

metro

***Annual Report
2022***



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 975 food stores under several banners including Metro, Metro Plus, Super C, Food Basics, Adonis and Première Moisson, as well as 645 drugstores primarily under the Jean Coutu, Brunet, Metro Pharmacy and Food Basics Pharmacy banners, providing employment directly or indirectly to more than 95,000 people.

2022 HIGHLIGHTS

- Sales of \$18,888.9 million, up 3.3%
- Net earnings of \$849.5 million, up 2.9%
- Adjusted net earnings⁽¹⁾ of \$922.1 million, up 7.9%
- Fully diluted net earnings per share of \$3.51, up 5.4%
- Adjusted fully diluted net earnings per share⁽¹⁾ of \$3.82, up 11.0%
- Record level of capital spending of more than \$620 million
- Return on equity⁽¹⁾ of 13.0%, exceeding 12% for the 30th consecutive year
- Dividends per share increase of 10.3%, the 28th consecutive year of dividend growth

RETAIL NETWORK

		Québec	Ontario	New Brunswick	Total
Supermarkets	Metro	198	Metro		328
	Metro Plus		130		
	Adonis		4		
		11	Adonis		15
Discount stores	Super C	99	Food Basics	142	241
Neighbourhood stores	Marché Richelieu	53			367
	Marché Ami	314			
Specialized stores	Première Moisson	23	Première Moisson	1	24
Total food		698	277		975

Drugstores	Brunet	146	Metro Pharmacy Food Basics Pharmacy	76		222
	Brunet Plus					
	Brunet Clinique Clini Plus					
	PJC Jean Coutu	386	PJC Jean Coutu	9	PJC Jean Coutu	28
	PJC Health		PJC Health			
	PJC Health & Beauty		PJC Health & Beauty			
Total drugstores		532	85		28	645

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).

FINANCIAL HIGHLIGHTS

	2022	2021	2020	2019	2018
OPERATING RESULTS					
<i>(Millions of dollars)</i>					
Sales	18,888.9	18,283.0	17,997.5	16,767.5	14,383.4
Operating income*	1,844.6	1,732.5	1,683.6	1,321.5	1,011.1
Net earnings	849.5	825.7	796.4	714.4	1,718.5
Adjusted net earnings ⁽¹⁾	922.1	854.2	829.1	731.6	579.2
Cash flows from operating activities**	1,461.4	1,583.3	1,474.1	794.6	750.4
FINANCIAL STRUCTURE					
<i>(Millions of dollars)</i>					
Total assets	13,401.3	13,592.1	13,423.9	11,073.9	10,922.2
Current and non-current debt	2,342.7	2,636.7	2,632.6	2,657.6	2,643.7
Current and non-current lease liabilities***	1,779.0	1,927.2	2,069.4	—	—
Equity	6,618.4	6,412.8	6,155.4	5,968.6	5,656.0
PER SHARE					
<i>(Dollars)</i>					
Basic net earnings	3.53	3.34	3.15	2.79	7.20
Fully diluted net earnings	3.51	3.33	3.14	2.78	7.16
Adjusted fully diluted net earnings ⁽¹⁾	3.82	3.44	3.27	2.84	2.41
Dividends	1.0750	0.9750	0.8750	0.7800	0.7025
FINANCIAL RATIOS					
<i>(%)</i>					
Operating income*/ Sales***	9.8	9.5	9.4	7.9	7.0
Return on equity ⁽¹⁾	13.0	13.1	13.1	12.3	40.1
SHARE PRICE					
<i>(Dollars)</i>					
High	73.54	66.25	64.61	58.94	45.44
Low	59.14	52.63	49.03	39.04	38.32
Closing price (At year-end)	69.84	60.18	64.02	57.91	40.18

* Operating income before depreciation, amortization and impairments of assets, net of reversals

** 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

*** Taking into account the adoption of IFRS 16 Leases in the first quarter of Fiscal 2020

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



MESSAGE FROM THE CHAIR OF THE BOARD

Dear Shareholders,

Fiscal 2022 was marked by many challenges. I would like to acknowledge the exemplary work of the management team, employees, retailers and pharmacist owners who have made it possible for the Company to meet these challenges.

The COVID-19 pandemic continued to occupy the forefront, especially during the first half of the year, while during the second half of the year public health restrictions were gradually lifted. The Company continued to adapt to the changing circumstances and to make the necessary efforts to allow stores, pharmacies, distribution centres and offices to continue to operate and provide a safe environment for customers and employees.

Fiscal 2022 was also marked by the rise of inflation that was felt throughout the supply chain, in our food stores and in pharmacies. The Company's teams worked tirelessly to provide customers with competitively priced products through a business model that combines conventional and discount banners, a strong offering of private label products as well as effective weekly promotions.

The tight labour markets created challenges during the last fiscal year and the Company developed initiatives to attract and retain talents in our stores, distribution centres and offices.

The Board of Directors continued to support the Company's management in its efforts to address COVID-19, labour challenges and inflation and to be regularly involved and informed about these issues and their 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 very strong financial performance throughout the year. I would also like to highlight the record level of capital spending exceeding \$620 million related to the Company's major projects including the supply chain modernization and the improvement of our store network. The Board of Directors fully supports management in the pursuit of these major projects and closely monitors their progress.

Last September, METRO announced the launch in the spring of 2023 of the MOI program, an evolution of the metro&moi customer loyalty program, which will offer an enhancement of the many benefits already offered and more personalized and generous rewards for the customers of its Metro, Jean Coutu, Super C, Brunet and Première Moisson banners in Québec and for those customers of the Jean Coutu banner in Ontario and New Brunswick. The Board of Directors supports wholeheartedly the deployment of this program which is at the core of the omnichannel strategy of the Company.

Board of Directors

Throughout the year, the Board of Directors continued to monitor and support management in the execution of the strategic plan as well as the 2022-2026 Corporate Responsibility Plan which is published at the same time as this Annual Report. The Corporate Governance and Responsibility Committee monitored the Company's activities related to the priorities set out in the 2022-2026 Corporate Responsibility Plan during the year. In addition, the Board of Directors approved the Company's decision to become a supporter of the Task-Force on Climate-Related Financial Disclosures (TCFD), becoming the first Canadian food and pharmacy retailer to make such a public commitment.

Again in 2022, the Chair of the Corporate Governance and 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 Corporate Governance and Responsibility Committee to engage in a constructive dialogue with the Company's shareholders.

In 2022, the Board of Directors also supported the Company's senior leadership changes that took effect at the beginning of fiscal 2023. These changes saw Mr. Jean-Michel Coutu appointed President of the Jean Coutu Group, following the departure of Mr. Alain Champagne, Mr. Marc Giroux appointed Executive Vice-President and Chief Operating Officer - Food and Mr. Carmine Fortino appointed Executive Vice President, National Supply Chain and Procurement. The Board of Directors joins me in congratulating Mr. Coutu, Mr. Giroux and Mr. Fortino on their appointments and wishes them success in their new positions.

The 2022 fiscal year was also marked by the review of several governance practices of the Board of Directors. The Board of Directors updated the Board Diversity Policy to include specific references to age, gender, sexual

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

orientation, ethnicity, visible minority status, Aboriginal status and disability. A Chair Selection Policy was adopted by the Board of Directors on the recommendation of the Corporate Governance and Responsibility Committee. This policy establishes a succession planning process for the Chair of the Board of Directors as well as a selection process for the appointment of a new Chair of the Board of Directors. Finally, the Governance and Corporate Responsibility Committee also oversaw the review process of the mandates of the Board of Directors and its various committees to ensure that these mandates reflect best practices and the evolution of Board and committee activities. Recognizing that sound governance requires comprehensive statements of responsibilities, the Board of Directors approved the changes to these mandates.

On behalf of my fellow Board members and myself, I would like to welcome Lori-Ann Beausoleil who was first elected to the Board of Directors in January. The Board is already benefiting from her knowledge and experience.

I would like to thank all Board members for their collaboration and their commitment in making METRO a successful, inclusive, and innovative company which continues to build for the future. Finally, I would like to also thank our shareholders for their continued trust.



Pierre Boivin

Chairman of the Board

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



MESSAGE FROM THE PRESIDENT AND CEO

Our 2022 fiscal year saw considerable turbulence. In the first half of the year, pandemic related restrictions resulted in increased volumes in our food business and our pharmacies continued to play an important role in the health crisis. Our teams once again demonstrated their agility and resilience, particularly our frontline colleagues and I thank them once again.

The second half of the year was marked by high global inflation resulting from the war in Ukraine, rising prices for raw materials such as wheat, fertilizer and natural gas, increased transportation costs, longer shipping times, labor shortages and rising wages. In addition, supply chains around the world continue to be disrupted. The situation has begun to stabilize but has not returned to 2019 service levels and remains fragile. All these factors have resulted in an unprecedented number of price increases from our suppliers.

Our pharmacy division's performance in Fiscal 2022 was strong. It benefited from increased prescription sales resulting from the expanded front-line role of pharmacists, but also from an uptick in physician visits, the distribution of COVID-19 tests and the administration of vaccines. This recovery has also led to an increase in front-of-store sales, primarily over-the-counter drugs and cosmetics.

2022 Financial Results

In this challenging environment, our teams worked tirelessly to deliver the best possible value across our banners with competitive prices, our full range of private label products, our efficient weekly promotions and our loyalty programs. While our conventional banners experienced a strong increase in sales during the pandemic, this year the industry saw a shift in sales in favor of discount banners where we are very well positioned with Super C and Food Basics. Our conventional banners continued to serve consumers well and we are satisfied with their relative performance.

Revenues for Fiscal 2022 reached \$18,888.9 million, up 3.3% compared to Fiscal 2021. Adjusted net earnings⁽¹⁾ were \$922.1 million and adjusted fully diluted net earnings per share⁽¹⁾ were \$3.82, up respectively 7.9% and 11.0% compared to Fiscal 2021.

Overall, our gross margin remained at 20%, the same level as in Fiscal 2021, with a gross margin for food slightly down as some cost increases were absorbed, offset by a stronger gross margin in pharmacy.

For the 28th consecutive year, we increased our dividend, in accordance with our policy to distribute between 30% and 40% of the previous year's adjusted net earnings⁽¹⁾ in dividends. Our financial position is strong, with a balance sheet that allows us to invest in our future growth and make strategic acquisitions should they arise. During Fiscal 2022, our shares traded between \$59.14 to \$73.54 and closed at \$69.84, up 16.1% from the previous year.

2022 Highlights

Modernization of our distribution network

Our distribution network modernization project which began in 2017 and represents an \$800 million⁽²⁾ investment in METRO's future, reached a significant milestone in Ontario. The new automated distribution centre for frozen foods began operations in January and we met our first-year performance targets. This state-of-the-art METRO facility in Toronto complements phase 1 of the Toronto fresh distribution centre that opened in January 2021. Phase 2 of the automated fresh distribution centre is scheduled⁽²⁾ to open in 2024.

In Québec, construction of the new automated distribution centre for fresh and frozen products in Terrebonne is progressing as planned. This new centre, scheduled⁽²⁾ to open before the end of Fiscal 2023, will use state-of-the-art technology to increase⁽²⁾ our capacity to support our growth and provide significant efficiency gains. This will improve⁽²⁾ service to stores with increased accuracy and reduction of handling time.

Retail investments

We continued to invest in our food and pharmacy networks, in collaboration with our affiliated merchants and pharmacist owners. In Québec, we opened one Metro Plus store and completed major renovations and expansions in five Metro and Metro Plus stores as well as in four Super C stores. We also celebrated the opening of the 100th Super C store in St-Jérôme in early November. In Ontario, we opened three new Food Basics stores and completed major renovations in three Metro, four Food Basics and one Adonis. On the pharmacy side, we opened a new Jean Coutu pharmacy and a PJC Santé pharmacy in Québec and two new pharmacies in our food stores in Ontario.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



Our capital investments in 2022 totaled more than \$620 million, a record level.

