

metro

Annual Report 2023





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 983 food stores under several banners including Metro, Metro Plus, Super C, Food Basics, Adonis and Première Moisson, as well as 640 pharmacies primarily under the Jean Coutu, Brunet, Metro Pharmacy and Food Basics Pharmacy banners, providing employment directly or indirectly to more than 97,000 people.

2023 HIGHLIGHTS

- 53-week Fiscal year versus 52 weeks in 2022
- Sales of \$20,724.6 million, up 9.7%
- Net earnings of \$1,018.8 million, up 19.9%
- Adjusted net earnings⁽¹⁾ of \$1,006.6 million, up 9.2%
- Fully diluted net earnings per share of \$4.35, up 23.9%
- Adjusted fully diluted net earnings per share⁽¹⁾ of \$4.30, up 12.6%
- Record level of capital spending of nearly \$680 million
- Return on equity⁽¹⁾ of 15.2%
- Dividends per share increase of 10.0%, the 29th consecutive year of dividend growth

RETAIL NETWORK

		Québec	Ontario	New Brunswick	Total
Supermarkets	Metro Metro Plus	197	Metro	131	328
Discount stores	Super C	103	Food Basics	144	247
Neighbourhood stores	Marché Richelieu	51			370
	Marché Ami	319			
Specialized stores	Première Moisson	22	Première Moisson	1	23
	Adonis	11	Adonis	4	15
Total food		703	280		983

Pharmacies	Brunet Brunet Plus Brunet Clinique Clini Plus	143	Metro Pharmacy Food Basics Pharmacy	77		220
	PJC Jean Coutu PJC Health PJC Health & Beauty		PJC Jean Coutu PJC Health			
Total pharmacies		526	86		28	640

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

	2023 <i>(53 weeks)</i>	2022 <i>(52 weeks)</i>	2021 <i>(52 weeks)</i>	2020 <i>(52 weeks)</i>	2019 <i>(52 weeks)</i>
OPERATING RESULTS					
<i>(Millions of dollars)</i>					
Sales	20,724.6	18,888.9	18,283.0	17,997.5	16,767.5
Operating income before depreciation, amortization and impairments of assets, net of reversals	1,969.6	1,844.6	1,732.5	1,683.6	1,321.5
Net earnings	1,018.8	849.5	825.7	796.4	714.4
Adjusted net earnings ⁽¹⁾	1,006.6	922.1	854.2	829.1	731.6
Cash flows from operating activities*	1,563.5	1,461.4	1,583.3	1,474.1	794.6
FINANCIAL STRUCTURE					
<i>(Millions of dollars)</i>					
Total assets	13,865.3	13,401.3	13,592.1	13,423.9	11,073.9
Current and non-current debt	2,665.6	2,342.8	2,636.8	2,633.0	2,657.6
Current and non-current lease liabilities**	1,658.7	1,779.0	1,927.2	2,069.4	—
Equity	6,816.3	6,618.4	6,412.8	6,155.4	5,968.6
PER SHARE					
<i>(Dollars)</i>					
Basic net earnings	4.36	3.53	3.34	3.15	2.79
Fully diluted net earnings	4.35	3.51	3.33	3.14	2.78
Adjusted fully diluted net earnings ⁽¹⁾	4.30	3.82	3.44	3.27	2.84
Dividends	1.1825	1.0750	0.9750	0.8750	0.7800
FINANCIAL RATIOS					
<i>(%)</i>					
Operating income before depreciation, amortization and impairments of assets, net of reversals / Sales**	9.5	9.8	9.5	9.4	7.9
Return on equity ⁽¹⁾	15.2	13.0	13.1	13.1	12.3
SHARE PRICE					
<i>(Dollars)</i>					
High	78.90	73.54	66.25	64.61	58.94
Low	67.09	59.14	52.63	49.03	39.04
Closing price (At year-end)	70.54	69.84	60.18	64.02	57.91

* 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,

Among the many challenges that marked the 2023 financial year, inflation definitely caught everyone's attention. In the face of this challenge, the Company's teams continued to work tirelessly to offer value to customers across all our banners through competitive pricing, promotional programs, private label products and our loyalty programs. The Board received regular updates from the Company's management on this issue and monitored the situation closely.

In May 2023, METRO launched the MOI program in Quebec, an evolution of the metro&moi customer loyalty program, which enhances the many benefits already offered and provides a more personalized and generous offer to customers of the Metro, Jean Coutu, Super C, Brunet and Première Moisson banners. The Board reviewed and approved this initiative and offered its support to the management team in rolling out this important project.

Capital expenditure also reached a record level of nearly \$680 million. These investments were used to carry out important projects for the Company, including those relating to the modernization of the supply chain and the improvement of our store network. In particular, I would like to highlight the commissioning of our new automated distribution centre for fresh and frozen products in Terrebonne, and the continuation of work towards the commissioning of phase 2 of the automated distribution centre for fresh products in Toronto, scheduled for 2024⁽²⁾. The Board of Directors fully supports management in the pursuit of these major projects and is closely monitoring their progress.

The Company maintained a very good financial performance throughout the year as the Company passed, for the first time, the \$20 billion mark for sales and the \$1 billion mark for net earnings. I would like to underline the exemplary work of the management team, our employees, our merchants and our pharmacist owners, who have enabled the Company to achieve this good performance and meet these challenges.

Board of Directors

Throughout the year, the Board of Directors continued to monitor and support management in the execution and realization of the strategic plan and the Corporate Responsibility Plan 2022-2026, for which a report is published at the same time as this Annual Report.

The Corporate Governance and Responsibility Committee monitored the Company's activities relating to the priorities set out in the 2022-2026 Corporate Responsibility Plan during the year, including the strategy and initiatives put forward to fight climate change. In addition, the Board of Directors supported the Company's approach to management's analysis of the feasibility and costs of achieving the net-zero targets of the Science Based Targets initiative (SBTi). Following this analysis, the Company, with the endorsement of the Board of Directors, adjusted the scope of its current greenhouse gas (GHG) emissions reduction target by committing to setting company-wide short-term GHG reduction targets based on the SBTi standard.

As in previous years, as part of our shareholder engagement policy, the Chair of the Corporate Governance and Responsibility Committee and I met with some of the Company's major shareholders to discuss Board-related topics such as Board succession, ESG and diversity. These meetings enabled us to have a constructive dialogue with the Company's shareholders on subjects of importance to the Board, the Company and shareholders in general.

METRO recognizes the importance of diversity of ideas, backgrounds, skills and experience in the design and composition of the Board and strives to create an open and responsive environment where all voices are heard, respected and feel included. During 2023, to reflect the Board's commitment to continuing its efforts to increase diversity and better represent the communities served by the Company, the Board decided to modify its target for women's representation to adopt a minimum located within a range of 30% to 40%, rather than a fixed target of 30%, and added a new target to have at least one Board member who identifies as a member of one of the following groups: visible minorities, people with visible or invisible disabilities, ethnic minorities, Indigenous peoples or people belonging to the LGBTQ2+ community. The Board is proud to say that it meets both these targets and will continue to do so if the candidates put forward by the Board of Directors are elected at the next Annual Meeting of Shareholders.

Having served on the Board for 17 and 11 years respectively, Mr. Christian W. E. Haub and Mr. Russell Goodman have decided to retire as directors of the Company. Mr. Haub, former President of A&P, joined the Board in 2005, following the Company's acquisition of A&P Canada. His experience in the retail sector was greatly appreciated by the Board. Mr. Goodman has chaired the Audit Committee since 2018 and has greatly contributed to the Committee's achievement of its objectives in an effective manner. On behalf of my colleagues and our shareholders, I would like to

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

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

thank them for their great contribution to and leadership of the Board and its committees over the years. Their professionalism and experience have been of great benefit to the Company.

