEMENT OF CAPITAL

The Corporation aims to maintain a capital level that enables it to meet several objectives, namely:

- Striving for a percentage of non-current debt and lease liabilities to total combined non-current debt, lease liabilities and equity (non-current debt and lease liabilities/total capital ratio) of less than 50%.
- Maintaining an adequate credit rating to obtain an investment grade rating for its term notes.
- Paying total annual dividends representing a target range of 30% to 40% of the prior fiscal year's net earnings, excluding non-recurring items.

In its capital structure, the Corporation considers its stock option and PSU plans for key employees and officers. In addition, the Corporation's stock redemption plan is one of the tools it uses to achieve its objectives.

The Corporation is not subject to any capital requirements imposed by a regulator.

The Corporation's fiscal 2021 annual results regarding its capital management objectives were as follows:

- non-current debt and lease liabilities/total capital ratio of 40.0% (41.8% as at September 26, 2020);
- a BBB credit rating confirmed by S&P and BBB/Stable by DBRS (same rating in 2020);
- a dividend representing 29.0% of the previous year net earnings, excluding non-recurring items (30.2% in 2020).

25. FINANCIAL INSTRUMENTS

FAIR VALUE

The non-current financial instruments' book and fair values were as follows:

	2021		2020	
	Book value	**Fair value**	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers *(note 13)*	**50.3**	**50.3**	59.8	59.8
Debt *(note 17)*				
Liabilities measured at amortized cost				
Series C Notes	**300.0**	**303.8**	300.0	307.9
Series F Notes	**300.0**	**308.9**	300.0	311.0
Series G Notes	**450.0**	**488.1**	450.0	503.6
Series B Notes	**400.0**	**519.9**	400.0	542.8
Series D Notes	**300.0**	**363.4**	300.0	391.0
Series H Notes	**450.0**	**494.7**	450.0	536.6
Series I Notes	**400.0**	**377.3**	400.0	416.5
Loans	**49.7**	**49.7**	47.2	47.2
	2,649.7	**2,905.8**	2,647.2	3,056.6

Fair value measurements hierarchy

Fair value measurements of those assets and liabilities recognized at fair value in the consolidated statements of financial position or whose fair value is presented in the notes to the consolidated financial statements are classified in accordance with the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(Millions of dollars, unless otherwise indicated)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of loans to certain customers and loans payable is equivalent to their carrying value since their interest rates are comparable to market rates. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market inputs.

The fair value of notes represents the obligations that the Corporation would have to meet in the event of the negotiation of similar notes under current market conditions. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market inputs.

The changes of the current non-controlling interest-related liability were as follows:

	2021	2020
Balance – beginning of year	—	51.1
Buyout of minority interests	—	(51.6)
Change in fair value	—	0.5
Balance – end of year	—	—

Under the shareholder agreement, the Corporation acquired the minority interest in Première Moisson during the first quarter of fiscal 2020 for a cash consideration of $51.6, which represents the price payable based on Première Moisson's fiscal 2019 results.

INTEREST RATE RISK

In the normal course of business, the Corporation is exposed primarily to interest rate risk as a result of loans and receivables that it grants, as well as the revolving credit facility and loans payable that it contracts at variable interest rates.

The Corporation keeps a close watch on interest rate fluctuations and, if warranted, uses derivative financial instruments such as interest rate swap contracts. As at September 25, 2021 and September 26, 2020, there were no outstanding interest rate swap contracts.

CREDIT RISK

Loans and receivables / Guarantees

The Corporation sells products to consumers and retailers in Canada. When it sells products, it gives retailers credit. In addition, to help certain retailers finance business acquisitions, the Corporation grants them long-term loans or guarantees loans obtained by them from financial institutions. Hence, the Corporation is subject to credit risk.

To mitigate such risk, the Corporation performs ongoing credit evaluations of its customers and has adopted a credit policy that defines the credit terms to be met and the required guarantees. As at September 25, 2021 and September 26, 2020, no customer accounted for over 10% of total loans and receivables.

To cover its credit risk, the Corporation holds guarantees over its clients' assets in the form of deposits, movable hypothecs on the Corporation stock and/or second hypothecs on their inventories, movable property, intangible assets and receivables.

In recent years, the Corporation has not recognized any material losses related to credit risk.

As at September 25, 2021, the maximum potential liability under guarantees provided amounted to $22.2 ($23.5 as at September 26, 2020) and no liability had been recognized as at that date.

Financial assets at fair value through profit and loss

With regard to its financial assets at fair value through profit and loss, consisting of foreign exchange forward contracts, the Corporation is subject to credit risk when these contracts result in receivables from financial institutions.

(Millions of dollars, unless otherwise indicated)

In accordance with its financial risk management policy, the Corporation entered into these agreements with major Canadian financial institutions to reduce its credit risk.

As at September 25, 2021, the maximum exposure to credit risk for the foreign exchange forward contracts was equal to their carrying amount. As at September 26, 2020, the Corporation was not exposed to credit risk in respect of its foreign exchange forward contracts, as they resulted in amounts payable.

LIQUIDITY RISK

The Corporation is exposed to liquidity risk primarily as a result of its debt, lease liabilities and trade accounts payable.