Customer loyalty programs

Earning and maintaining the loyalty of our customers is one of our strategic priorities. In September, we announced the evolution of the *metro&moi* program, which will result in the launch of our new *MOI* rewards program in the spring of 2023. The program will build on the complementary nature of our leading grocery and pharmacy networks in Québec, where more than 95% of Quebecers shop in a year. More personalized and generous, *MOI* will be available in nearly 900 locations at Metro, Super C, Jean Coutu, Brunet and Première Moisson in Québec, as well as in Jean Coutu pharmacies in Ontario and New Brunswick. In Ontario, we continue to offer the Air Miles program to our customers at Metro stores.

eCommerce

Since 2020, METRO has accelerated the rollout of its digital plan and our online grocery services now reach over 90% of the population in Québec and Ontario. Our multi-service strategy allows us to offer customers of our food and pharmacy banners more choices in terms of the type of service they want, from in-store pickup to same-day or next-day delivery and express delivery. By the end of Fiscal 2022, some 236 grocery stores in Québec and Ontario offered in-store pickup. Our efforts have also earned us first place for online shopping experience among major food retailers in Canada, according to the 2021 WOW Digital Study. For our customers looking for fast delivery, various options are available and are made possible through our partnerships with Cornershop and Instacart, which offer delivery in less than 2 hours. In addition, the rollout of in-store pickup began at Super C this year, and we plan⁽²⁾ to expand it throughout the network by the end of Fiscal 2023. On the pharmacy side, nearly 300 Jean Coutu drugstores in Québec, Ontario and New Brunswick offer the Buy Online, Pick Up in Store option.

Increasing our efficiency

Again, this year, the deployment of technology initiatives in our various banners in Québec and Ontario continued to address labour shortage issues and improve the customer experience. Self-serve checkouts are available in more than 500 stores, 327 stores have switched to electronic shelf labels and 27 stores are offering "Scan, Bag and Go" technology which allows customers to scan the barcode of products as they add them to their cart. In our Jean Coutu and Brunet networks, the deployment of self-serve checkouts has begun, and they are now offered in 25 pharmacies while 11 pharmacies have electronic shelf labels. We have also deployed an online consultation platform that our Jean Coutu affiliated pharmacists can use with patients.

Corporate Responsibility

This year we began implementing our 2022-2026 Corporate Responsibility (CR) plan. Our teams have been rigorously working on our priorities and we are on track⁽²⁾. In addition, we announced our support for the TCFD, becoming the first Canadian food and pharmacy retailer to make this public commitment. We also committed to a thorough assessment of the feasibility and costs of achieving the Science Based Targets initiative (SBTi) net zero targets. This preliminary step to a potential SBTi target commitment is essential to support a solid approach to decision making.

With respect to packaging and printed materials, we will have completed⁽²⁾ the elimination of single-use plastic bags in all our banners by the end of January. In support of our Equity, Diversity and Inclusion (ED&I) priority, we have made progress on all of our targets and are well positioned to achieve⁽²⁾ our goals by 2026.

Finally, we are improving our disclosure again this year by publishing our Annual Corporate Responsibility Report at the same time as the company's other annual corporate documents. We are placing greater emphasis on ESG (environment, social, governance) performance and data and have integrated several indicators from the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI) frameworks. I invite you to read our report to learn more.

Investing in our communities

METRO's financial contribution to multiple charities totaled \$5.5 million in 2022. In addition, through the participation of our food and pharmacy networks and the generosity of our customers, \$6.8 million was raised for various causes. Notably, we mobilized to help the Ukrainian people. Our fundraising campaign, conducted among customers of our food and pharmacy banners, raised \$1.6 million. METRO also contributed \$100,000, which enabled us to donate a total of close to \$1.7 million to the Canadian Red Cross Ukraine Humanitarian Crisis Appeal.

Our employees contributed \$1.6 million, primarily to United Way/Centraide. After a two-year hiatus, our METRO employee volunteer event was held again this year at a time of great need. Nearly 220 colleagues answered the call to make a tangible contribution to METRO's goal of nourishing the health and well-being of our communities.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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Our supermarket recovery program One More Bite continued this year in Metro, Super C, Food Basics, Adonis and Marché Richelieu stores. Thanks to the collaboration of our in-store teams and our partners - Food Banks of Québec as well as Second Harvest and Feed Ontario in Ontario - the program helped recover and redistribute more than 4,500 tons of food, the equivalent of over 9 million meals. One More Bite is METRO's flagship initiative in the fight against food waste. Launched in 2014, it consists of donating to our partners the unsold products still fit for consumption recovered in participating stores in Québec and Ontario.

2023 Outlook and priorities⁽²⁾

We will continue to face significant challenges in 2023 as we expect inflation to remain above normal levels. We know that this is a difficult time for many consumers and that they are watching what they spend more than ever. We remain committed to working tirelessly to provide the best possible value to our customers across all our banners, with competitive pricing, our many weekly promotions and our wide range of private label products, while providing a pleasant shopping experience with a team that is dedicated to exceeding our customers' expectations.

Our priorities for Fiscal 2023 remain essentially the same:

1. Increase our market share in the food sector;
2. Strengthen our leadership position in the pharmacy sector;
3. Continue to modernize our supply chain and accelerate the digital transformation of the company;
4. Launch the *MOI* loyalty program;
5. Develop the best team;
6. Achieve our corporate responsibility goals.

I would like to highlight the new responsibilities of certain senior members of the management team since the beginning of the new fiscal year. Following the departure of Alain Champagne, Jean-Michel Coutu has become President of the Pharmacy Division. Carmine Fortino, responsible for Ontario since 2014, has decided to enter a new phase in his career at METRO and focus on the leadership of our national supply chain, which now includes distribution centres, central procurement and corporate brands, as Executive Vice President, National Supply Chain and Procurement. Marc Giroux now leads all our food networks in Québec and Ontario as Executive Vice President and Chief Operating Officer - Food. I congratulate my colleagues and am confident that we have the best team in place to reach our long-term growth objectives.

From 1947 to today

METRO is celebrating its 75th anniversary on December 22, a significant achievement. It is a valuable legacy and a great responsibility that we are very proud of, without taking anything for granted. From a group of a few grocers who joined forces to form a buying group, METRO has become a leader in food and pharmacy in Québec and Ontario through consistent organic growth and key strategic acquisitions such as: La Ferme Carnaval in 1987, Steinberg in 1992, Loeb in 1999, A&P Canada in 2005, Adonis in 2011, Première Moisson in 2014 and Groupe Jean Coutu in 2018. But above all, our strength lies in the commitment of our great team of colleagues who are all part of METRO's history.

Acknowledgment

I would like to thank all our employees, merchants, pharmacist owners and my management colleagues for their hard work and dedication. I also thank our directors for their continued support. Finally, thank you, fellow shareholders, for your trust.

Eric La Flèche

President and Chief Executive Officer

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



**MANAGEMENT'S DISCUSSION AND ANALYSIS
AND CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended September 24, 2022



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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 24, 2022, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 24, 2022. This report is based upon information as at December 2, 2022 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for Fiscal 2022, is available on the SEDAR website at www.sedar.com.



OVERVIEW

The Corporation is a leader in food and pharmaceutical industries 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 241 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 24 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 423 PJC Jean Coutu, PJC Health and PJC Health & Beauty drugstores as well as 146 Brunet Plus, Brunet, Brunet Clinique, and Clini Plus drugstores, held by pharmacist owners. The Corporation operates 76 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. The Corporation is also active in generic drug manufacturing through its subsidiary Pro Doc Ltée.

PURPOSE, MISSION AND STRATEGY

For 75 years, METRO has made its mark, first in Québec 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 close to \$19 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.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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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 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, amortization and impairments of assets, net of reversals 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 2022 totalled \$18,888.9 million, up 3.3% compared to \$18,283.0 million for Fiscal 2021 in a context of high inflation during the last two quarters of 2022. Net earnings for Fiscal 2022 were \$849.5 million compared with \$825.7 million, while fully diluted net earnings per share were \$3.51 in 2022 compared with \$3.33 in 2021, up 2.9% and 5.4% respectively. Adjusted net earnings⁽¹⁾ for Fiscal 2022 totalled \$922.1 million compared with \$854.2 million for Fiscal 2021, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$3.82 versus \$3.44, up 7.9% and 11.0% respectively.

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

- The crisis related to COVID-19, higher-than-normal inflationary pressures on our costs, and labour shortages continued to test our resilience and adaptability throughout the year. Our teams have mobilized in this turbulent period to continue maintain a safe environment for all and to provide essential food and pharmacy services to our customers at the best possible value, through our multiple banners, effective promotional strategies, and our private label offering.
- Last September, METRO announced the launch of the *MOI* program in spring 2023, an evolution of the *metro&moi* program. The Corporation will offer an enhancement of the many benefits already offered and more personalized and generous rewards for the customers. The *MOI* program will include the Metro, Jean Coutu, Super C, Brunet and Première Moisson banners, with nearly 900 locations across Québec. Royal Bank of Canada (RBC) will be an important partner in the program and will offer a co-branded *MOI*-RBC credit card to

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allow customers to earn *MOI* bonus points on their in-store purchases as well as earn points on all their purchases at other retailers, which will be fully redeemable at Metro, Jean Coutu, Super C, Brunet and Première Moisson. The *MOI* program will allow the Corporation to be even more competitive and solidify the relationship with its customers by better contributing to their health and well-being through a program that is simple to use, generous, and accessible.

- METRO, through the commitment of its affiliated pharmacists and their presence in the community, has continued to actively contribute to the campaign to immunize the population against COVID-19 and to distribute rapid tests. To date, more than 800,000 vaccinations have been administered and more than 3,000,000 rapid tests have been distributed through our network. Since April 1, pharmacists in Québec have been able to prescribe COVID-19 medications, making them more accessible to patients in their communities. The Corporation has also deployed an online patient consultation platform that can be used by the pharmacists affiliated to Jean Coutu.
- 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 to better meet the expectations of its current and future customers and to continue⁽²⁾ its growth. The new Terrebonne distribution centre is expected⁽²⁾ to open in 2023, while the expansion of the Laval distribution centre is expected⁽²⁾ to be completed in 2024. We have invested close to \$320 million in this project to date.
- In October 2017, we announced a \$400 million investment over six years in our Ontario distribution network. Phase 1 of the project, the semi-automated section of our new fresh distribution centre, deployed in 2021 as well as Phase 2 of the project, our new fully automated frozen distribution centre, deployed this year, have been successfully completed and are fully operational. The start of the final phase of the investment project, a fully automated section of our new fresh distribution centre, is expected⁽²⁾ to take place in 2024. 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 continued to expand our online grocery services across all banners through the launch in new regions. Services fully operated by METRO and its partners now reach 90% of the population in Québec and Ontario. In this regard, we have entered into a new partnership with Instacart in both provinces. New services have been added to meet the demands of consumers, allowing them to shop for groceries however, and whenever they choose. Express delivery was launched earlier in the year, allowing customers to have their order delivered in as little as two hours. The pick-up service has continued to expand and is now available in 209 Metro stores, 10 Super C stores and nearly 300 Jean Coutu pharmacies. Customers of Jean Coutu pharmacies can now order some 20,000 products online, including over-the-counter medications, and pick them up the same day at the nearest participating Jean Coutu pharmacy.
- We continued to invest in our retail network. In Québec, we opened a Metro store, converted a Metro store to Super C, and completed, with our retailers, major renovations and expansions at nine other stores. In Ontario, we opened three Food Basics stores, relocated one Metro Plus store, and completed major renovations at eight other stores. Last November, after the end of the fiscal year, we opened our 100th store under the Super C banner, which was recently recognized for offering the lowest cost grocery basket in Québec by Protégez-Vous magazine.
- For the second consecutive year, we invested a record level of capital spending exceeding \$620 million related to the Corporation's major projects including supply chain modernization, store network and omnichannel strategy.
- For the second time in three years, consumers named the Jean Coutu banner the most admired business in Québec in Leger's most recent Reputation survey, while Metro ranked sixth this year. This is a testament to the strength of our brands, consumer trust, and the quality of services offered in our pharmacies and food stores.
- This year, we began implementing our 2022-2026 Corporate Responsibility (CR) Plan. Our teams have been working on our priorities and we are on the right track⁽²⁾. The work done over the past year has allowed us to operationalize ED&I issues in the company with a solid plan in place. Since September 2022, single-use plastic shopping bags are being phased out of Metro stores. This initiative will⁽²⁾ prevent the circulation of more than 330 million plastic bags annually. This year, we are raising the bar for our disclosure by integrating the SASB and GRI standards into our ESG data table and by publishing our annual corporate responsibility report on the same date as our annual report.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



SELECTED ANNUAL INFORMATION

	2022	2021	Change	2020	Change
			%		%
<i>(Millions of dollars, unless otherwise indicated)</i>					
Sales	18,888.9	18,283.0	3.3	17,997.5	1.6
Net earnings attributable to equity holders of the parent	846.1	823.0	2.8	795.2	3.5
Net earnings attributable to non-controlling interests	3.4	2.7	25.9	1.2	125.0
Net earnings	849.5	825.7	2.9	796.4	3.7
Basic net earnings per share	3.53	3.34	5.7	3.15	6.0
Fully diluted net earnings per share	3.51	3.33	5.4	3.14	6.1
Adjusted net earnings ⁽¹⁾	922.1	854.2	7.9	829.1	3.0
Adjusted fully diluted net earnings per share ⁽¹⁾	3.82	3.44	11.0	3.27	5.2
Return on equity ⁽¹⁾ (%)	13.0	13.1	—	13.1	—
Dividends per share <i>(Dollars)</i>	1.0750	0.9750	10.3	0.8750	11.4
Total assets	13,401.3	13,592.1	(1.4)	13,423.9	1.3
Current and non-current portions of debt	2,342.7	2,636.7	(11.2)	2,632.6	0.2

Sales for Fiscal 2022 totalled \$18,888.9 million, up 3.3% compared to \$18,283.0 million for Fiscal 2021 in a context of high inflation particularly during the last two quarters of 2022.