To ensure a thoughtful and organized transition, the Board appointed Mr. Pietro Satriano as a director and member of the Audit Committee last April, and he is therefore a candidate for election as a director for the first time. The Corporate Governance and Responsibility Committee has continued its efforts to ensure succession planning for the Board of Directors, and has defined the criteria, profiles and skills required for the Board. These efforts led to the appointment of Mr. Pietro Satriano, and also to the recruitment of Ms. Geneviève Fortier, who is now a first-time candidate for a position on the Board of Directors. The Board is convinced that Geneviève and Pietro will make a positive contribution to the Board.

I would like to thank the members of the Board of Directors for their collaboration and commitment to making METRO a high-performance, innovative and inclusive company that continues to build for the future. Finally, I would like to also thank our shareholders for the confidence you continue to place in us.



Pierre Boivin

Chair 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

Strategic achievements in a high food inflation context

During the fiscal year, we achieved two important milestones in our strategic plan: the launch of the MOI rewards program and the commissioning of our automated distribution centre for fresh and frozen products in Terrebonne. Food inflation remained high during our fiscal year, gradually stabilizing in the fourth quarter. We are of course well aware of the impact of rising food prices on consumers and our teams worked tirelessly to offer them the best value across all our banners.

In this context, many consumers have turned to discount banners. We are well positioned with our discount, conventional and specialty banners and strive every day to serve all our customers well, in our stores and online.

The food industry, as well as our company, continue to receive ongoing attention from the federal government. We know that rising food prices have an impact on all Canadians and, as I have said on several occasions, our teams are working hard to mitigate the impact. Reducing inflation is in everyone's interest. As we have repeatedly demonstrated, METRO is not responsible for food price inflation. Our prices are set on the basis of our costs, all of which have risen: labour, fuel, electricity, but above all, the cost of goods sold to us by our suppliers. That's why any solution, which we will participate in, must involve suppliers and the whole supply chain, because this is an industry issue.

It is with this in mind that METRO has made a firm commitment to adopt the industry-led Grocery Code of Conduct, once finalized, and has played an active and leading role in its development. METRO has supported and will continue to support industry initiatives that improve transparency, predictability and fairness throughout the supply chain.

Our 2023 Fiscal Year

In 2023, we realised very good results thanks to strong sales growth and sound expense management in both the food and pharmacy sectors. For the first time in our history, sales for the year exceeded \$20 billion, and net earnings reached \$1 billion. While continuing to advance our strategic projects, our teams continued to work very hard to offer value to our customers across all our banners, with competitive pricing, weekly promotional programs, private brand products and rewards programs.

We saw changes in consumer habits, with more shoppers visiting our discount banners. These have grown faster than our conventional banners. We are well positioned to meet their needs with our Super C banner in Quebec and Food Basics in Ontario.

The high inflation we have been experiencing for over two years is putting pressure on our labour costs. We have renegotiated and reopened several collective agreements in recent years, increasing our employees' wages and other working conditions. Despite our efforts, we faced a five and a half week labour dispute in 27 Metro stores in the Greater Toronto Area.

2023 Financial Results

We had a 53-week fiscal year in 2023 versus 52 weeks in 2022. Revenues for Fiscal 2023 reached \$20,724.6 million, compared to \$18,888.9 million for the corresponding period in 2022, up 9.7%. Excluding the 53rd week of fiscal 2023, the increase in revenues was 7.6%. Adjusted net earnings were \$1,006.6 million and adjusted fully diluted earnings per share were \$4.30, up respectively 9.2% and 12.6% compared to Fiscal 2022. The fourth quarter of 2023 was unfavorably impacted by estimated lost profits and direct costs of \$36.7 million from the labour conflict at 27 Metro stores in the Greater Toronto Area.

Our gross margin declined slightly to 19.7% from 20.0% in 2022. This decrease is explained by the strong growth of our discount banners, the increase in promotional sales and the fact that we are absorbing part of the cost increases received from our suppliers.

The labour dispute had an unfavourable impact on net earnings of approximately \$27.0 million, or \$0.12 per share. The 53rd week had a favorable impact on net earnings of \$27.0 million, or \$0.12 per share.

For the 29th 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 in dividends. During Fiscal 2023, our shares traded between \$67.09 and \$78.90 and closed at \$70.54, up 1% from the previous year.

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

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



2023 HIGHLIGHTS

Modernization of our distribution network

Our distribution network modernization project announced in 2017, an investment of nearly \$1 billion in METRO's future, reached an important milestone with the commissioning last October of our new automated distribution centre for fresh and frozen products in Terrebonne. With its state-of-the-art technologies and well-trained team, our new centre will enable us to increase our capacity to support our growth, gain in efficiency, while improving service to stores with increased accuracy and reduction of handling time.

In Ontario, work continued on the commissioning of phase 2 of the automated fresh distribution centre in Toronto, scheduled for 2024⁽²⁾. This will complement phase 1 of the Toronto fresh distribution centre, which opened in January 2021, and the new automated distribution centre for frozen foods, which opened in January 2022.

We also continued to invest in our Varennes distribution centre to keep it at the cutting edge of technology. We have automated certain processes for greater efficiency, enabling us to serve our pharmacy networks always more reliably.

Retail investments

Our capital investments reached a new record level in 2023, totalling almost \$680 million.

In collaboration with our affiliated merchants and pharmacist owners, we continued to invest in our food and pharmacy networks. In Quebec, these investments included the opening of one Metro Plus and three Super C stores, as well as major renovations and expansions at three Metro and Metro Plus stores, two Adonis stores in Brossard and Laval, and the conversion of one store to the Super C banner in Gatineau. In Ontario, two new Food Basics stores and one Metro store opened, and major renovations were carried out in four Metro stores and one Food Basics store. On the pharmacy side, 12 major renovations were carried out at Jean Coutu stores, one of which welcomed the brand's latest retail concept last September.

Loyalty

The launch of our MOÏ rewards program took place last spring across our Metro, Super C, Brunet and Première Moisson banners in Quebec and all Jean Coutu pharmacies in Quebec, Ontario and New Brunswick. This marked a major step forward in the company's overall digital strategy, enabling us to better understand consumer needs and provide them with even more personalized offers. Customers can now take full advantage of the complementarity of our food and pharmacy networks and save even more on everyday essentials. Since the launch, we have doubled the number of members from 1.2 million metro&moi members to 2.4 million MOÏ members. This launch also marked the beginning of a new partnership with the Royal Bank of Canada (RBC) with the launch of the MOÏ RBC Visa no-annual-fee credit card offering more customer value.

eCommerce

We continued to roll out our digital plan, which enables us to offer customers of our food and pharmacy banners a range of services to meet their needs and preferences. On the Metro side, we continued to expand our delivery service. Metro's My Online Grocery once again ranked 1st among Canada's major food retailers for its online shopping experience, according to the 2022 WOW Digital Study. As for Super C, the in-store pick-up service gradually began in 2022, and our teams are working hard to complete the deployment at the beginning of Fiscal 2024⁽²⁾. Super C, Food Basics and Adonis have been added to Instacart, and Food Basics is now also available on Cornershop.

Increasing our efficiency

The deployment of our technology initiatives continued in our various banners in Quebec and Ontario, to provide us with greater efficiency. 498 of our food stores and 63 pharmacies now offer self-serve checkouts, while 335 stores and 41 pharmacies have switched to electronic shelf labels. 44 stores offer "Scan, Bag and Go" technology, allowing customers to scan the barcode of products as they add them to their cart.

Facilitating healthcare

Pharmacists in our networks continued to play their essential role on the front line of healthcare, facilitating access to care. In January 2023, their scope of practice was broadened in Ontario, allowing the assessment of, and prescription for, 13 additional common ailments. These are new professional acts that facilitate access to healthcare for patients within their communities, as has been the case in Quebec since 2020. We also completed the deployment of Canada Health Infoway's PrescriberIT solution, a secure inter-professional messaging platform in our Ontario pharmacies and in the Jean Coutu network in Ontario and New Brunswick. These pharmacies can now electronically receive prescriptions and transmit renewal requests to the prescriber, resulting in more efficient care and better

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communication between clinicians. We are continuing to work with the Ministry of Health and Social Services to roll out the solution in Quebec over the coming months⁽²⁾.