The Corporation regularly assesses its cash position and feels that its cash flows from operating activities are sufficient to fully cover its cash requirements as regards its financing activities. Its revolving credit facility and its Series C, F, G, B, D, H and I Notes mature only in 2021, 2022, 2027, 2035, 2044, 2047 and 2050, respectively. The Corporation also has an unused authorized balance of $600.0 on its revolving credit facility.

	Undiscounted cash flows (capital and interest)				
	Accounts payable	Loans	Notes	Lease liabilities	Total
Maturing under 1 year	1,546.5	20.4	396.7	313.5	2,277.1
Maturing in 1 to 10 years	—	7.9	1,476.7	1,653.1	3,137.7
Maturing in 11 to 20 years	—	5.1	976.1	199.8	1,181.0
Maturing over 20 years	—	24.1	1,431.1	6.2	1,461.4
	1,546.5	57.5	4,280.6	2,172.6	8,057.2

FOREIGN EXCHANGE RISK

Given that some of its purchases are denominated in foreign currencies and that it has, depending on market conditions, US borrowings on its revolving credit facility, the Corporation is exposed to foreign exchange risk.

In accordance with its financial risk management policy, the Corporation could use derivative financial instruments, consisting of foreign exchange forward contracts and cross currency interest rate swaps, to hedge against the effect of foreign exchange rate fluctuations on its future foreign-denominated purchases of goods and services and on its US borrowings. As at September 25, 2021 and September 26, 2020, the fair value of foreign exchange forward contracts was insignificant and there were no cross-currency interest rate swaps outstanding.

26. EVENT AFTER THE REPORTING PERIOD

On November 30, 2021, the Corporation issued through a private placement Series J unsecured senior notes in the aggregate principal amount of $300.0, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024, and redeemable at fair value at the issuer's option at any time prior to maturity. On December 1, 2021, the Corporation redeemed all of the Series C notes in the amount of $300.0 that matured on the same day. In conjunction with this offering, Metro entered into a $300.0 interest rate swap effectively locking in a floating rate of interest of 11 basis points (0.11%) over the 3-month bankers' acceptance rate (CDOR) over the life of the Series J Notes.

27. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the fiscal year ended September 25, 2021 (including comparative figures) were approved for issue by the Board of Directors on December 10, 2021.

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DIRECTORS AND OFFICERS

Board of Directors

Maryse Bertrand[1][3]
Westmount, Québec

Pierre Boivin
Montréal, Québec
Chair of the Board

François J. Coutu
Montréal, Québec

Michel Coutu
Montréal, Québec

Stephanie Coyles[1][3]
Toronto, Ontario

Claude Dussault[2][3]
Québec, Québec

Russell Goodman[1][3]
Mont-Tremblant, Québec

Marc Guay[1][2]
Oakville, Ontario

Christian W.E. Haub[2]
Greenwich, Connecticut

Eric La Flèche
Town of Mount-Royal, Québec President and Chief Executive Officer

Christine Magee[2][3]
Oakville, Ontario

Brian McManus[1]
Montréal, Québec

Line Rivard[1][2]
Montréal, Québec

(1) Member of the Audit Committee
(2) Member of the Human Resources Committee
(3) Member of the Governance and Corporate Responsibility Committee

Management of METRO INC.

Eric La Flèche
President and Chief Executive Officer

François Thibault
Executive Vice President, Chief Financial Officer and Treasurer

Marc Giroux
Executive Vice President and Quebec Division Head and eCommerce

Carmine Fortino
Executive Vice President, Ontario Division Head and National Supply Chain

Alain Champagne
President of The Jean Coutu Group (PJC) inc.

Serge Boulanger
Senior Vice President, National Procurement and Corporate Brands

Martin Allaire
Vice President, Real Estate and Engineering

Marie-Claude Bacon
Vice President, Public Affairs and Communications

Christina Bédard
Vice President, eCommerce and Digital Strategy

Sam Bernier
Vice President, Technology Infrastructure

Genevieve Bich
Vice President, Human Resources

Dan Gabbard
Vice President, Supply Chain

Karin Jonsson
Vice President, Corporate Controller

Frédéric Legault
Vice President, Information Systems

Simon Rivet
Vice President, General Counsel and Corporate Secretary

Alain Tadros
Vice President, Marketing

Yves Vézina
National Vice President, Logistics and Distribution

SHAREHOLDER INFORMATION

The corporate information, annual and quarterly reports, the annual information form, and press releases are available on our website: **www.metro.ca**

*Les renseignements sur la Société, les rapports annuels et trimestriels, la notice annuelle et les communiqués de presse sont disponibles sur Internet à l'adresse suivante : **www.metro.ca***

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Transfer agent and registrar
TSX Trust Company

Stock listing
Toronto Stock Exchange
Ticker Symbol: MRU

Auditors
Ernst & Young LLP

Annual meeting
The Annual General Meeting of Shareholders will be held virtually via a live webcast on January 25, 2022 at 10:00 a.m.

DIVIDENDS*

2022 FISCAL YEAR

Declaration date	Record date	Payment date
January 24, 2022	February 10, 2022	March 7, 2022
April 12, 2022	May 12, 2022	June 1, 2022
August 9, 2022	August 31, 2022	September 21, 2022
September 26, 2022	October 21, 2022	November 8, 2022

** Subject to approval by the Board of Directors*

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