Net earnings for Fiscal 2022, 2021 and 2020 totalled \$849.5 million, \$825.7 million and \$796.4 million, respectively, while fully diluted net earnings per share amounted to \$3.51, \$3.33 and \$3.14. Taking into account the items relating to Fiscal 2022 and 2021 shown in the “Net earnings and fully diluted net earnings per share (EPS) adjustments⁽¹⁾” table in the “Operating results” section, as well as for Fiscal 2020, loss on disposal of a subsidiary, adjusted net earnings⁽¹⁾ for Fiscal 2022 stood at \$922.1 million compared with \$854.2 million for Fiscal 2021 and \$829.1 million for Fiscal 2020, while adjusted fully diluted net earnings per share⁽¹⁾ was \$3.82 for 2022 compared with \$3.44 for 2021 and \$3.27 for 2020, up 11.0% and 5.2% respectively.

OUTLOOK⁽²⁾

As we begin our new fiscal year, we continue to face market uncertainties, labour shortages and elevated levels of cost inflation and it is difficult to predict how this macroeconomic environment will evolve. We remain steadfast in our focus to deliver value to our customers through our robust merchandising programs, our strong private label offer and working with our supply chain partners. We have also decided to exit the UGI purchasing group effective March 11, 2023. This decision will have no significant impact on our financial results.

⁽¹⁾ See table in section “Operating Results” and section on “Non-GAAP and Other Financial Measurements”

⁽²⁾ See section on “Forward-looking Information”



OPERATING RESULTS

SALES

Sales for Fiscal 2022 totalled \$18,888.9 million, up 3.3% compared to \$18,283.0 million for Fiscal 2021 in a context of high inflation during the last two quarters of 2022. Food same-store sales⁽¹⁾ were up 2.0% (up 1.5% in 2021). Online food sales⁽¹⁾ in 2022 increased by 8.0% compared to last year while online food sales⁽¹⁾ increased by 60.0% in 2021. Pharmacy same-store sales⁽¹⁾ were up 7.9% (3.4% in 2021), with a 6.7% increase in prescription drugs⁽¹⁾ and a 10.6% increase in front-store sales⁽¹⁾.

OPERATING INCOME BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENTS OF ASSETS, NET OF REVERSALS

This earnings measurement excludes financial costs, taxes, depreciation, amortization and impairments of assets, net of reversals.

Operating income before depreciation, amortization and impairments of assets, net of reversals for Fiscal 2022 totalled \$1,844.6 million or 9.8% of sales, up 6.5% versus Fiscal 2021.

Gross margin⁽¹⁾ for Fiscal 2022 was 20.0%, flat versus 2021.

Operating expenses as a percentage of sales for Fiscal 2022 were 10.4% versus 10.6% for Fiscal 2021.

Gains on disposal of assets of \$25.3 million were recorded in Fiscal 2022 compared to \$7.4 million in 2021. The gains realized on disposals of assets in 2022 are mainly attributable to the sale of properties.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for Fiscal 2022 was \$503.3 million versus \$478.3 million for Fiscal 2021. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

IMPAIRMENTS OF ASSETS, NET OF REVERSALS

During Fiscal 2022, the Corporation recorded \$70.1 million of impairments of assets, net of reversals, including \$60.0 million⁽¹⁾ resulting from our decision to have Jean Coutu withdraw from the Air Miles® loyalty program in the spring of 2023. This impairment represents the entire carrying value of the Jean Coutu loyalty program asset. Impairment losses were also recorded on store assets, mainly right-of-use assets, whose recoverable amounts were lower than their carrying amounts. Impairment reversals were recognized during Fiscal 2022 for other sites, following changes in the estimates used to determine the recoverable amount.

NET FINANCIAL COSTS

Net financial costs for Fiscal 2022 were \$117.6 million compared with \$133.5 million for Fiscal 2021. The reduction is mainly due to lower debt, lower borrowing rates on new debt and higher capitalized interest.

INCOME TAXES

The income tax expense of \$304.1 million for Fiscal 2022 represented an effective tax rate of 26.4% compared with an income tax expense of \$295.0 million for Fiscal 2021 which represented an effective tax rate of 26.3%.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for Fiscal 2022 were \$849.5 million compared with \$825.7 million for Fiscal 2021, while fully diluted net earnings per share were \$3.51 in 2022 compared with \$3.33 last year, up 2.9% and 5.4% respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for Fiscal 2022 totalled \$922.1 million compared with \$854.2 million for Fiscal 2021, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$3.82 versus \$3.44, up 7.9% and 11.0%, respectively.

Net earnings and fully diluted net earnings per share (EPS) adjustments⁽¹⁾

	2022		2021		Change (%)	
	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Per financial statements	849.5	3.51	825.7	3.33	2.9	5.4
Loss on impairment of a loyalty program, net of taxes of \$15.9	44.1		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$10.2	28.5		28.5			
Adjusted measures ⁽¹⁾	922.1	3.82	854.2	3.44	7.9	11.0

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2022	2021	Change (%)
Sales			
Q1 ⁽³⁾	4,316.6	4,278.2	0.9
Q2 ⁽³⁾	4,274.2	4,193.0	1.9
Q3 ⁽⁴⁾	5,865.5	5,719.8	2.5
Q4 ⁽³⁾	4,432.6	4,092.0	8.3
Fiscal	18,888.9	18,283.0	3.3
Net earnings			
Q1 ⁽³⁾	207.7	191.2	8.6
Q2 ⁽³⁾	198.1	188.1	5.3
Q3 ⁽⁴⁾	275.0	252.4	9.0
Q4 ⁽³⁾	168.7	194.0	(13.0)
Fiscal	849.5	825.7	2.9
Adjusted net earnings⁽¹⁾			
Q1 ⁽³⁾	214.2	197.7	8.3
Q2 ⁽³⁾	204.7	194.7	5.1
Q3 ⁽⁴⁾	283.8	261.2	8.7
Q4 ⁽³⁾	219.4	200.6	9.4
Fiscal	922.1	854.2	7.9
Fully diluted net earnings per share (Dollars)			
Q1 ⁽³⁾	0.85	0.76	11.8
Q2 ⁽³⁾	0.82	0.75	9.3
Q3 ⁽⁴⁾	1.14	1.03	10.7
Q4 ⁽³⁾	0.70	0.79	(11.4)
Fiscal	3.51	3.33	5.4
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)			
Q1 ⁽³⁾	0.88	0.79	11.4
Q2 ⁽³⁾	0.84	0.78	7.7
Q3 ⁽⁴⁾	1.18	1.06	11.3
Q4 ⁽³⁾	0.92	0.81	13.6
Fiscal	3.82	3.44	11.0

⁽³⁾ 12 weeks

⁽⁴⁾ 16 weeks

Sales in the first quarter of Fiscal 2022 remained strong, reaching \$4,316.6 million, up 0.9% compared to \$4,278.2 million in the first quarter of 2021, and up 7.1% over two years. Food same-store sales were down 1.4% versus the same quarter last year (up 10.0% in 2021) but increased 8.5% compared to the first quarter of 2020. Online food sales⁽¹⁾ were flat versus last year (up about 170% in 2021). Our food basket inflation was approximately 3.5% (2.0% in the previous quarter). Pharmacy same-store sales were up 7.7% (1.3% in 2021), with a 7.1% increase in prescription drugs due to an uptick in physician visits and a 8.9% increase in front-store sales supported by strong Over-The-Counter growth, particularly Cough & Cold products and the lower sales last year as a result of the labour conflict.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



Sales in the second quarter of Fiscal 2022 remained strong, reaching \$4,274.2 million, up 1.9% compared to \$4,193.0 million in the second quarter of 2021. Food same-store sales were up 0.8% versus the same quarter last year and were up 11.5% for the first 8 weeks of the second quarter compared to the same period of 2020 (pre-COVID period). Online food sales⁽¹⁾ increased by 6.0% versus last year (up 240.0% in 2021). Our food basket inflation was slightly below 5.0% (3.5% in the previous quarter). Pharmacy same-store sales were up 9.4%, with a 7.7% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests, and a 13.3% increase in front-store sales supported by a stronger cough and cold season as well as the lower sales last year because of the six-week ban of the sale of non-essential products. Pharmacy same-store sales were up 11.0% for the first 8 weeks of the second quarter versus 2020 (pre-COVID period).

Sales in the third quarter of Fiscal 2022 remained strong, reaching \$5,865.5 million, up 2.5% versus elevated sales in the third quarter of 2021 due to the pandemic. Food same-store sales were up 1.1% (down 3.6% in 2021) versus the same quarter last year. Online food sales⁽¹⁾ were flat versus last year (up 19.0% in 2021). Our food basket inflation was about 8.5% (5.0% in the previous quarter). Pharmacy same-store sales were up 7.2% (7.6% in 2021), with a 5.6% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests and a 10.7% increase in front-store sales, primarily driven by over-the-counter products and cosmetics.

Sales in the fourth quarter of Fiscal 2022 remained strong, reaching \$4,432.6 million, up 8.3% from the fourth quarter of 2021 mainly due to higher inflation this quarter. Food same-store sales were up 8.0% (down 2.9% in 2021) versus the same quarter last year. Online food sales⁽¹⁾ were up 33.0% versus last year (flat in 2021). Our food basket inflation increased to 10.0% from 8.5% in the previous quarter. Pharmacy same-store sales were up 7.4% (4.1% in 2021), with a 6.4% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests and a 9.9% increase in front-store sales, primarily driven by over-the-counter products and cosmetics.

Net earnings for the first quarter of Fiscal 2022 were \$207.7 million compared with \$191.2 million for the first quarter of 2021, while fully diluted net earnings per share were \$0.85 compared with \$0.76 in 2021, up 8.6% and 11.8%, respectively and up 22.0% and 26.9% respectively on a two-year basis. Excluding from the first quarters of Fiscal 2022 and 2021 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 first quarter of Fiscal 2022 totalled \$214.2 million compared with \$197.7 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.88 compared with \$0.79, up 8.3% and 11.4% respectively, and up 18.4% and 23.9% respectively over two years.

Net earnings for the second quarter of Fiscal 2022 were \$198.1 million compared with \$188.1 million for the second quarter of 2021, while fully diluted net earnings per share were \$0.82 compared with \$0.75 in 2021, up 5.3% and 9.3%, respectively. Excluding from the second quarters of Fiscal 2022 and 2021 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 2022 totalled \$204.7 million compared with \$194.7 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.84 compared with \$0.78, up 5.1% and 7.7% respectively.

Net earnings for the third quarter of Fiscal 2022 were \$275.0 million compared with \$252.4 million for the third quarter of 2021, while fully diluted net earnings per share were \$1.14 compared with \$1.03 in 2021, up 9.0% and 10.7%, respectively. Excluding from the third quarters of Fiscal 2022 and 2021 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 2022 totalled \$283.8 million compared with \$261.2 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.18 compared with \$1.06, up 8.7% and 11.3% respectively.