Corporate Responsibility

This year marked the second year of implementation of our 2022-2026 Corporate Responsibility (CR) Plan. Our teams have continued to work rigorously and we are on the right track in our progress towards achieving the objectives we have set for ourselves.

We partnered with SupplyShift, an online platform supported by a team of ESG experts, to collect and analyze data from our suppliers to assess their compliance with all the principles of our Supplier Code of Conduct for responsible procurement.

We completed a feasibility and costs analysis for achieving the Net Zero targets of the Science Based Targets initiative (SBTi) which led to our commitment, in November 2023, to set near-term company-wide greenhouse gas (GHG) emissions reduction targets in line with the SBTi standard.

Investing in our communities

In 2023, more than \$7 million was donated to charities to support the communities in which we operate in order to reduce social inequalities, particularly in food and health, and to ensure the population's well-being.

We renewed our commitment to Centraide for a 25th year. Thanks to the generosity of our teams and customers, and the sustained efforts of METRO's food and pharmacy banners in Quebec, we were able to raise a record \$2.5 million, earning us a Corporate Commitment Award in the 1,000+ employees category, presented to companies that have conducted an exceptional campaign at all levels.

Investing in the communities we serve is important to us, and we are proud to have received Imagine Canada's 2023 Caring Company certification, awarded to companies that demonstrate leadership in social impact and community engagement by using at least 1% of their pre-tax profits to support their communities.

To find out more about our achievements in relation to our Corporate Responsibility Plan, I invite you to consult our 2023 Corporate Responsibility Report.

Partnering with Quebecers in their daily lives for 75 years

This year, we celebrated 75 years of history. Over the decades, we have constantly innovated and evolved to meet the changing needs of our customers and the industry, while maintaining our authenticity. The ongoing support and commitment of our local producers, merchants and pharmacist owners, employees, communities and customers are the pillars of our success.

Our colleagues' dedication to meeting our customers' needs is what enabled METRO to take 2nd place in this year's ranking of Canada's most respected companies in the grocery/food retailer category, while the Jean Coutu banner took 1st place for the retail sector in the ranking of Quebec's most admired companies.

Another distinction of which I am very proud is the PROSPÈRE Outstanding Employer Award presented to METRO by the Conseil du Patronat du Québec (CPQ). The Outstanding Employer Award is bestowed on an employer who places its human resources at the heart of its mission, and whose organizational culture and practices foster exceptional team mobilization.

2024 Outlook and priorities⁽²⁾

Our teams work tirelessly every day to continue offering the best possible value to our customers across all our banners, with competitive pricing, our full range of private label products, our efficient weekly promotions and our loyalty programs, while doing their utmost to exceed our customers' expectations, every day.

Our priorities for Fiscal 2024 remain essentially the same:

1. Increase our market share;
2. Continue to modernize our supply chain;
3. Accelerate the digital transformation of the company;
4. Engage customers and monetize our platforms;
5. Develop the best team;
6. Achieve our corporate responsibility goals.

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

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In addition, 2024 will be marked by the accelerated commissioning of our new automated distribution centre in Terrebonne, the expansion of our produce distribution centre in Laval, and the launch of the final phase of our automated fresh facility in Toronto next spring.

While these investments position us well for continued profitable growth over the long term, they result in inevitable significant headwinds in Fiscal 2024. These include some temporary duplication of costs and learning curve inefficiencies, as well as higher depreciation and lower capitalized interest. We will not fully absorb these additional expenses and we are currently forecasting operating income before depreciation and amortization and impairments of assets, net of reversals, to grow by less than 2% in Fiscal 2024 versus the level reported in Fiscal 2023 and adjusted net earnings per share to be flat to down \$0.10 in Fiscal 2024 versus the level reported in Fiscal 2023. We expect to resume our profit growth post Fiscal 2024 and are maintaining our publicly disclosed annual growth target of between 8% and 10% for net earnings per share over the medium and long term.

Acknowledgment

I would like to thank all our employees, merchants and pharmacist owners, as well as my management colleagues, for their commitment and for the work they have accomplished in a demanding environment. I would also like to thank the members of the Board of Directors for their constant support. Finally, I would like to thank you, dear 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"

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

For the year ended September 30, 2023



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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 30, 2023, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 30, 2023. This report is based upon information as at December 1, 2023 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for Fiscal 2023, is available on the SEDAR+ website at www.sedarplus.ca.

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

The Corporation also acts as franchisor and distributor for 420 PJC Jean Coutu, PJC Health and PJC Health & Beauty pharmacies as well as 143 Brunet Plus, Brunet, Brunet Clinique, and Clini Plus pharmacies, held by pharmacist owners. The Corporation operates 77 pharmacies 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 pharmacies. The Corporation is also active in generic drug distribution through its subsidiary Pro Doc Ltée.

PURPOSE, MISSION AND STRATEGY

For more than 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 retail leader with more than \$20 billion in revenues 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⁽²⁾ 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.

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

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

KEY ACHIEVEMENTS

Sales for Fiscal 2023 totalled \$20,724.6 million, up 9.7% compared to \$18,888.9 million for Fiscal 2022. Excluding the 53rd week in 2023, sales were up 7.6%. Net earnings for Fiscal 2023 were \$1,018.8 million compared with \$849.5 million for Fiscal 2022, while fully diluted net earnings per share were \$4.35 compared with \$3.51 in 2022, up 19.9% and 23.9%, respectively. Adjusted net earnings⁽¹⁾ for Fiscal 2023 totalled \$1,006.6 million compared with \$922.1 million for Fiscal 2022, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$4.30 versus \$3.82, up 9.2% and 12.6%, respectively.

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

- Last May, we launched the MOI rewards program, an evolution of the metro&moi program. The MOI program allows 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. The number of memberships has doubled since the launch last spring, a sign that the program is valued by our customers. The launch of MOI marks a major milestone in the company's overall digital strategy as for the first time, customers will be able to take full advantage of the complementary nature of our food and pharmacy networks.
- This fall, METRO opened its new automated distribution centre for fresh and frozen products in Terrebonne. The inauguration of this new centre marks a significant milestone for METRO and reaffirms the prominent economic role that the company plays in Quebec, especially through the investment of over \$420 million in its Quebec distribution network and the tens of thousands of jobs it provides across the province. This new automated distribution centre will help improve⁽²⁾ the quality of service and products sent to grocery stores, thanks to greater order accuracy and reduced handling time, as well as improving the resilience of our supply chain.
- 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 in 2022, are complete and fully operational. The launch 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 spring 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.
- For the third consecutive year, we invested a record level of capital spending of nearly \$680 million in 2023 related to the Corporation's major projects including supply chain modernization, store network and omnichannel strategy.
- We continued to invest in our retail network. In Quebec, we opened one Metro store and three Super C stores, converted a Metro store to Super C, and completed, with our retailers, major renovations, and expansions at five other stores. In Ontario, we opened one Metro store, two Food Basics stores, and completed major renovations at five other stores. On the pharmacy side, we opened one store, relocated one store, and carried out major expansions and renovations in 13 Jean Coutu stores.
- We continued to expand our online grocery services which are available to over 90% of the Ontario and Quebec population via relevant customer-facing applications that are easy to use and deliver a seamless customer experience across all channels. By the end of Fiscal 2023, 231 Metro and 83 Super C grocery stores and nearly 300 Jean Coutu pharmacies offered in-store pickup. For our delivery service, we have expanded first party locations as well as our partnerships with third party services, Instacart and Uber, which now includes the Food Basics, Super C, Adonis & Première Moisson banners.
- Last October, METRO received the PROSPÈRE Outstanding Employer award at the Conseil du Patronat du Québec (CPQ) annual gala which recognized the best companies in Quebec in 2023. The distinction is awarded to an employer who places its human resources at the heart of its mission and whose organizational culture and practices foster exceptional team mobilization.
- At the 30th edition of the Canadian Grand Prix New Product Awards, held in Toronto, the Corporation won a remarkable total of 11 prizes recognizing our Private Label products as best innovations of the year in Canada. Once again this year, we are the company with the highest number of winning products. This prestigious competition showcases the finest industry innovations across the country.