Net earnings for the fourth quarter of Fiscal 2022 were \$168.7 million compared with \$194.0 million for the fourth quarter of 2021, while fully diluted net earnings per share were \$0.70 compared with \$0.79 in 2021, down 13.0% and 11.4%, respectively. Excluding from the fourth quarters of Fiscal 2022 and 2021, the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$9.0 million, the impairment of a loyalty program of \$60.0 million in the fourth quarter of 2022 as well as income taxes relating to these items, adjusted net earnings⁽¹⁾ for the fourth quarter of Fiscal 2022 totalled \$219.4 million compared with \$200.6 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.92 compared with \$0.81, up 9.4% and 13.6% respectively.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



<i>(Millions of dollars)</i>	2022				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net earnings	207.7	198.1	275.0	168.7	191.2	188.1	252.4	194.0
Loss on impairment of a loyalty program, after taxes	—	—	—	44.1	—	—	—	—
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⁾	214.2	204.7	283.8	219.4	197.7	194.7	261.2	200.6

<i>(Dollars)</i>	2022				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fully diluted net earnings per share	0.85	0.82	1.14	0.70	0.76	0.75	1.03	0.79
Adjustments impact	0.03	0.02	0.04	0.22	0.03	0.03	0.03	0.02
Adjusted fully diluted net earnings per share ⁽¹⁾	0.88	0.84	1.18	0.92	0.79	0.78	1.06	0.81

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash inflows of \$1,461.4 million in Fiscal 2022 compared with \$1,583.3 million in Fiscal 2021. The variance is mainly due to the change in non-cash working capital items that required cash outflows of \$115.2 million in 2022 compared with cash inflows of \$162.2 million in 2021, net of higher earnings and lower income taxes paid in 2022.

INVESTING ACTIVITIES

In Fiscal 2022, investing activities required cash outflows of \$477.8 million compared with \$471.6 million for Fiscal 2021.

During 2022, we and our retailers opened 5 stores, carried out major expansions and renovations of 17 stores and 1 store was relocated for a net increase of 141,100 square feet or 0.7% of our food retail network.

FINANCING ACTIVITIES

Financing activities required cash outflows of \$1,416.0 million in Fiscal 2022 compared with \$1,107.4 million in Fiscal 2021. This difference is mainly due to the early repayment of all Series F notes in the amount of \$300.0 million in 2022.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



FINANCIAL POSITION

We do not anticipate⁽²⁾ any liquidity risk and consider our financial position at the end of Fiscal 2022 as very solid. We had an unused authorized revolving credit facility of \$579.1 million.

At the end of Fiscal 2022, the main elements of our debt were as follows:

	Interest Rate	Maturity	Notional (Millions of dollars)
	Rates fluctuate with changes in bankers' acceptance rates		
Revolving Credit Facility		September 3, 2026	20.9
Series J Notes	1.92% fixed nominal rate	December 2, 2024	300.0
Series G Notes	3.39% fixed nominal rate	December 6, 2027	450.0
Series B Notes	5.97% fixed nominal rate	October 15, 2035	400.0
Series D Notes	5.03% fixed nominal rate	December 1, 2044	300.0
Series H Notes	4.27% fixed nominal rate	December 4, 2047	450.0
Series I Notes	3.41% fixed nominal rate	February 28, 2050	400.0

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. As at September 24, 2022, the balance of the Series J unsecured senior notes was \$285.1 million, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$14.9 million.

On December 1, 2021, the Corporation redeemed all of the Series C notes, bearing interest at a fixed nominal rate of 3.20%, in the amount of \$300.0 million that matured on the same day.

On June 6, 2022, the Corporation redeemed all of the Series F notes bearing interest at a fixed nominal rate of 2.68% in the amount of \$300.0 million, maturing on December 5, 2022. The early redemption premium represents an amount of \$0.4 million before tax.

In the second half of fiscal 2022, the Corporation entered into bond forward contracts designated as cash flow hedges on a component of a highly probable future debt issuance in the amount of \$250.0 million that effectively locked-in a 10-year fixed interest rate of 2.998%.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



CAPITAL STOCK

<i>(Thousands)</i>	Common Shares issued	
	2022	2021
Balance – beginning of year	243,391	250,795
Share redemption	(7,000)	(7,850)
Stock options exercised	538	446
Balance – end of year	236,929	243,391
Balance as at December 2, 2022 and December 1, 2021	235,476	241,560

<i>(Thousands)</i>	Treasury shares	
	2022	2021
Balance – beginning of year	442	552
Release	(107)	(110)
Balance – end of year	335	442
Balance as at December 2, 2022 and December 1, 2021	335	442

STOCK OPTIONS PLAN

	As at December 2, 2022	As at September 24, 2022	As at September 25, 2021
Stock options <i>(Thousands)</i>	1,998	2,092	2,318
Exercise prices <i>(Dollars)</i>	40.23 to 62.82	40.23 to 62.82	35.42 to 57.81
Weighted average exercise price <i>(Dollars)</i>	52.01	51.47	46.69

PERFORMANCE SHARE UNIT PLAN

	As at December 2, 2022	As at September 24, 2022	As at September 25, 2021
Performance share units <i>(Thousands)</i>	557	557	615

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between November 25, 2021 and November 24, 2022, the Corporation repurchased 7,000,000 Common Shares at an average price of \$68.81, for a total consideration of \$481.7 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, 2022 and November 24, 2023, up to 7,000,000 of its Common Shares representing approximately 3.0% of its issued and outstanding shares on November 11, 2022. 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. The Corporation did not buy back shares between November 25, 2022 and December 2, 2022.

DIVIDEND

For the 28th consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 10.3%, to \$1.0750 per share compared to \$0.9750 in 2021, for total dividends of \$257.9 million in 2022 compared to \$240.1 million in 2021.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

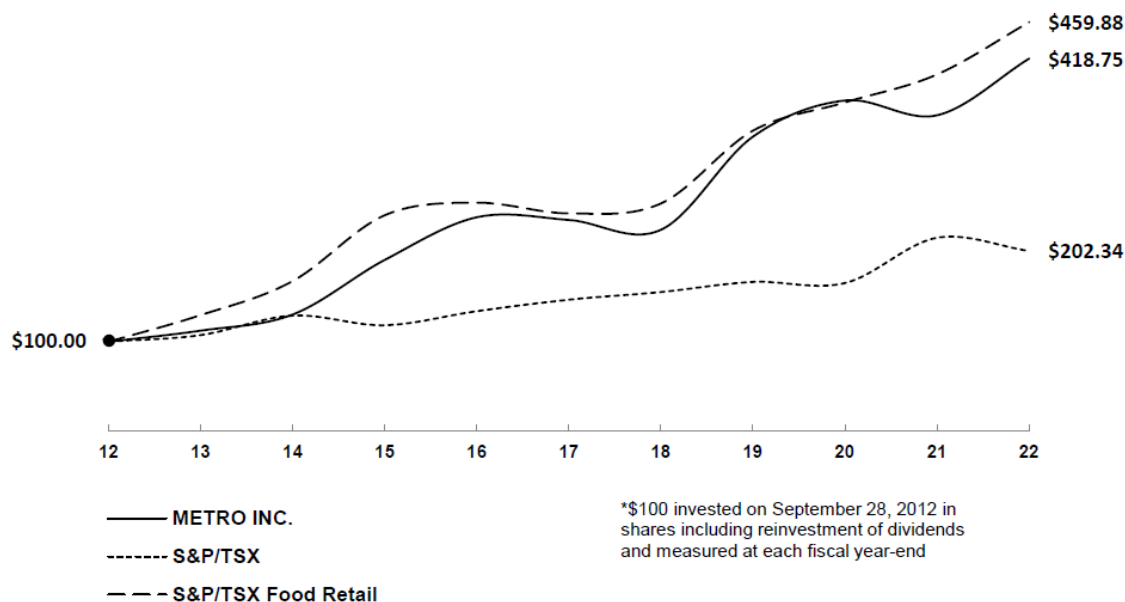
⁽²⁾ See section on "Forward-looking Information"



SHARE TRADING

The value of METRO shares remained in the \$59.14 to \$73.54 range throughout Fiscal 2022 (\$52.63 to \$66.25 in 2021). A total of 110.5 million shares traded on the TSX during this fiscal year (141.6 million in 2021). The closing price on Friday, September 23, 2022 was \$69.84, compared to \$60.18 at the end of Fiscal 2021. Since fiscal year-end, the value of METRO shares has remained in the \$67.58 to \$78.34 range. The closing price on December 2, 2022 was \$77.67. 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 claims 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, and, in Ontario, Pro Doc and Jean Coutu Group. 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 and Jean Coutu Group. In April 2021, multiple defendants, including Pro Doc and Jean Coutu Group, 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 and Jean Coutu Group, 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 and Jean Coutu Group. All these proposed class actions contain allegations of breach of the *Competition Act*, of fraudulent misrepresentation and deceit, and negligence. The

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

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, First Nations, Inuit and Metis 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. On December 31, 2021, the Ontario Superior Court of Justice partially certified another of these class actions; the Corporation is seeking leave to appeal that decision. 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 Jean Coutu Group 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 Québec Superior 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 2022 cash flows in the amount of \$1,461.4 million. These cash flows were used to finance our investing activities, including \$621.1 million in fixed asset and intangible asset acquisitions, to redeem shares for an amount of \$470.0 million, to pay dividends of \$257.9 million, to reimburse interest on debt of \$105.6 million and to pay lease liabilities (principal and interest), nets of payments and interest received from subleases totalling \$207.5 million, as well as to carry out other investing and financing activities.

At the end of Fiscal 2022, our financial position mainly consisted of cash and cash equivalents in the amount of \$13.4 million, an unused authorized Revolving Credit Facility of \$579.1 million maturing in 2026, Series J Notes in the amount of \$300.0 million maturing in 2024, 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⁽²⁾ that cash flows from next year's operating activities will be sufficient to finance the Corporation's current investing activities.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

<i>(Millions of dollars)</i>	Facility and loans	Notes	Lease liabilities	Service contract commitments	Total
2023	19.7	92.9	317.2	176.1	605.9
2024	24.9	92.9	301.2	78.2	497.2
2025	2.6	388.1	263.7	35.1	689.5
2026	2.4	87.1	228.0	16.7	334.2
2027	1.8	87.1	189.0	2.8	280.7
2028 and thereafter	38.9	3,145.9	678.9	1.2	3,864.9
	90.3	3,894.0	1,978.0	310.1	6,272.4

RELATED PARTY TRANSACTIONS

During Fiscal 2022, we supplied drugstores held by a member of the Board of Directors and by an officer of the corporation. 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.

FOURTH QUARTER

<i>(Millions of dollars, except for net earnings per share)</i>	2022	2021	Change (%)
Sales	4,432.6	4,092.0	8.3
Operating income before depreciation, amortization and impairments of assets, net of reversals	441.4	403.6	9.4
Net earnings	168.7	194.0	(13.0)
Adjusted net earnings ⁽¹⁾	219.4	200.6	9.4
Fully diluted net earnings per share	0.70	0.79	(11.4)
Adjusted fully diluted net earnings per share ⁽¹⁾	0.92	0.81	13.6
Cash flows from:			
Operating activities	466.6	415.3	—
Investing activities	(136.0)	(187.3)	—
Financing activities	(317.2)	(193.2)	—

OPERATING RESULTS

SALES

Sales in the fourth quarter of Fiscal 2022 remained strong, reaching \$4,432.6 million, up 8.3% from the fourth quarter of 2021 mainly due to higher inflation this quarter. Food same-store sales were up 8.0% (down 2.9% in 2021) versus the same quarter last year. Online food sales⁽¹⁾ were up 33.0% versus last year (flat in 2021). Our food basket inflation increased to 10.0% from 8.5% in the previous quarter. Pharmacy same-store sales were up 7.4% (4.1% in 2021), with a 6.4% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests and a 9.9% increase in front-store sales, primarily driven by over-the-counter products and cosmetics.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



OPERATING INCOME BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENTS OF ASSETS, NET OF REVERSALS

This earnings measurement excludes financial costs, taxes, depreciation, amortization and impairments of assets, net of reversals.

Operating income before depreciation, amortization and impairments of assets, net of reversals for the fourth quarter of Fiscal 2022 totalled \$441.4 million, or 10.0% of sales, an increase of 9.4% versus the corresponding quarter of Fiscal 2021.

Gross margin⁽¹⁾ for the fourth quarter of Fiscal 2022 was 20.4%, flat versus the corresponding quarter of 2021.

Operating expenses as a percentage of sales for the fourth quarter of Fiscal 2022 were 10.7% versus 10.5% in the corresponding quarter of 2021. The increase in operating expenses is linked mainly to inflationary pressures on costs namely transportation, energy and supplies.

We recorded gains on disposal of assets of \$11.2 million in the fourth quarter of Fiscal 2022 compared to \$1.7 million for the corresponding quarter of 2021. The gains realized on disposals of assets in the fourth quarter of 2022 are mainly attributable to the sale of properties.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the fourth quarter of Fiscal 2022 was \$119.8 million versus \$110.8 million for the corresponding quarter of 2021. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

IMPAIRMENTS OF ASSETS, NET OF REVERSALS

During the fourth quarter of Fiscal 2022, the Corporation recorded \$70.1 million of impairments of assets, net of reversals, including \$60.0 million⁽¹⁾ resulting from our decision to have Jean Coutu withdraw from the Air Miles® loyalty program in the spring of 2023. This impairment represents the entire carrying value of the Jean Coutu loyalty program asset. Impairment losses were also recorded on store assets, mainly right-of-use assets, whose recoverable amounts were lower than their carrying amounts. Impairment reversals were recognized during the fourth quarter of 2022 for other sites, following changes in the estimates used to determine the recoverable amount.