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

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

- Once again this year, METRO is the proud recipient of an Impact Award in the Community Service category. This distinction, awarded by Canadian Grocer magazine, a reference in the food industry, recognizes the inaugural edition of our annual Healthy Together campaign. The Impact Awards recognize the work of Canadian companies in the food and consumer products industry, who go above and beyond to make a significant difference in various fields. This recognition highlights METRO's efforts to take concrete action that can help reduce social inequalities, particularly when it comes to food and health.
- We completed the second year of our 2022-2026 Corporate Responsibility (CR) Plan, making progress against most of our priorities and staying on course. In particular, we partnered with SupplyShift, an online platform that enables us to better collect and analyze data from our suppliers, and thus assess their compliance with all the principles of our Supplier Code of Conduct. Following our commitment in October 2022 to rigorously evaluate the feasibility and costs of achieving the Science Based Targets initiative (SBTi) Net-Zero Standard, we reviewed and adjusted the scope of our existing objective by committing to set near-term company-wide greenhouse gas (GHG) emission reduction targets in line with the SBTi Standard. In terms of packaging and printed materials, our efforts this year focused on increasing the recycled content and recyclability of our plastic containers in the fresh products sections of our food stores. In particular, we have eliminated all coloured plastic containers and packaging in all our food banners. In addition, we have continued to increase our disclosure. In 2023, we disclosed our forest-related practices to CDP Forests for the first time, underscoring our commitment to addressing deforestation. METRO is actively working to increase the resilience of its activities with regard to physical and transition climate risks. The Corporation is publishing this year its first Report on climate-related risks and opportunities, which includes results of its climate scenario analysis, in alignment with the framework of the Task Force on Climate-related Financial Disclosure (TCFD).

⁽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

	2023	2022	Change	2021	Change
<i>(Millions of dollars, unless otherwise indicated)</i>	<i>(53 weeks)</i>	<i>(52 weeks)</i>	<i>%</i>	<i>(52 weeks)</i>	<i>%</i>
Sales	20,724.6	18,888.9	9.7	18,283.0	3.3
Net earnings attributable to equity holders of the parent	1,014.8	846.1	19.9	823.0	2.8
Net earnings attributable to non-controlling interests	4.0	3.4	17.6	2.7	25.9
Net earnings	1,018.8	849.5	19.9	825.7	2.9
Basic net earnings per share	4.36	3.53	23.5	3.34	5.7
Fully diluted net earnings per share	4.35	3.51	23.9	3.33	5.4
Adjusted net earnings ⁽¹⁾	1,006.6	922.1	9.2	854.2	7.9
Adjusted fully diluted net earnings per share ⁽¹⁾	4.30	3.82	12.6	3.44	11.0
Return on equity ⁽¹⁾ (%)	15.2	13.0	—	13.1	—
Dividends per share <i>(Dollars)</i>	1.1825	1.0750	10.0	0.9750	10.3
Total assets	13,865.3	13,401.3	3.5	13,592.1	(1.4)
Current and non-current portions of debt	2,665.6	2,342.8	13.8	2,636.8	(11.1)

Sales for Fiscal 2023 totalled \$20,724.6 million, up 9.7% compared to \$18,888.9 million for Fiscal 2022. Excluding the 53rd week in 2023, sales were up 7.6%.

Net earnings for Fiscal 2023, 2022 and 2021 totalled \$1,018.8 million, \$849.5 million and \$825.7 million, respectively, while fully diluted net earnings per share amounted to \$4.35, \$3.51 and \$3.33. Taking into account the items relating to Fiscal 2023 and 2022 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 2021, adjustment for the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, adjusted net earnings⁽¹⁾ for Fiscal 2023 stood at \$1,006.6 million compared with \$922.1 million for Fiscal 2022 and \$854.2 million for Fiscal 2021, while adjusted fully diluted net earnings per share⁽¹⁾ was \$4.30 for 2023 compared with \$3.82 for 2022 and \$3.44 for 2021, up 12.6% and 11.0% respectively.

OUTLOOK⁽²⁾

As we begin our new fiscal year, we are ramping up our new state-of-the-art, automated distribution centre north of Montreal and the expansion of our Montreal produce facility as planned. We are also preparing for the launch of the final phase of our automated fresh facility in Toronto next spring. While these investments position us well for continued long-term profitable growth, we are facing significant headwinds in Fiscal 2024 as we incur some temporary duplication of costs and learning curve inefficiencies, as well as higher depreciation and lower capitalized interest. We will not fully absorb these additional expenses and we are currently forecasting operating income before depreciation and amortization and impairments of assets, net of reversals, to grow by less than 2% in Fiscal 2024 versus the level reported in Fiscal 2023, and adjusted net earnings per share to be flat to down \$0.10 in Fiscal 2024 versus the level reported in Fiscal 2023. We expect to resume our profit growth post Fiscal 2024 and are maintaining our publicly disclosed annual growth target of between 8% and 10% for net earnings per share over the medium and long term.

⁽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

FISCAL YEAR

The Corporation's fiscal year ends on the last Saturday of September. The fiscal year ended September 30, 2023 included 53 weeks of operations and the fiscal year ended September 24, 2022 included 52 weeks of operations. An additional week is included in the fourth quarter every five or six years to realign the Corporation's fiscal year with the calendar. This inclusion occurred in the fourth quarter of Fiscal 2023.

SALES

Sales for Fiscal 2023 totalled \$20,724.6 million, up 9.7% compared to \$18,888.9 million for Fiscal 2022. Excluding the 53rd week in 2023, sales were up 7.6%. Food same-store sales⁽¹⁾ were up 7.6% (up 2.0% in 2022). Online food sales⁽¹⁾ in 2023 increased by 78.0% compared to last year, mostly driven by higher partnership sales while online food sales⁽¹⁾ increased by 8.0% in 2022. Pharmacy same-store sales⁽¹⁾ were up 6.5% (7.9% in 2022), with a 6.3% increase in prescription drugs⁽¹⁾ and a 7.0% 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 2023 totalled \$1,969.6 million or 9.5% of sales, up 6.8% versus Fiscal 2022.

Gross profit for the fourth quarter of 2023 was unfavorably impacted by \$36.3 million of estimated lost profits and direct costs related to a labour conflict at 27 Metro stores in the Greater Toronto Area. Gross margin⁽¹⁾ for Fiscal 2023 was 19.7%, versus 20.0% in 2022.

Operating expenses as a percentage of sales for Fiscal 2023 were 10.2% versus 10.4% for Fiscal 2022.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for Fiscal 2023 was \$525.2 million versus \$503.3 million for Fiscal 2022. This increase reflects the additional capital investments during the year.

IMPAIRMENTS OF ASSETS, NET OF REVERSALS

There were no impairments of assets, net of reversals, in Fiscal 2023. 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 Fiscal 2023 were \$122.6 million versus \$117.6 million for Fiscal 2022. The increase is mostly due to higher debt partly offset by higher capitalized interests on our distribution centre automation projects.

INCOME TAXES

The income tax expense of \$303.0 million for Fiscal 2023 represented an effective tax rate of 22.9% compared with an income tax expense of \$304.1 million for Fiscal 2022 which represented an effective tax rate of 26.4%. The Corporation recorded tax assets of \$40.7 million in the third quarter of 2023 (\$8.2 million of current tax assets and \$32.5 million of deferred tax assets) with an equivalent reduction of the tax expense following a favorable judgement at the Tax Court of Canada. Capital losses previously disallowed by the Canada Revenue Agency ("CRA") on the disposition of shares of a subsidiary in the years 2012 to 2014, have now been granted. The CRA subsequently

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

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



accepted that the Corporation amend a rollover form filed for the tax year ended March 3, 2018, resulting in an increase in the tax base of intangible assets.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for Fiscal 2023 were \$1,018.8 million compared with \$849.5 million for Fiscal 2022, while fully diluted net earnings per share were \$4.35 compared with \$3.51 in 2022, up 19.9% and 23.9%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for Fiscal 2023 totalled \$1,006.6 million compared with \$922.1 million for Fiscal 2022, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$4.30 versus \$3.82, up 9.2% and 12.6%, respectively.