NET FINANCIAL COSTS

Net financial costs for the fourth quarter of Fiscal 2022 were \$25.3 million compared with \$28.7 million for the corresponding quarter of 2021.

INCOME TAXES

The income tax expense of \$57.5 million for the fourth quarter of Fiscal 2022 represented an effective tax rate of 25.4% compared with an income tax expense of \$70.1 million and an effective tax rate of 26.5% in the fourth quarter of Fiscal 2021.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the fourth quarter of Fiscal 2022 were \$168.7 million compared with \$194.0 million for the corresponding quarter of 2021, while fully diluted net earnings per share were \$0.70 compared with \$0.79 in 2021, down 13.0% and 11.4% respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the fourth quarter of Fiscal 2022 totalled \$219.4 million compared with \$200.6 million for the corresponding quarter of 2021, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.92 versus \$0.81, up 9.4% and 13.6% respectively.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



Net earnings and fully diluted net earnings per share (EPS) adjustments⁽¹⁾

	12 weeks / Fiscal Year					
	2022		2021		Change (%)	
	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Per financial statements	168.7	0.70	194.0	0.79	(13.0)	(11.4)
Loss on impairment of a loyalty program, net of taxes of \$15.9	44.1		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$2.4	6.6		6.6			
Adjusted measures ⁽¹⁾	219.4	0.92	200.6	0.81	9.4	13.6

CASH POSITION

Operating activities

Operating activities generated cash inflows of \$466.6 million in the fourth quarter of Fiscal 2022 compared with \$415.3 million for the corresponding quarter of Fiscal 2021. The variance is mainly due to the change in non-cash working capital items that generated cash inflows of \$92.3 million in 2022 compared with \$55.5 million in 2021, as well as higher earnings in 2022.

Investing activities

Investing activities required cash outflows of \$136.0 million in the fourth quarter of Fiscal 2022 compared with \$187.3 million for the corresponding quarter of Fiscal 2021. This difference stemmed mainly from lower investments in tangible and intangible assets and investment properties of \$40.3 million in the fourth quarter of 2022.

Financing activities

In the fourth quarter of 2022, financing activities required cash outflows of \$317.2 million compared with \$193.2 million in the corresponding quarter of 2021. This difference resulted mainly from higher share repurchases of \$63.6 million in 2022.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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 2022, 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 2023 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

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



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-GAAP AND OTHER FINANCIAL MEASUREMENTS

In addition to the International Financial Reporting Standards (IFRS) measurements provided, we have included certain non-GAAP and other financial 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.

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure sets out specific disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures, as defined in the Instrument (together the “specified financial measures”).

The specified financial measures we disclose in our documents made available to the public are presented by measurement categories below.

NON-GAAP FINANCIAL MEASURES

Adjusted net earnings is a non-GAAP financial measurement that with respect to its composition is adjusted to exclude an amount that is included in, or include an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in our consolidated financial statements.

For measurements depicting financial performance, we believe that presenting earnings adjusted for these items, which are not necessarily reflective of the Corporation's performance, leaves readers of financial statements better informed thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and assess its future outlook. Adjusting for these items does not imply that they are non-recurring.

NON-GAAP RATIOS

Adjusted fully diluted net earnings per share is a non-GAAP ratio by where a non-GAAP financial measure is used as one or more of its components.

We believe that presenting this ratio, in which a non-GAAP financial measurements is used as one or more of its components, leaves readers of financial statements better informed as to the current period and corresponding prior year's period's performance, thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and assess its future outlook. Adjusting for these items does not imply that they are non-recurring.

SUPPLEMENTARY FINANCIAL MEASURES

The supplementary financial measures listed below are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Corporation.

Food same-store sales and pharmacy same-store sales (including total, front-store and prescription drugs) are defined as comparable retail sales of stores with more than 52 consecutive weeks of operations, including relocated, expanded and renovated locations.

Online food sales are the sum of sales made from all our online channels.

Gross margin ratio is calculated by dividing gross profit by sales.

Return on equity ratio is calculated by dividing net earnings by the average equity.

⁽¹⁾ See table in section “Operating Results” and section on “Non-GAAP and Other Financial Measurements”

⁽²⁾ 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 24, 2022.

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.

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The 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

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

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.

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 has 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 AND CLIMATE CHANGE MANAGEMENT

Unexpected events including geopolitical crises, pandemic and epidemic outbreaks, catastrophes, and natural disasters, such as extreme and increasingly frequent weather-related disasters linked to climate change, could have a negative impact on the continuation of the Corporation's operations as well as its suppliers.

Events beyond our control could occur and have a significant impact on 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.

The Corporation recognizes that physical risks resulting from climate change, either event driven or longer-term shifts in climate patterns, as well as transition risks, may have operational, financial, and reputational impacts on its activities and throughout its supply chain.

Regarding the physical risks, climate and extreme temperature changes may affect the Corporation's premises, operations, supply chain, distribution, and employee safety. Long-term effects of temperature changes could increase operating costs for our premises, and extreme weather patterns, including severe storms and floods, could affect the production or supply of specific goods and could impair our physical assets including buildings and inventory. These events and their effects on our operations could have a material adverse effect on our financial performance.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

With respect to transition risk, some effects could include changes in energy prices, commodity prices, and more generally supply and demand patterns caused by market transformation, resulting from the transition to a lower-carbon economy. This may also affect macroeconomic conditions with related effects on consumer spending and confidence, and new regulatory requirements resulting in compliance risk and higher operational costs.

METRO has put in place mitigation measures to address climate risks, including but not limited to insurance, and contingency plans. In order to increase the resilience of our business to address climate-related risks and continue to integrate climate risks and opportunities into our governance, strategy, risk management, metrics and targets, METRO announced in October 2022 its support for the TCFD, becoming the first Canadian food and pharmacy retailer to make this public commitment. The Corporation will improve disclosure of potential climate risks and opportunities to its shareholders and other stakeholders.

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 potential 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

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.

Cybersecurity and data protection

Various computer systems 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 in our network. Furthermore, the online shopping sites 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

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

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 specialized firms to carry out occasional intrusion tests. We have also implemented an information security awareness and training program for our employees.

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⁽²⁾ 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.

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 Corporation 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.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



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 Corporation 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 ESG issues, we stay abreast of emerging issues and new practices and work to continuously improve our processes.

We aim⁽²⁾ 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, higher-than-normal levels of cost inflation, 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.

Higher-than-normal levels of cost inflation could also lead to pressure on retail prices, margins and operating costs. As a result, we implement robust merchandising programs, have developed a strong private label offer and work with our supply chain partners to mitigate the impacts.

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.

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.

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.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"



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⁽²⁾ 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 9, 2022

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

⁽²⁾ See section on "Forward-looking Information"

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.

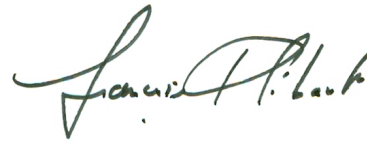
METRO INC. maintains accounting systems and internal controls over the financial reporting process which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's 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 9, 2022

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 24, 2022 and September 25, 2021, 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 24, 2022 and September 25, 2021, 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 other 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

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 forecast for the next fiscal year from management-approved budget.

How our audit addressed the key audit matter

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, specifically EBITDA in the cash flow forecast for the next fiscal year to budget. We assessed management’s ability to forecast by comparing previous forecasts to actual results.
- Evaluated, with the assistance of our valuation specialists, the Corporation’s valuation methodology and 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 24, 2022. Significant assumptions included earnings before interest, tax, depreciation and amortization (EBITDA) in the cash flow forecast for the next fiscal year 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 judgments made by management as described above.

Other Information

Management is responsible for the other information. The other information comprises 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 identified above, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained 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.

The logo for Ernst & Young LLP is written in a black, cursive script font.

Montréal, Canada
December 9, 2022

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

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Annual Consolidated Financial Statements

METRO INC.

September 24, 2022

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Consolidated statements of income

Years ended September 24, 2022 and September 25, 2021

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

	2022	2021
Sales (note 23)	18,888.9	18,283.0
Cost of sales	(15,105.6)	(14,628.2)
Gross Profit	3,783.3	3,654.8
Operating expenses	(1,964.0)	(1,929.7)
Gain on disposal of assets (notes 8 to 11)	25.3	7.4
Operating income before depreciation, amortization and impairments of assets, net of reversals	1,844.6	1,732.5
Depreciation and amortization (notes 8 to 11)	(503.3)	(478.3)
Impairments of assets, net of reversals (notes 8, 10 and 11)	(70.1)	—
Net financial costs (note 4)	(117.6)	(133.5)
Earnings before income taxes	1,153.6	1,120.7
Income taxes (note 5)	(304.1)	(295.0)
Net earnings	849.5	825.7
Attributable to:		
Equity holders of the parent	846.1	823.0
Non-controlling interests	3.4	2.7
	849.5	825.7
Net earnings per share (Dollars) (notes 6 and 18)		
Basic	3.53	3.34
Fully diluted	3.51	3.33

See accompanying notes



Consolidated statements of comprehensive income

Years ended September 24, 2022 and September 25, 2021

(Millions of dollars)

	2022	2021
Net earnings	849.5	825.7
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (note 20)	36.1	214.2
Asset ceiling effect (note 20)	23.6	(41.5)
Minimum funding requirement (note 20)	21.4	(21.4)
Corresponding income taxes (note 5)	(21.5)	(40.1)
	59.6	111.2
Items that will be reclassified later to net earnings		
Change in fair value of derivatives designated as cash flow hedges (note 25)	1.2	—
Corresponding income taxes (note 5)	(0.3)	—
	0.9	—
	60.5	111.2
Comprehensive income	910.0	936.9
Attributable to:		
Equity holders of the parent	906.6	934.2
Non-controlling interests	3.4	2.7
	910.0	936.9

See accompanying notes



Consolidated statements of financial position
Years ended September 24, 2022 and September 25, 2021
(Millions of dollars)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	13.4	445.8
Accounts receivable <i>(notes 13 and 23)</i>	680.3	679.2
Accounts receivable on subleases <i>(note 10)</i>	94.8	92.8
Inventories <i>(note 7)</i>	1,331.1	1,169.0
Prepaid expenses	54.1	46.6
Current taxes	9.6	33.4
	2,183.3	2,466.8
Non-current assets		
Fixed assets <i>(note 8)</i>	3,457.7	3,129.8
Investment properties <i>(note 9)</i>	14.5	33.4
Right-of-use assets <i>(note 10)</i>	995.1	1,064.7
Intangible assets <i>(note 11)</i>	2,739.0	2,854.7
Goodwill <i>(note 12)</i>	3,301.2	3,301.2
Deferred taxes <i>(note 5)</i>	44.8	57.1
Defined benefit assets <i>(note 20)</i>	127.9	84.8
Accounts receivable on subleases <i>(note 10)</i>	478.3	549.6
Other assets <i>(note 13)</i>	59.5	50.0
	13,401.3	13,592.1
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans <i>(note 14)</i>	0.1	0.1
Accounts payable <i>(note 15)</i>	1,575.3	1,546.5
Deferred revenues	38.5	35.9
Current taxes	43.6	25.9
Provisions <i>(note 16)</i>	0.5	1.6
Current portion of debt <i>(note 17)</i>	18.2	318.5
Current portion of lease liabilities <i>(note 10)</i>	276.3	269.7
	1,952.5	2,198.2
Non-current liabilities		
Debt <i>(note 17)</i>	2,324.5	2,318.2
Lease liabilities <i>(note 10)</i>	1,502.7	1,657.5
Defined benefit liabilities <i>(note 20)</i>	30.0	61.5
Provisions <i>(note 16)</i>	12.8	13.5
Deferred taxes <i>(note 5)</i>	942.2	927.7
Other liabilities	18.2	2.7
	6,782.9	7,179.3
Equity		
Attributable to equity holders of the parent	6,604.5	6,399.9
Attributable to non-controlling interests	13.9	12.9
	6,618.4	6,412.8
	13,401.3	13,592.1

Commitments and contingencies *(notes 21 and 22)*

See accompanying notes

On behalf of the Board

ERIC LA FLÈCHE
 Director

RUSSELL GOODMAN
 Director



Consolidated statements of changes in equity

Years ended September 24, 2022 and September 25, 2021

(Millions of dollars)