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

	2023 (53 weeks)		2022 (52 weeks)		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	1,018.8	4.35	849.5	3.51	19.9	23.9
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			
Favorable tax adjustment in respect of prior years	(40.7)		—			
Adjusted measures ⁽¹⁾	1,006.6	4.30	922.1	3.82	9.2	12.6

⁽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>	2023	2022	Change (%)
Sales			
Q1 ⁽³⁾	4,670.9	4,316.6	8.2
Q2 ⁽³⁾	4,554.5	4,274.2	6.6
Q3 ⁽⁴⁾	6,427.5	5,865.5	9.6
Q4 ⁽⁵⁾	5,071.7	4,432.6	14.4
Fiscal	20,724.6	18,888.9	9.7
Net earnings			
Q1 ⁽³⁾	231.1	207.7	11.3
Q2 ⁽³⁾	218.8	198.1	10.4
Q3 ⁽⁴⁾	346.7	275.0	26.1
Q4 ⁽⁵⁾	222.2	168.7	31.7
Fiscal	1,018.8	849.5	19.9
Adjusted net earnings⁽¹⁾			
Q1 ⁽³⁾	237.6	214.2	10.9
Q2 ⁽³⁾	225.4	204.7	10.1
Q3 ⁽⁴⁾	314.8	283.8	10.9
Q4 ⁽⁵⁾	228.8	219.4	4.3
Fiscal	1,006.6	922.1	9.2
Fully diluted net earnings per share (Dollars)			
Q1 ⁽³⁾	0.97	0.85	14.1
Q2 ⁽³⁾	0.93	0.82	13.4
Q3 ⁽⁴⁾	1.49	1.14	30.7
Q4 ⁽⁵⁾	0.96	0.70	37.1
Fiscal	4.35	3.51	23.9
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)			
Q1 ⁽³⁾	1.00	0.88	13.6
Q2 ⁽³⁾	0.96	0.84	14.3
Q3 ⁽⁴⁾	1.35	1.18	14.4
Q4 ⁽⁵⁾	0.99	0.92	7.6
Fiscal	4.30	3.82	12.6

⁽³⁾ 12 weeks

⁽⁴⁾ 16 weeks

⁽⁵⁾ 13 weeks for 2023 and 12 weeks for 2022

Sales in the first quarter of Fiscal 2023 remained strong, reaching \$4,670.9 million, up 8.2% from the first quarter of 2022 mainly due to higher inflation this quarter. Food same-store sales⁽¹⁾ were up 7.5% versus the same quarter last year (down 1.4% in the first quarter of 2022). Online food sales⁽¹⁾ were up 40.0% versus last year (flat in 2022). Our food basket inflation was 10.0%, the same level as the previous quarter. Pharmacy same-store sales⁽¹⁾ were up 7.7% (7.7% in the first quarter of 2022), with a 6.5% increase in prescription drugs⁽¹⁾ and a 10.2% increase in front-store sales⁽¹⁾, primarily driven by over-the-counter products, cosmetics and health and beauty.

⁽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 2023 remained strong, reaching \$4,554.5 million, up 6.6% compared to elevated sales last year due to COVID-related restrictions in both provinces. Food same-store sales⁽¹⁾ were up 5.8% versus the same quarter last year mainly due to higher inflation this quarter (0.8% in the second quarter of 2022). Online food sales⁽¹⁾ were up 41.0% versus last year (6.0% in the second quarter of 2022), mostly driven by new partnership sales. Our food basket inflation was 9.0%, down slightly from the previous quarter. Pharmacy same-store sales⁽¹⁾ were up 7.3% (9.4% in the second quarter of 2022), with a 5.0% increase in prescription drugs⁽¹⁾ and a 12.2% increase in front-store sales⁽¹⁾, primarily driven by over-the-counter products, cosmetics and health and beauty.

Sales in the third quarter of Fiscal 2023 remained strong, reaching \$6,427.5 million, and up 9.6%. Food same-store sales⁽¹⁾ were up 9.4% (1.1% in the third quarter of 2022) driven by the continuing shift to discount and high inflation. Online food sales⁽¹⁾ were up 99.0% versus last year (flat in the third quarter of 2022), mostly driven by higher partnership sales. Our food basket inflation was about 8.0%, lower than reported food CPI and lower than the previous quarter. Pharmacy same-store sales⁽¹⁾ were up 5.9% (7.2% in the third quarter of 2022), with a 6.7% increase in prescription drugs⁽¹⁾ and a 4.1% increase in front-store sales⁽¹⁾, with increases across most categories except over-the-counter products.

Sales in the fourth quarter of Fiscal 2023 remained strong, reaching \$5,071.7 million, and up 14.4 % versus the fourth quarter of the prior year. Excluding the 13th week in 2023, fourth quarter sales were up 5.4%. Food same-store sales⁽¹⁾ were up 6.8% (8.0% in the fourth quarter of 2022) driven mostly by our discount banners. Online food sales⁽¹⁾ were up 116.0% versus last year (33.0% in the fourth quarter of 2022), mostly driven by higher partnership sales. Our food basket inflation was about 5.5%, lower than reported CPI and down from 8.0% in the third quarter. Pharmacy same-store sales⁽¹⁾ were up 5.5% (7.4% in the fourth quarter of 2022), with a 6.7% increase in prescription drugs⁽¹⁾ and a 3.1% increase in front-store sales⁽¹⁾, with increases across most categories except over-the-counter products as we cycled very high sales last year due to a strong cough and cold season.

Net earnings for the first quarter of Fiscal 2023 were \$231.1 million compared with \$207.7 million for the first quarter of 2022, while fully diluted net earnings per share were \$0.97 compared with \$0.85 in 2022, up 11.3% and 14.1%, respectively. Excluding from the first quarters of Fiscal 2023 and 2022, 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 2023 totalled \$237.6 million compared with \$214.2 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.00 compared with \$0.88, up 10.9% and 13.6% respectively.

Net earnings for the second quarter of Fiscal 2023 were \$218.8 million compared with \$198.1 million for the second quarter of 2022, while fully diluted net earnings per share were \$0.93 compared with \$0.82 in 2022, up 10.4% and 13.4%, respectively. Excluding from the second quarters of Fiscal 2023 and 2022, 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 2023 totalled \$225.4 million compared with \$204.7 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.96 compared with \$0.84, up 10.1% and 14.3% respectively.

Net earnings for the third quarter of Fiscal 2023 were \$346.7 million compared with \$275.0 million for the third quarter of 2022, while fully diluted net earnings per share were \$1.49 compared with \$1.14 in 2022, up 26.1% and 30.7%, respectively. Adjusted net earnings⁽¹⁾ for the third quarter of Fiscal 2023 totalled \$314.8 million compared with \$283.8 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.35 versus \$1.18, up 10.9% and 14.4% respectively. The third quarters of 2023 and 2022 included adjustments for the after-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$11.9 million as well as the income taxes relating to these items and the third quarter of 2023 also included an adjustment for a favorable \$40.7 million income tax entry in respect of prior years.