	Attributable to the equity holders of the parent						Non-controlling interests	Total equity
	Capital stock (note 18)	Treasury shares (note 18)	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total		
Balance as at September 25, 2021	1,674.3	(20.5)	24.2	4,721.9	—	6,399.9	12.9	6,412.8
Net earnings	—	—	—	846.1	—	846.1	3.4	849.5
Other comprehensive income	—	—	—	59.6	0.9	60.5	—	60.5
Comprehensive income	—	—	—	905.7	0.9	906.6	3.4	910.0
Stock options exercised	23.5	—	(2.5)	—	—	21.0	—	21.0
Shares redeemed (note 18)	(48.5)	—	—	—	—	(48.5)	—	(48.5)
Share redemption premium (note 18)	—	—	—	(421.5)	—	(421.5)	—	(421.5)
Share-based compensation cost	—	—	8.6	—	—	8.6	—	8.6
Performance share units settlement	—	4.3	(7.0)	(1.0)	—	(3.7)	—	(3.7)
Dividends (note 19)	—	—	—	(257.9)	—	(257.9)	(1.6)	(259.5)
Buyout of minority interests	—	—	—	—	—	—	(0.8)	(0.8)
	(25.0)	4.3	(0.9)	(680.4)	—	(702.0)	(2.4)	(704.4)
Balance as at September 24, 2022	1,649.3	(16.2)	23.3	4,947.2	0.9	6,604.5	13.9	6,618.4

	Attributable to the equity holders of the parent						Non-controlling interests	Total equity
	Capital stock (note 18)	Treasury shares (note 18)	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total		
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	—	—	—	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)
Buyout of minority interests	—	—	—	—	—	—	(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

See accompanying notes



Consolidated statements of cash flows

Years ended September 24, 2022 and September 25, 2021

(Millions of dollars)

	2022	2021
Operating activities		
Earnings before income taxes	1,153.6	1,120.7
Non-cash items		
Depreciation and amortization	503.3	478.3
Gain on disposal of assets	(25.3)	(7.4)
Impairment losses of assets	71.5	—
Impairment loss reversals of assets	(1.4)	—
Share-based compensation cost	8.6	10.6
Difference between amounts paid for employee benefits and current year cost	6.3	13.5
Net financial costs	117.6	133.5
	1,834.2	1,749.2
Net change in non-cash working capital items	(115.2)	162.2
Income taxes paid	(257.6)	(328.1)
	1,461.4	1,583.3
Investing activities		
Buyout of minority interests	(0.2)	(1.1)
Net change in other assets	(10.1)	1.7
Additions to fixed assets and investment properties (notes 8 and 9)	(522.9)	(520.0)
Disposals of fixed assets and investment properties (notes 8 and 9)	47.5	22.4
Additions to intangible assets (note 11)	(98.2)	(79.3)
Payments received from subleases	91.2	89.0
Interests received from subleases	14.9	15.7
	(477.8)	(471.6)
Financing activities		
Net change in bank loans	—	(0.3)
Shares issued (note 18)	21.0	12.6
Shares redeemed (note 18)	(470.0)	(456.3)
Performance share units settlement	(3.7)	(3.3)
Increase in debt	330.5	21.9
Repayment of debt	(616.8)	(24.0)
Interest paid on debt	(105.6)	(109.1)
Payment of lease liabilities (principal)	(268.0)	(260.9)
Payment of lease liabilities (interest)	(45.6)	(48.6)
Net change in other liabilities	0.1	0.7
Dividends (note 19)	(257.9)	(240.1)
	(1,416.0)	(1,107.4)
Net change in cash and cash equivalents	(432.4)	4.3
Cash and cash equivalents – beginning of year	445.8	441.5
Cash and cash equivalents – end of year	13.4	445.8

See accompanying notes



Notes to consolidated financial statements

September 24, 2022 and September 25, 2021

(Millions of dollars, unless otherwise indicated)

1. DESCRIPTION OF BUSINESS

METRO INC. (the Corporation), is incorporated under the laws of Québec. 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 (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.



Notes to consolidated financial statements

September 24, 2022 and September 25, 2021

(Millions of dollars, unless otherwise indicated)

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 fair 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 and measured at amortized cost.

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.

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.



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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.

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.



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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. 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.



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- 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

Deferred revenues 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



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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 measured at their acquisition-date fair values. Gains and losses from the remeasurement at the end of each period are recorded through retained earnings;
- Derivative and hybrid financial instruments that are not designated as hedges are classified and measured at FVTPL and presented in the consolidated statements of income.

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 equivalents, other assets and accounts receivable on subleases and the general method for loans. The net change in ECLs on cash equivalents, receivables, receivables on subleases and loans to certain customers is recorded in net income.

Derivative financial instruments and hedge accounting

In accordance with its risk management strategy, the Corporation uses derivative financial instruments for hedging purposes of reducing volatility so as to minimize interest rate risk, foreign exchange rate risk and commodity price risk that impact our ability to optimize its financial results to meet its financial objectives. On inception of a hedging relationship, the Corporation indicates whether 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 or low dollar value amount, 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. Depending on the maturity date of the contracts or if they are in a gain or loss position we record their balance on the consolidated statements of financial position in accounts receivable, other assets, accounts payable and other liabilities. We record the change in fair value of these derivatives in the consolidated statements of income.

The changes in the fair value of the interest rate swaps are recognized in the consolidated statements of income. The changes in the fair value of the hedged items attributable to the risk hedged are accounted for as an adjustment to the carrying amount of the hedged items and are also recognized in the consolidated statements of income.

For bond forwards designated as cash flow hedges the changes in the fair value of the hedging instrument will be recognized as follows. The effective part of the gain or loss on the hedging instrument will be recognized in OCI. Following the debt issuance, the amounts accumulated in equity will be reclassified to profit or loss, on a linear basis, in the same period during which the hedged expected future cash flows affect profit or loss, adjusting finance costs, net. The ineffective part of the gain or loss on the hedging instrument will be recognized in the consolidated statements of income.

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal years ended September 24, 2022 and September 25, 2021 included 52 weeks of operations.



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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 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.



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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.

4. NET FINANCIAL COSTS

The net financial costs were as follows:

	2022	2021
Current interest	3.3	3.6
Non-current interest	98.7	105.0
Net interest on lease liabilities (note 10)	30.5	32.9
Interest on defined benefit obligations net of plan assets (note 20)	0.3	4.3
Amortization of deferred financing costs	1.7	1.7
Interest income and capitalized interest	(17.2)	(14.3)
Passage of time	0.3	0.3
	117.6	133.5

5. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	2022	2021
Combined statutory income tax rate	26.5	26.5
Changes		
Other	(0.1)	(0.2)
	26.4	26.3

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

Consolidated income statements

	2022	2021
Current		
Current tax expense	299.1	254.9
Deferred		
Adjustment related to temporary differences	5.0	40.1
	304.1	295.0



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Consolidated comprehensive income statements

	2022	2021
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial losses	9.6	56.8
Asset ceiling effect	6.2	(11.0)
Minimum funding requirement	5.7	(5.7)
Change in fair value of derivatives designated as cash flow hedges	0.3	—
	21.8	40.1

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 24, 2022	As at September 25, 2021	2022	2021
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	17.6	18.4	(0.5)	(2.9)
Lease liabilities	471.4	510.7	(39.3)	(35.7)
Deferred tax losses	7.0	5.6	1.4	(3.2)
Inventories	(9.6)	(10.2)	0.6	1.1
Employee benefits	(27.7)	(7.1)	0.9	5.5
Accounts receivable on subleases	(151.9)	(170.2)	18.3	11.1
Investment in a joint venture	0.3	1.0	(0.7)	—
Difference between net carrying value and tax value				
Fixed assets	(290.9)	(262.2)	(28.7)	(42.3)
Investment properties	0.5	0.4	0.1	0.1
Right-of-use assets	(263.7)	(282.1)	18.4	22.9
Intangible assets	(592.7)	(618.7)	26.0	6.1
Goodwill	(57.7)	(56.2)	(1.5)	(2.8)
	(897.4)	(870.6)	(5.0)	(40.1)
Deferred tax assets	44.8	57.1		
Deferred tax liabilities	(942.2)	(927.7)		
	(897.4)	(870.6)		



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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:

<i>(Millions)</i>	2022	2021
Weighted average number of shares outstanding – Basic	239.9	246.2
Dilutive effect under:		
Stock option plan	0.5	0.6
Performance share unit plan	0.4	0.5
Weighted average number of shares outstanding – Fully diluted	240.8	247.3

7. INVENTORIES

	2022	2021
Wholesale inventories	799.1	686.6
Retail inventories	532.0	482.4
	1,331.1	1,169.0



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8. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost					
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
Acquisitions	25.5	208.3	225.9	63.1	522.8
Transfers from Intangible assets	—	—	75.2	—	75.2
Disposals and write-offs	(2.3)	(17.7)	(9.9)	(8.4)	(38.3)
Balance as at September 24, 2022	557.9	1,759.3	2,143.7	1,014.0	5,474.9
Accumulated depreciation and impairment					
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)
Depreciation	—	(45.0)	(150.5)	(64.9)	(260.4)
Disposals and write-offs	—	3.4	19.2	6.9	29.5
Impairment losses	—	—	(0.4)	(1.9)	(2.3)
Impairment loss reversals	—	—	0.7	0.7	1.4
Balance as at September 24, 2022	—	(388.7)	(1,092.0)	(536.5)	(2,017.2)
Net carrying value					
Balance as at September 25, 2021	534.7	1,221.6	891.5	482.0	3,129.8
Balance as at September 24, 2022	557.9	1,370.6	1,051.7	477.5	3,457.7

During the fiscal year, the Corporation invested \$621.1 (\$599.3 in 2021) in capital spending consisting of \$522.8 in fixed assets, \$0.1 in investment properties and \$98.2 in intangible assets (\$519.1, \$0.9 and \$79.3 in 2021). Additions of intangible assets accrued at year-end amounted to \$6.0 in 2022 (\$4.5 in 2021).

As at September 24, 2022, work in progress not yet amortized included in buildings, equipment and leasehold improvements totalled \$251.1, \$163.0 and \$0.8, (\$196.4, \$77.6 and \$1.6 in 2021), respectively.

As at September 24, 2022, the Corporation had contractual commitments to purchase fixed assets totalling \$304.7 in 2022, consisting mainly of buildings and equipment.



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9. INVESTMENT PROPERTIES

	Cost	Accumulated depreciation	Net carrying value
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
Acquisitions	0.1	—	0.1
Disposals and write-offs	(20.1)	1.6	(18.5)
Depreciation	—	(0.5)	(0.5)
Balance as at September 24, 2022	15.6	(1.1)	14.5

The fair value of investment properties was \$20.2 as at September 24, 2022 (\$39.9 as at September 25, 2021). 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 24, 2022, changes in right-of-use assets were as follows:

	Buildings	Rolling stock and other	Total
Balance 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
New leases	58.1	8.1	66.2
Terminations and adjustments	31.1	0.7	31.8
Impairment losses	(7.1)	—	(7.1)
Depreciation	(151.1)	(9.4)	(160.5)
Balance as at September 24, 2022	966.2	28.9	995.1

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 2022 (\$122.0 in 2021).



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As at September 24, 2022, changes in lease liabilities were as follows:

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
Balance as at September 25, 2021	1,927.2
Additions	94.7
Terminations and adjustments	25.2
Lease payments	(313.5)
Interest expense on lease liabilities	45.4
Balance as at September 24, 2022	1,779.0
Current portion	276.3
Non-current portion	1,502.7

The weighted average incremental borrowing rate was 2.49% as at September 24, 2022 (2.41% in 2021). The weighted average remaining contractual life as at September 24, 2022 was 5 years (6 years in 2021).

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

2023	317.2
2024	301.2
2025	263.7
2026	228.0
2027	189.0
2028 and thereafter	678.9
	1,978.0

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 \$6.3 in 2022 (\$5.8 in 2021).



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The Corporation as lessor

The Corporation acted as intermediate lessor for real estate subleases.

Finance leases

Finance income for the year ended in 2022 was \$14.9 (\$15.7 in 2021). Future minimum lease payments receivable by the Corporation relating to subleased properties to third parties will be as follows:

2023	107.7
2024	102.2
2025	92.5
2026	76.6
2027	62.3
2028 and thereafter	187.1
Total undiscounted lease payments receivable	628.4
Unearned finance income	(55.3)
Accounts receivable on subleases	573.1
Current portion	94.8
Non-current portion	478.3

Operating leases

The Corporation leases buildings under operating leases. The Corporation recorded rental income of \$51.2 in 2022 (\$51.0 in 2021).