⁽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 for the fourth quarter of Fiscal 2023 were \$222.2 million compared with \$168.7 million for the fourth quarter of 2022, while fully diluted net earnings per share were \$0.96 compared with \$0.70 in 2022, up 31.7% and 37.1%, respectively. Adjusted net earnings⁽¹⁾ for the fourth quarter of Fiscal 2023 totalled \$228.8 million compared with \$219.4 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.99 versus \$0.92, up 4.3% and 7.6% respectively. The fourth quarters of 2023 and 2022 included adjustments for the pre-tax 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 the income taxes relating to these items. The labour conflict at 27 Metro stores in the Greater Toronto Area had an unfavorable impact of approximately \$27.0 million after-tax or \$0.12 per share. The 13th week had a favorable impact of \$27.0 million net of tax or \$0.12 per share.

<i>(Millions of dollars)</i>	2023				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net earnings	231.1	218.8	346.7	222.2	207.7	198.1	275.0	168.7
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
Favorable tax adjustment in respect of prior years	—	—	(40.7)	—	—	—	—	—
Adjusted net earnings ⁽¹⁾	237.6	225.4	314.8	228.8	214.2	204.7	283.8	219.4

<i>(Dollars)</i>	2023				2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fully diluted net earnings per share	0.97	0.93	1.49	0.96	0.85	0.82	1.14	0.70
Adjustments impact	0.03	0.03	(0.14)	0.03	0.03	0.02	0.04	0.22
Adjusted fully diluted net earnings per share ⁽¹⁾	1.00	0.96	1.35	0.99	0.88	0.84	1.18	0.92

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash inflows of \$1,563.5 million in Fiscal 2023 compared with \$1,461.4 million in Fiscal 2022. The variance for the fiscal year is mainly due to higher earnings in 2023.

INVESTING ACTIVITIES

In Fiscal 2023, investing activities required cash outflows of \$572.5 million compared with \$477.8 million for Fiscal 2022. This difference stemmed mainly from higher investments in tangible and intangible assets of \$58.9 million in 2023.

During 2023, we and our retailers opened 8 stores, carried out major expansions and renovations of 10 stores and 2 stores were closed for a net increase of 256,300 square feet or 1.2% of our food retail network.

FINANCING ACTIVITIES

Financing activities required cash outflows of \$974.9 million in Fiscal 2023 compared with \$1,416.0 million in Fiscal 2022. This difference is mainly due to net increase in debt of \$312.7 million in 2023 versus net decrease in debt of \$286.3 million in 2022, partly offset by the increase in share repurchases of \$116.0 million in 2023.

⁽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 2023 as very solid. We had an unused authorized revolving credit facility of \$560.1 million.

At the end of Fiscal 2023, 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		October 27, 2028	39.9
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 K Notes	4.66% fixed nominal rate	February 7, 2033	300.0
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 30, 2023, the balance of the Series J unsecured senior notes was \$288.9 million (\$285.1 million as at September 24, 2022), reflecting an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$3.8 million in 2023 (a decrease of \$14.9 million in 2022).

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.

On February 6, 2023, the Corporation issued through a private placement Series K unsecured senior notes in the aggregate principal amount of \$300.0 million, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033. In anticipation of this issuance, on November 14, 2022, the Corporation entered into a bond forward contract designated as cash flow hedge 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 2.996%. The effective part of the loss on the hedging instrument was recognized in Other Comprehensive Income. Following the Series K Notes issuance, the amounts accumulated in equity are reclassified to net financial costs on a linear basis over the life of the debt.

During the second quarter of 2023, the Corporation repaid all its revolving credit facility drawn in USD and the cross-currency interest rate swaps entered into in the first quarter of 2023 came to maturity.

⁽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	
	2023	2022
Balance – beginning of year	236,929	243,391
Share redemption	(8,170)	(7,000)
Stock options exercised	190	538
Balance – end of year	228,949	236,929
Balance as at December 1 st , 2023 and December 2, 2022	228,236	235,476

<i>(Thousands)</i>	Treasury shares	
	2023	2022
Balance – beginning of year	335	442
Acquisition	99	—
Release	(138)	(107)
Balance – end of year	296	335
Balance as at December 1 st , 2023 and December 2, 2022	296	335

STOCK OPTIONS PLAN

	As at December 1 st , 2023	As at September 30, 2023	As at September 24, 2022
Stock options <i>(Thousands)</i>	2,178	2,226	2,092
Exercise prices <i>(Dollars)</i>	40.23 to 77.75	40.23 to 77.75	40.23 to 62.82
Weighted average exercise price <i>(Dollars)</i>	56.67	56.42	51.47

PERFORMANCE SHARE UNIT PLAN

	As at December 1 st , 2023	As at September 30, 2023	As at September 24, 2022
Performance share units <i>(Thousands)</i>	569	572	557

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between November 25, 2022 and November 24, 2023, the Corporation repurchased 7,000,000 Common Shares at an average price of \$72.00, for a total consideration of \$504.0 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 27, 2023 and November 26, 2024, up to 7,000,000 of its Common Shares representing approximately 3.1% of its issued and outstanding shares on November 13, 2023. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, or through the facilities of alternative trading systems as well as by other means as may be permitted by a securities regulatory authority, including by private agreements. Between November 27, 2023 and December 1st, 2023, the Corporation has repurchased 375,000 Common Shares at an average price of \$68.68 for a total consideration of \$25.8 million.

DIVIDEND

For the 29th consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 10.0%, to \$1.1825 per share compared to \$1.0750 in 2022, for total dividends of \$275.0 million in 2023 compared to \$257.9 million in 2022.

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

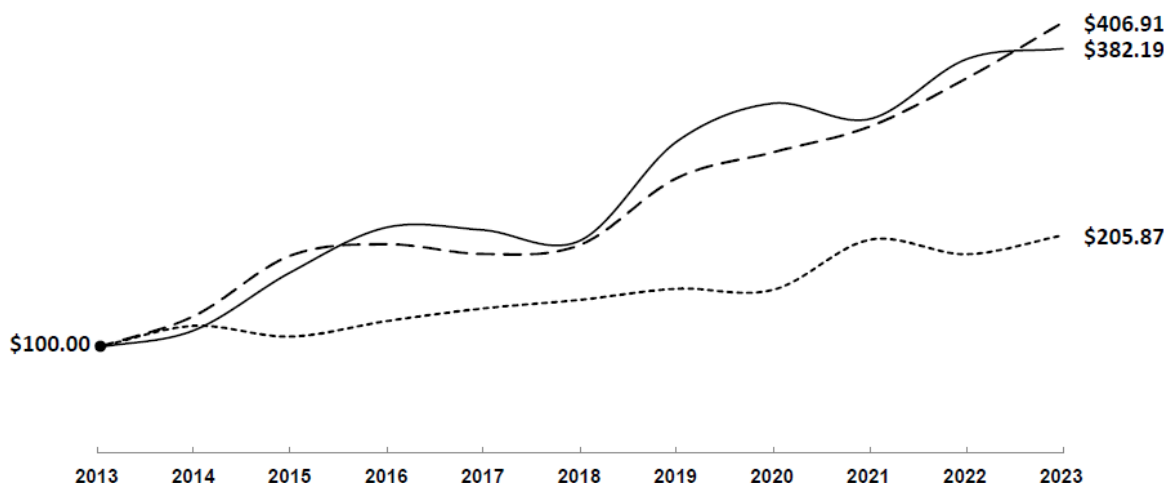
⁽²⁾ See section on "Forward-looking Information"



SHARE TRADING

The value of METRO shares remained in the \$67.09 to \$78.90 range throughout Fiscal 2023 (\$59.14 to \$73.54 in 2022). A total of 118.6 million shares traded on the TSX during this fiscal year (110.5 million in 2022). The closing price on Friday, September 29, 2023 was \$70.54, compared to \$69.84 at the end of Fiscal 2022. Since fiscal year-end, the value of METRO shares has remained in the \$67.72 to \$76.15 range. The closing price on December 1st, 2023 was \$68.32. METRO shares have maintained sustained growth over the last 10 years.

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



— METRO INC.

----- S&P/TSX

- - - S&P/TSX Food Retail

*\$100 invested on September 28, 2013 in shares including reinvestment of dividend and measured at each fiscal year-end.