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

2023	45.2
2024	34.1
2025	26.4
2026	21.1
2027	14.3
2028 and thereafter	59.4
	200.5



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11. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Software	Retail network retention premiums	Customer relationships	Total
Cost				
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
Acquisitions	80.8	22.2	—	103.0
Transfers to fixed assets	(75.2)	—	—	(75.2)
Disposals and write-offs	(0.1)	(6.3)	—	(6.4)
Impairment losses	—	(2.1)	—	(2.1)
Balance as at September 24, 2022	352.7	284.4	1,067.4	1,704.5
Accumulated amortization and impairment				
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)
Amortization	(23.6)	(18.4)	(39.9)	(81.9)
Disposals and write-offs	0.1	5.6	—	5.7
Balance as at September 24, 2022	(242.0)	(147.6)	(195.4)	(585.0)
Net carrying value				
Balance as at September 25, 2021	128.7	135.8	911.9	1,176.4
Balance as at September 24, 2022	110.7	136.8	872.0	1,119.5

During the fiscal year, the Corporation invested \$621.1 (\$599.3 in 2021) in capital spending consisting of \$522.8 in fixed assets, \$0.1 in investment properties and \$98.2 in intangible assets (\$519.1, \$0.9 and \$79.3 in 2021). Additions of intangible assets accrued at year-end amounted to \$6.0 in 2022 (\$4.5 in 2021).

As at September 24, 2022, work in progress for software not yet amortized totalled \$3.0 (\$51.5 in 2021).

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
Acquisitions	—	1.2	—	1.2
Impairment losses	—	—	(60.0)	(60.0)
Balance as at September 24, 2022	1,473.3	122.7	23.5	1,619.5



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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 15.7 and 13.9 (21.1 and 17.8 in 2021) considering a growth rate of 2.0% (2.0% in 2021) corresponding to the consumer price index. For the private labels, the earnings multiples used ranged between 14.3 and 15.4 (18.2 and 21.1 in 2021) considering a growth rate of 2.0% (2.0% in 2021) corresponding to the consumer price index.

During the fourth quarter of Fiscal 2022, the Corporation recorded \$70.1 of impairments of assets, net of reversals, including \$60.0 resulting from the decision to have Jean Coutu withdraw from the Air Miles® loyalty program in the spring of 2023. The loss represents the excess in the carrying value of the indefinite-lived intangible over the recoverable amount. The recoverable amount, based on fair value less costs of disposal, was calculated using the capitalized excess EBIT method over the remaining duration of the program. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. The key assumption is the discount rate used of 9.2% (7.6% in 2021).

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 for banners and the capitalized excess EBIT method for other private labels. 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 2021) and the multiples used were between 14.3 and 15.4 (18.2 and 21.1 in 2021) considering growth rate of 2.0% (2.0% in 2021) corresponding to the consumer price index.

12. GOODWILL

	2022	2021
Balance – beginning of year	3,301.2	3,300.7
Acquisitions through business combinations	—	0.5
Balance – end of year	3,301.2	3,301.2

For impairment testing, goodwill with a carrying amount of \$1,977.9 (\$1,977.9 as at September 25, 2021) 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. Cash flows for subsequent years are based on a 2% growth in line with the consumer price index. A pre-tax discount rate of 9.5% (8.1% in 2021) 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 25, 2021) 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 a 2% growth in line with the consumer price index. A pre-tax discount rate of 10.3% (8.3% in 2021) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.



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13. OTHER ASSETS

	2022	2021
Loans to certain customers, bearing interest at floating rates, weighted average rate of 4.23% in 2022 repayable in monthly installments, maturing through 2031	49.3	50.3
Investment in a joint venture	9.4	10.3
Other assets	14.9	2.4
	73.6	63.0
Current portion included in accounts receivable	14.1	13.0
	59.5	50.0

14. BANK LOANS

As at September 24, 2022 and September 25, 2021, the Corporation's bank loans were corresponding to the credit margins of structured entities. The consolidated structured entities have unsecured credit margins totaling \$9.0 (\$8.7 as at September 25, 2021), bearing interest at prime rate plus 0.5%, and maturing on various dates through 2027. As at September 24, 2022, \$0.1 had been drawn down under credit margins (\$0.1 as at September 25, 2021) at an interest rate of 6.0% (3.0% as at September 25, 2021).

15. OFFSETTING

	2022	2021
Accounts payable (gross amount)	1,636.9	1,593.1
Vendor rebate receivables	(61.6)	(46.6)
Accounts payable (net amount)	1,575.3	1,546.5



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16. PROVISIONS

	Retail network restructuring expenses	Pharmacy network closure and restructuring expenses	Distribution network modernization project expenses	Total
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
Balance as at September 25, 2021	1.0	1.5	12.6	15.1
Amounts used	(0.3)	(1.5)	—	(1.8)
Balance as at September 24, 2022	0.7	—	12.6	13.3
Current provisions	0.2	—	0.3	0.5
Non-current provisions	0.5	—	12.3	12.8
Balance as at September 24, 2022	0.7	—	12.6	13.3

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.



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17. DEBT

	2022	2021
Revolving Credit Facility, bearing interest at a weighted average rate of 5.09% (3.75% in 2021), repayable on September 3, 2026	20.9	—
Series C Notes, bearing interest at a fixed nominal rate of 3.20%, maturing on December 1, 2021	—	300.0
Series F Notes, bearing interest at a fixed nominal rate of 2.68%, maturing on December 5, 2022	—	300.0
Series J Notes, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024	285.1	—
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 3.43% (2.17% in 2021)	49.2	49.7
Deferred financing costs	(12.5)	(13.0)
	2,342.7	2,636.7
Current portion	18.2	318.5
	2,324.5	2,318.2

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 24, 2022, the unused authorized revolving credit facility was \$579.1 (\$600.0 as at September 25, 2021). 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 \$6.0 in 2022 (\$4.5 in 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, 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 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. As at September 24, 2022, the balance of the Series J unsecured senior notes was \$285.1, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$14.9.

On December 1, 2021, the Corporation redeemed all of the Series C notes, bearing interest at a fixed nominal rate of 3.20%, in the amount of \$300.0 that matured on the same day.

On June 6, 2022, the Corporation redeemed all of the Series F notes bearing interest at a fixed nominal rate of 2.68% in the amount of \$300.0, maturing on December 5, 2022. The early redemption premium represents an amount of \$0.4 before tax.



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In the second half of Fiscal 2022, the Corporation entered into bond forward contracts designated as cash flow hedges on a component of a highly probable future debt issuance in the amount of \$250.0 that effectively locked-in a 10-year fixed interest rate of 2.998%.

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

	Facility and loans	Notes	Total
2023	18.2	—	18.2
2024	22.8	—	22.8
2025	1.5	300.0	301.5
2026	1.4	—	1.4
2027	0.9	—	0.9
2028 and thereafter	25.3	2,000.0	2,025.3
	70.1	2,300.0	2,370.1

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 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
Shares redeemed for cash, excluding premium of \$421.5	(7,000)	(48.5)
Stock options exercised	538	23.5
Balance as at September 24, 2022	236,929	1,649.3

Treasury shares

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

	Number (Thousands)	
Balance as at September 26, 2020	552	(25.1)
Released	(110)	4.6
Balance as at September 25, 2021	442	(20.5)
Released	(107)	4.3
Balance as at September 24, 2022	335	(16.2)



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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 24, 2022, a balance of 2,940,626 shares could be issued following the exercise of stock options (3,478,496 as at September 25, 2021). 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 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
Granted	431	62.82
Exercised	(538)	38.98
Cancelled	(119)	55.79
Balance as at September 24, 2022	2,092	51.47

The information regarding the stock options outstanding and exercisable as at September 24, 2022 is summarized below:

Range of exercise prices (Dollars)	Outstanding options			Exercisable options	
	Number (Thousands)	Weighted average remaining period (Months)	Weighted average exercise price (Dollars)	Number (Thousands)	Weighted average exercise price (Dollars)
40.23 to 41.16	636	21.0	40.68	438	40.61
42.50 to 55.94	749	53.0	52.30	127	47.31
56.92 to 62.82	707	64.5	60.30	62	56.92
	2,092	47.2	51.47	627	43.57

The weighted average fair value of \$8.17 per option (\$6.18 in 2021) for stock options granted during Fiscal 2022 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 1.3% (0.4% in 2021), expected life of 5.6 years (5.5 years in 2021), expected volatility of 15.9% (16.2% in 2021) and expected dividend yield of 1.6% (1.8% in 2021). 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 \$2.4 for Fiscal 2022 (\$2.3 in 2021).



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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 26, 2020	618
Granted	231
Settled	(171)
Cancelled	(63)
Balance as at September 25, 2021	615
Granted	200
Settled	(162)
Cancelled	(96)
Balance as at September 24, 2022	557

The weighted average fair value of \$64.00 per PSU (\$55.95 in 2021) for PSUs granted during Fiscal 2022 was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all PSUs amounted to \$6.2 for Fiscal 2022 (\$8.3 in 2021).

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 \$4.0 for Fiscal 2022 (\$1.2 in 2021). During the second quarter of Fiscal 2022, the Corporation entered into a prepaid equity forward contract to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards (note 25).

As at September 24, 2022, the DSU liability amounted to \$12.7 (\$15.9 as at September 25, 2021).

19. DIVIDENDS

In Fiscal 2022, the Corporation paid \$257.9 in dividends to holders of Common Shares (\$240.1 in 2021), or \$1.075 per share (\$0.975 in 2021). On September 26, 2022, the Corporation's Board of Directors declared a quarterly dividend of \$0.275 per Common Share payable on November 8, 2022.



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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:

	2022		2021	
	Pension plans	Other plans	Pension plans	Other plans
Balance – beginning of year	1,553.7	30.9	1,644.6	33.5
Participant contributions	10.5	—	10.1	—
Benefits paid	(60.0)	(3.4)	(60.2)	(3.3)
Items in net earnings				
Current service cost	56.6	2.4	64.9	2.4
Past service cost	1.4	0.1	2.2	—
Interest cost	53.5	1.1	46.5	0.9
Actuarial gains	—	(2.5)	—	(0.4)
	111.5	1.1	113.6	2.9
Items in other comprehensive income				
Actuarial gains from demographic assumptions	—	(0.2)	(4.7)	(0.8)
Actuarial gains from financial assumptions	(341.0)	(3.0)	(150.3)	(1.4)
Adjustments due to experience	11.6	—	0.6	—
	(329.4)	(3.2)	(154.4)	(2.2)
Balance – end of year	1,286.3	25.4	1,553.7	30.9

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

	2022		2021	
	Pension plans	Other plans	Pension plans	Other plans
(Percentage)				
Active plan participants	53	69	58	71
Deferred plan participants	5	—	5	—
Retirees	42	31	37	29



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

	2022		2021	
	Pension plans	Other plans	Pension plans	Other plans
Fair value – beginning of year	1,687.3	—	1,584.0	—
Employer contributions	51.2	3.4	54.6	3.3
Participant contributions	10.5	—	10.1	—
Benefits paid	(60.0)	(3.4)	(60.2)	(3.3)
Items in net earnings				
Interest income	57.0	—	43.5	—
Administration costs	(2.8)	—	(2.3)	—
	54.2	—	41.2	—
Items in other comprehensive income				
Return on plan assets, excluding the amounts included in interest income	(296.5)	—	57.6	—
Fair value – end of year	1,446.7	—	1,687.3	—

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

	2022		2021	
	Asset ceiling	Minimum funding requirement	Asset ceiling	Minimum funding requirement
Balance - beginning of year	(58.0)	(21.4)	(16.1)	—
Interest	(2.0)	(0.7)	(0.4)	—
Change in defined benefit assets	22.9	—	(41.5)	—
Change in defined benefit liabilities	—	22.1	—	(21.4)
Balance - end of year	(37.1)	—	(58.0)	(21.4)

The value of the economic benefit that determined the asset ceiling represents the amount of surplus that the entity has an unconditional legal right to obtain as a refund, less any associated costs, plus the present value of future contribution holidays. 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.