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

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

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⁽²⁾ 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 (2) 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⁽²⁾ these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provisions for contingent losses have been recognized in the Corporation's annual financial statements.

In 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 contesting all these actions at the certification 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 pharmacy 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 1st, 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.

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

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



SOURCES OF FINANCING

Our operating activities generated in 2023 cash flows in the amount of \$1,563.5 million. These cash flows were used to finance our investing activities, including \$679.9 million in fixed asset and intangible asset acquisitions, to redeem shares for an amount of \$586.0 million, to pay dividends of \$275.0 million, to reimburse interest on debt of \$113.1 million and to pay lease liabilities (principal and interest), nets of payments and interest received from subleases totalling \$206.6 million, as well as to carry out other investing and financing activities.

At the end of Fiscal 2023, our financial position mainly consisted of cash and cash equivalents in the amount of \$29.5 million, an unused authorized Revolving Credit Facility of \$560.1 million maturing in 2028, 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 K Notes in the amount of \$300.0 million maturing in 2033, 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.

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
2024	21.2	106.8	323.1	140.5	591.6
2025	46.5	402.0	295.1	100.1	843.7
2026	3.0	101.1	257.9	89.1	451.1
2027	2.4	101.1	219.5	76.3	399.3
2028	2.0	538.4	181.7	2.5	724.6
2029 and thereafter	46.9	2,983.3	610.2	1.4	3,641.8
	122.0	4,232.7	1,887.5	409.9	6,652.1

RELATED PARTY TRANSACTIONS

During Fiscal 2023, we supplied pharmacies 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 21 to the consolidated financial statements.

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

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



FOURTH QUARTER

	2023	2022	Change (%)
	(13 weeks)	(12 weeks)	
<i>(Millions of dollars, except for net earnings per share)</i>			
Sales	5,071.7	4,432.6	14.4
Operating income before depreciation, amortization and impairments of assets, net of reversals	448.0	441.4	1.5
Net earnings	222.2	168.7	31.7
Adjusted net earnings ⁽¹⁾	228.8	219.4	4.3
Fully diluted net earnings per share	0.96	0.70	37.1
Adjusted fully diluted net earnings per share ⁽¹⁾	0.99	0.92	7.6
Cash flows from:			
Operating activities	387.1	466.6	—
Investing activities	(207.6)	(136.0)	—
Financing activities	(174.7)	(317.2)	—

OPERATING RESULTS

SALES

Sales in the fourth quarter of Fiscal 2023 remained strong, reaching \$5,071.7 million, and up 14.4% versus the fourth quarter of the prior year. Excluding the 13th week in 2023, fourth quarter sales were up 5.4%. Food same-store sales⁽¹⁾ were up 6.8% (8.0% in the fourth quarter of 2022) driven mostly by our discount banners. Online food sales⁽¹⁾ were up 116.0% versus last year (33.0% in the fourth quarter of 2022), mostly driven by higher partnership sales. Our food basket inflation was about 5.5%, lower than reported CPI and down from 8.0% in the third quarter. Pharmacy same-store sales⁽¹⁾ were up 5.5% (7.4% in the fourth quarter of 2022), with a 6.7% increase in prescription drugs⁽¹⁾ and a 3.1% increase in front-store sales⁽¹⁾, with increases across most categories except over-the-counter products as we cycled very high sales last year due to a strong cough and cold season.

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 and amortization and impairments of assets, net of reversals, for the fourth quarter of Fiscal 2023 totalled \$448.0 million, or 8.8% of sales, an increase of 1.5% versus the corresponding quarter of Fiscal 2022. The fourth quarter of 2023 was unfavorably impacted by \$36.7 million of estimated lost profits and direct costs from a labour conflict at 27 Metro stores in the Greater Toronto Area.

Gross profit for the fourth quarter of 2023 was unfavorably impacted by \$36.3 million of estimated lost profits and direct costs related to a labour conflict at 27 Metro stores in the Greater Toronto Area. Gross margin⁽¹⁾ for the fourth quarter of Fiscal 2023 were 19.5% versus 20.4% for the corresponding quarter of 2022, reflecting the impact of lost sales related to the strike and a decline in our food margin partly offset by an increase in our pharma division.

Operating expenses as a percentage of sales for the fourth quarter of Fiscal 2023 were 10.7%, the same percentage as the corresponding quarter of 2022. The net impact of a labour conflict at 27 Metro stores in the Greater Toronto Area on operating expenses in the fourth quarter of 2023 was an increase of \$0.4 million. If not for lost sales due to the strike, operating expenses as a percentage of sales would have been lower than last year.

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

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



DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the fourth quarter of 2023 was \$125.0 million versus \$119.8 million for the corresponding quarter of 2022.

IMPAIRMENTS OF ASSETS, NET OF REVERSALS

There were no impairments of assets, net of reversals, in Fiscal 2023. 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 2023 were \$30.1 million compared with \$25.3 million for the corresponding quarter of 2022. The increase is mostly due to higher debt partly mitigated by higher capitalized interests on our distribution centre automation projects.

INCOME TAXES

The income tax expense of \$70.7 million for the fourth quarter of Fiscal 2023 represented an effective tax rate of 24.1% compared with an income tax expense of \$57.5 million and an effective tax rate of 25.4% in the fourth quarter of Fiscal 2022.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the fourth quarter of Fiscal 2023 were \$222.2 million compared with \$168.7 million for the corresponding quarter of 2022, while fully diluted net earnings per share were \$0.96 compared with \$0.70 in 2022, up 31.7% and 37.1% respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the fourth quarter of Fiscal 2023 totalled \$228.8 million compared with \$219.4 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ were \$0.99 versus \$0.92, up 4.3% and 7.6% respectively. The labour conflict at 27 Metro stores in the Greater Toronto Area had an unfavorable impact of approximately \$27.0 million after-tax or \$0.12 per share. The 13th week had a favorable impact of \$27.0 million net of tax or \$0.12 per share.

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

	2023 (13 weeks)		2022 (12 weeks)		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	222.2	0.96	168.7	0.70	31.7	37.1
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⁾	228.8	0.99	219.4	0.92	4.3	7.6

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

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



CASH POSITION

Operating activities

Operating activities generated cash inflows of \$387.1 million in the fourth quarter of Fiscal 2023 compared with \$466.6 million for the corresponding quarter of Fiscal 2022. The decline is mainly due to changes in working capital.

Investing activities

Investing activities required cash outflows of \$207.6 million in the fourth quarter of Fiscal 2023 compared with \$136.0 million for the corresponding quarter of Fiscal 2022. This difference stemmed mainly from higher investments in tangible and intangible assets of \$51.4 million in 2023.

Financing activities

In the fourth quarter of 2023, financing activities required cash outflows of \$174.7 million compared with \$317.2 million in the corresponding quarter of 2022. This difference is mainly due to lower share repurchases of \$62.4 million in the fourth quarter of 2023.

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 2023, the Corporation used derivative financial instruments as described in notes 2 and 23 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 as well as the use of the future or conditional tense 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 2024 action plan.

The forward-looking statements contained in these presents do not provide any guarantee as to the future performance of the Corporation and are subject to potential known and unknown risks, as well as uncertainties that could cause our financial position, financial performance, cash flows, business or reputation to differ significantly. Additional risks and uncertainties that we currently deem to be immaterial may also prove to have a material adverse effect. A description of the risks can be found under the "Risk Management" section of this annual report that could have an impact on these statements. 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.

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

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

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. The non-GAAP component used is adjusted net earnings⁽¹⁾.

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 30, 2023.

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 10 and 11 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 18 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

METRO takes risks related to climate change seriously as it may pose risks to our operations and supply chain in short, medium and long terms. We also recognize that nature loss and climate change are intrinsically interlinked, and that a failure in one sphere will cascade into the other. As a food and pharmaceutical retailer and distributor, our reliance on a sustainable natural environment is fundamental to ensuring the continuity of our business.