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

	2022		2021	
	Pension plans	Other plans	Pension plans	Other plans
Balance of defined benefit obligation – end of year	(1,286.3)	(25.4)	(1,553.7)	(30.9)
Fair value of plan assets – end of year	1,446.7	—	1,687.3	—
Funded status	160.4	(25.4)	133.6	(30.9)
Asset ceiling effect	(37.1)	—	(58.0)	—
Minimum funding requirement	—	—	(21.4)	—
	123.3	(25.4)	54.2	(30.9)
Defined benefit assets	127.9	—	84.8	—
Defined benefit liabilities	(4.6)	(25.4)	(30.6)	(30.9)
	123.3	(25.4)	54.2	(30.9)

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

	2022		2021	
	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans , including multi-employer plans	33.8	—	35.2	—
Defined benefit plans				
Current service cost	56.6	2.4	64.9	2.4
Past service cost	1.4	0.1	2.2	—
Actuarial gains	—	(2.5)	—	(0.4)
Administration costs	2.8	—	2.3	—
	60.8	—	69.4	2.0
Employee benefits expense	94.6	—	104.6	2.0
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in net financial costs	(0.8)	1.1	3.4	0.9
Net total expense	93.8	1.1	108.0	2.9

The remeasurements recognized as other comprehensive income were as follows:

	2022		2021	
	Pension plans	Other plans	Pension plans	Other plans
Gains on accrued obligation	(329.4)	(3.2)	(154.4)	(2.2)
Return on plan assets	296.5	—	(57.6)	—
Change in the effect of the asset ceiling	(23.6)	—	41.5	—
Change in the minimum funding requirement	(21.4)	—	21.4	—
	(77.9)	(3.2)	(149.1)	(2.2)

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 \$54.6 in 2022 (\$57.9 in 2021). The Corporation plans to contribute \$25.6 to the defined benefit plans and \$34.2 to multi-employer plans during the next fiscal year.



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Weighted average duration of defined benefit obligations was 14 years as at September 24, 2022 and was 15 years as at September 25, 2021.

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2020 and September 2022. The next valuations will be performed in December 2022.

Included in the plan assets are shares, evaluated at Level 1 based on quoted market prices in an active market, bonds and other, evaluated at Level 2 derived from observable market inputs, and annuity buy-in contracts, evaluated at Level 3 derived from unobservable market inputs. The plan assets are held in trust and their weighted average allocation as at the measurement dates were as follows:

Asset categories (Percentage)	2022	2021
Annuity buy-in contracts	25	—
Shares in Canadian corporations	16	21
Shares in foreign corporations	22	25
Government and corporation bonds	23	48
Other	14	6

During the fiscal year, the Corporation purchased \$444.1 of qualifying annuity buy-in contracts for six of the defined benefit pension plans as a mechanism to reduce pension plan risk. Future cash flows from the annuities will match the amount and timing of benefits payable under the plans, substantially mitigating the exposure investment and longevity risk in the related pension obligations. Accordingly the fair value of these contracts fluctuate in line with the changes of the associated defined benefit obligation, and are evaluated at level 3 fair value measurement.

Pension plan assets included shares issued by the Corporation with a fair value of \$4.3 as at September 24, 2022 (\$4.7 as at September 25, 2021).

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

(Percentage)	2022		2021	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate on defined benefit obligation	4.95	4.95	3.33	3.33
Discount rate on service costs	3.49	3.49	2.88	2.88
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, without 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	(152.4)	191.5	(1.9)	2.2



Notes to consolidated financial statements

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The assumed annual health care cost trend rate per participant was set at 5.3% (5.5% in 2021). 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	(1.1)	0.9

The wage and fringe benefits and the employee benefits expenses recorded in net earnings were as follows:

	2022	2021
Wages and fringe benefits	1,842.3	1818.8
Employee benefits expense	94.6	106.6
	1,936.9	1,925.4

21. COMMITMENTS

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2029 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2022	2021
Under 1 year	176.1	149.0
Between 1 and 5 years	132.8	221.7
Over 5 years	1.2	3.9
	310.1	374.6

22. CONTINGENCIES

Guarantees

The Corporation has guaranteed loans granted to certain customers by financial institutions, with varying terms through 2027. The balance of these loans amounted to \$0.6 as at September 24, 2022 (\$22.2 as at September 25, 2021). No liability has been recorded in respect of these guarantees for the years ended September 24, 2022 and September 25, 2021.

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 24, 2022, inventory financing amounted to \$143.8 (\$146.3 as at September 25, 2021). 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 24, 2022, financing related to the equipment amounted to \$12.4 (\$26.6 as at September 25, 2021).



Notes to consolidated financial statements

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No liability has been recorded in respect of these guarantees for the years ended September 24, 2022 and September 25, 2021 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 claims 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, and, in Ontario, Pro Doc and Jean Coutu Group. 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 and Jean Coutu Group. In April 2021, multiple defendants, including Pro Doc and Jean Coutu Group, 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 and Jean Coutu Group, 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 and Jean Coutu Group. 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, First Nations, Inuit and Metis 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. On December 31, 2021, the Ontario Superior Court of Justice partially certified another of these class actions; the Corporation is seeking leave to appeal that decision. 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 Jean Coutu Group 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 Québec Superior 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.



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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:

	2022		2021	
	Sales	Accounts receivable	Sales	Accounts receivable
Companies controlled by an executive or a member of the Board of Directors	39.0	2.5	18.5	1.3
	39.0	2.5	18.5	1.3

Compensation for the principal officers and directors was as follows:

	2022	2021
Compensation and current benefits	7.1	6.7
Post-employment benefits	1.3	1.3
Share-based payment	6.2	6.9
	14.6	14.9



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24. MANAGEMENT OF CAPITAL

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

- 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 2022 annual results regarding its capital management objectives were as follows:

- a BBB credit rating confirmed by S&P and BBB/Stable by DBRS (same rating in 2021);
- a dividend representing 30.2% of the previous year net earnings, excluding non-recurring items (29.0% in 2021).

25. FINANCIAL INSTRUMENTS

FAIR VALUE

The book and fair values of financial instruments, other than those with carrying amounts which were a reasonable approximation of their fair values, were as follows:

	2022		2021	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers (note 13)	49.3	49.3	50.3	50.3
Debt (note 17)				
Liabilities measured at amortized cost				
Revolving Credit Facility	20.9	20.9	—	—
Series C Notes	—	—	300.0	303.8
Series F Notes	—	—	300.0	308.9
Series J Notes	285.1	285.1	—	—
Series G Notes	450.0	418.8	450.0	488.1
Series B Notes	400.0	424.5	400.0	519.9
Series D Notes	300.0	288.6	300.0	363.4
Series H Notes	450.0	384.7	450.0	494.7
Series I Notes	400.0	292.8	400.0	377.3
Loans	49.2	49.2	49.7	49.7
	2,355.2	2,164.6	2,649.7	2,905.8



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

The fair value of foreign exchange forward contracts and prepaid equity forward contracts are classified as fair value measurement in Level 1, as they are valued using quoted prices in active markets for identical instruments.

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 fair value of bond forwards and interest rate swaps are classified the fair value measurement in Level 2, as they are valued using industry standard models and observable market information.

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.

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. 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. As at September 24, 2022, the balance of the Series J unsecured senior notes was \$285.1, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$14.9. And the balance of the interest rate swap, recorded in other liabilities, was \$15.4. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the Series J notes (i.e., notional amount, maturity, payment and reset dates).

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

As at September 24, 2022, the hedge ineffectiveness of \$0.5 was recorded in operating expenses.

In the second half of Fiscal 2022, the Corporation entered into bond forward contracts designated as a cash flow hedges on a component of a highly probable future debt issuance in the amount of \$250.0 that effectively locked-in a 10-year fixed interest rate of 2.998%. As at September 24, 2022, the carrying amount of the hedging instrument, the cash flow reserve and the change in the fair value of the derivative for the current year was \$1.2. No amounts have yet to be reclassified from Consolidated Statements of Comprehensive income to our Consolidated Statements of



Notes to consolidated financial statements

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Income. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the bond forward is identical to the hedged risk component.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the bond lock match the terms of the fixed rate loan (i.e., notional amount, maturity, and payment dates).

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

As at September 24, 2022, there was no hedge ineffectiveness.

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 24, 2022 and September 25, 2021, 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 24, 2022, the maximum potential liability under guarantees provided amounted to \$0.6 (\$22.2 as at September 25, 2021) 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 and a prepaid equity forward contract, the Corporation is subject to credit risk when these contracts result in receivables from financial institutions.

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 24, 2022, the maximum exposure to credit risk for the foreign exchange forward contracts and the prepaid equity forward contract was equal to their carrying amount. As at September 25, 2021, 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 J, G, B, D, H and I Notes mature only in 2024, 2027, 2035, 2044, 2047 and 2050, respectively. The Corporation also has an unused authorized balance of \$579.1 on its revolving credit facility.



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	Undiscounted cash flows (capital and interest)				
	Accounts payable	Facility and loans	Notes	Lease liabilities	Total
Maturing under 1 year	1,575.3	19.7	92.9	317.2	2,005.1
Maturing in 1 to 10 years	—	37.6	1,466.8	1,487.6	2,992.0
Maturing in 11 to 20 years	—	9.0	952.2	170.8	1,132.0
Maturing over 20 years	—	24.0	1,382.1	2.4	1,408.5
	1,575.3	90.3	3,894.0	1,978.0	7,537.6

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 24, 2022 and September 25, 2021, the fair value of foreign exchange forward contracts was insignificant. The Corporation did not hold cross-currency interest rate swaps during fiscal years ended September 24, 2022 and September 25, 2021.

OTHER PRICE RISK

During the second quarter of Fiscal 2022, the Corporation entered into a prepaid equity forward contract to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards. This contract is not designated as a hedging instrument for accounting purposes. The prepaid equity forward contract is a hybrid instrument containing an embedded derivative component and a non-derivative financial asset host component. This instrument is recorded at fair value in other assets in our Consolidated Statements of Financial Position and changes in fair value are recorded as operating expenses in our Consolidated Statements of Income.

26. COMPARATIVE FIGURES

Cost of sales, gross profit and operating expenses have been reclassified from the Note "Additional information on the nature of earnings components". These headings are now presented separately in the consolidated statements of income. Gains on the disposal of assets totaling \$7.4 in 2021 have also been reclassified from operating expenses to gain on disposal of assets in the consolidated statements of income.

27. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the fiscal year ended September 24, 2022 (including comparative figures) were approved for issue by the Board of Directors on December 9, 2022.



DIRECTORS AND OFFICERS

Board of Directors

Lori-Ann Beausoleil⁽¹⁾
Toronto, Ontario

Maryse Bertrand⁽²⁾⁽³⁾
Westmount, Québec

Pierre Boivin⁽³⁾
Montréal, Québec
Chair of the Board

François J. Coutu
Montréal, Québec

Michel Coutu
Montréal, Québec

Stephanie Coyles⁽¹⁾⁽³⁾
Toronto, Ontario

Russell Goodman⁽¹⁾⁽³⁾
Mont-Tremblant, Québec

Marc Guay⁽¹⁾⁽²⁾
Oakville, Ontario

Christian W.E. Haub⁽²⁾
Munich, Germany

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

Christine Magee⁽²⁾⁽³⁾
Oakville, Ontario

Brian McManus⁽¹⁾⁽²⁾
Beaconsfield, Québec

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

Management Team of METRO INC.

Eric La Flèche
President and Chief Executive
Officer

François Thibault
Executive Vice President, Chief
Financial Officer and Treasurer

Jean-Michel Coutu
President, The Pharmacy division
of METRO

Carmine Fortino
Executive Vice President,
National Supply Chain and
Procurement

Marc Giroux
Executive Vice President and
Chief Operating Officer - Food

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, Technological
Infrastructure

Genevieve Bich
Vice President, Human
Resources

Dan Gabbard
Vice President, Supply Chain,
METRO

Karin Jonsson
Vice President, Corporate
Controller

Frédéric Legault
Vice President and Chief
Information Officer

Simon Rivet
Vice President, General
Counsel and Corporate
Secretary

Alain Tadros
Vice President, Marketing,
METRO

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.corpo.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.corpo.metro.ca

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**Transfer agent and
registrar**
TSX Trust Company

Auditors
Ernst & Young LLP

Annual meeting
The Annual General Meeting of
Shareholders will be held virtually
via a live webcast on
January 24, 2023 at 10:00 a.m.

Stock listing
Toronto Stock Exchange
Ticker Symbol: MRU

DIVIDENDS*

2023 FISCAL YEAR

Declaration date
January 23, 2023
April 18, 2023
August 8, 2023
October 2, 2023

Record date
February 9, 2023
May 10, 2023
August 30, 2023
October 27, 2023

Payment date
March 6, 2023
May 30, 2023
September 20, 2023
November 14, 2023

* Subject to approval by the Board of Directors

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