As such, in 2023 we conducted our first climate scenario analysis. In alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we categorized climate-related risks into physical and transition risks.

Physical risks are associated with the physical impacts from a changing climate which can either be event-driven (acute) or longer-term (chronic) shifts in climate patterns. The climate scenario analysis confirms that some physical risks – comprising sea level rise, tropical cyclone, extreme cold and water stress – do not currently pose significant threats to the corporate operations. The analysis revealed that some risks heighten in 2050 and may impact our operations if no mitigation measures are implemented. Inadequate mitigation of these risks could adversely affect our business. These physical risks are flooding, wildfire and extreme heat.

According to our evaluation, the extent of physical risks in our supply chain hinges on the geographical locations of our suppliers and the nature of the products they cultivate or manufacture. Based on our evaluation, sea level rise and flooding pose minimal risks for our suppliers. In contrast, the vulnerability to risks like wildfires, tropical cyclones, extreme heat, and water stress fluctuates from low to high based on specific regions and operational characteristics.

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

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

Transition risks are associated with a transition to a lower-carbon economy, which may include extensive regulatory, technology and market changes to address mitigation and adaptation requirements related to climate change. Macroeconomic conditions, with related effects on consumer spending and confidence, investor expectations, transition to lower emissions technology and new regulatory requirements, may result in compliance risk and higher operational costs. Furthermore, the climate scenario analysis concludes that carbon price and price/supply shocks in the energy markets represent the most significant risks to the Corporation in the long term.

The Corporation has put in place mitigation measures to address these specific climate risks including, but not limited to, insurance and contingency plans. 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.

In order to increase the resilience of our business to address climate-related risks and continue to integrate climate risks and opportunities, the Corporation has published its first TCFD report aligned with TCFD's 11 recommendations. For more details on climate governance, strategy, risk management, metrics and targets, please consult the Corporation's 2023 TCFD Report on climate-related risks and opportunities.

BRAND, REPUTATION, AND TRUST

Product safety

We are exposed to potential liabilities and costs regarding food and pharmaceutical safety, product contamination, handling, and defective products. Such liabilities 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 pharmacies in our network. Furthermore, the online shopping sites represent an

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

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

additional risk with respect to the security of our systems. As a result, we are even more exposed to the risk of cyberattacks aimed at stealing information or interrupting our computer systems.

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

In order to respond to these risks, a committee comprised of executives from the Corporation oversees cybersecurity activities, including Information Security Service activities. Meetings are held regularly to monitor the progress of various cybersecurity projects, review significant incidents and review various security-related performance indicators. This committee reports on its work to the members of the Board of Directors on a biannual basis. The Information Security Service sets up and coordinates prevention, detection, and remediation measures in the area of cybersecurity. Cybersecurity measures include, among others, setting up strong controls with respect to systems access and hiring 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 and programs. 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, development 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 and we invest in the development and training of our employees.

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.

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

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

Regulatory environment

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

The Corporation relies on prescription drug sales for a 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 corpo.metro.ca/en/corporate-social-responsibility.

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 pharmacies under the Jean Coutu, Brunet, Metro Pharmacy, and Food Basics Pharmacy banners.

With the MOÏ and Air Miles® loyalty programs in our Metro and Metro Plus, Super C, Première Moisson markets and our Jean Coutu and Brunet pharmacy 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 centre business interruption

A prolonged interruption at one of our distribution centres 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 objectives. 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 and franchised 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 8, 2023

⁽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.

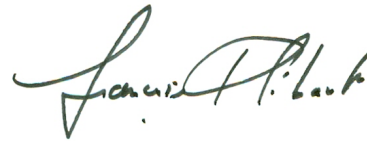
METRO INC. maintains accounting systems and internal controls over the financial reporting process which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's 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 8, 2023

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 30, 2023 and September 24, 2022, and the consolidated statements of net 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 30, 2023 and September 24, 2022, 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 11, 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 30, 2023. 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:

- a. 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.
- b. 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.

- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d. 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.
- e. 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.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst + Young LLP

Montréal, Canada
December 8, 2023

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

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Consolidated Financial Statements

METRO INC.

September 30, 2023

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Consolidated statements of net income
Years ended September 30, 2023 and September 24, 2022
(Millions of dollars, except for net earnings per share)

	2023	2022
	<i>(53 weeks)</i>	<i>(52 weeks)</i>
Sales <i>(note 21)</i>	20,724.6	18,888.9
Cost of sales	(16,642.4)	(15,105.6)
Gross Profit	4,082.2	3,783.3
Operating expenses	(2,116.8)	(1,964.0)
Gain on disposal of assets <i>(notes 8, 9 and 10)</i>	4.2	25.3
Operating income before depreciation, amortization and impairments of assets, net of reversals	1,969.6	1,844.6
Depreciation and amortization <i>(notes 8, 9 and 10)</i>	(525.2)	(503.3)
Impairments of assets, net of reversals <i>(notes 8, 9 and 10)</i>	—	(70.1)
Net financial costs <i>(note 4)</i>	(122.6)	(117.6)
Earnings before income taxes	1,321.8	1,153.6
Income taxes <i>(note 5)</i>	(303.0)	(304.1)
Net earnings	1,018.8	849.5
Attributable to:		
Equity holders of the parent	1,014.8	846.1
Non-controlling interests	4.0	3.4
	1,018.8	849.5
Net earnings per share <i>(Dollars)</i> <i>(notes 6 and 16)</i>		
Basic	4.36	3.53
Fully diluted	4.35	3.51

See accompanying notes



Consolidated statements of comprehensive income

Years ended September 30, 2023 and September 24, 2022

(Millions of dollars)

	2023	2022
	<i>(53 weeks)</i>	<i>(52 weeks)</i>
Net earnings	1,018.8	849.5
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains <i>(note 18)</i>	73.0	36.1
Asset ceiling effect <i>(note 18)</i>	(21.8)	23.6
Minimum funding requirement <i>(note 18)</i>	—	21.4
Corresponding income taxes <i>(note 5)</i>	(13.6)	(21.5)
	37.6	59.6
Items that will be reclassified later to net earnings		
Change in fair value of derivatives designated as cash flow hedges <i>(note 23)</i>	(3.0)	1.2
Reclassification of the change in fair value of derivatives designated as cash flow hedges to net earnings <i>(note 23)</i>	0.1	—
Corresponding income taxes <i>(note 5)</i>	0.8	(0.3)
	(2.1)	0.9
	35.5	60.5
Comprehensive income	1,054.3	910.0
Attributable to:		
Equity holders of the parent	1,050.3	906.6
Non-controlling interests	4.0	3.4
	1,054.3	910.0

See accompanying notes



Consolidated statements of financial position
Years ended September 30, 2023 and September 24, 2022
(Millions of dollars)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	29.5	13.4
Accounts receivable (notes 12 and 21)	728.3	680.3
Accounts receivable on subleases (note 9)	96.1	94.8
Inventories (note 7)	1,451.0	1,331.1
Prepaid expenses	65.9	54.1
Current taxes	32.8	9.6
	2,403.6	2,183.3
Non-current assets		
Fixed assets (note 8)	3,768.3	3,457.7
Right-of-use assets (note 9)	942.8	995.1
Intangible assets (note 10)	2,733.0	2,739.0
Goodwill (note 11)	3,307.4	3,301.2
Deferred taxes (note 5)	37.9	44.8
Defined benefit assets (note 18)	160.5	127.9
Accounts receivable on subleases (note 9)	426.5	478.3
Other assets (notes 12 and 24)	85.3	74.0
	13,865.3	13,401.3
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (notes 13 and 24)	1,619.4	1,575.8
Deferred revenues	36.8	38.5
Current taxes	6.9	43.6
Current portion of debt (notes 14 and 24)	19.3	18.3
Current portion of lease liabilities (note 9)	278.4	276.3
	1,960.8	1,952.5
Non-current liabilities		
Debt (note 14)	2,646.3	2,324.5
Lease liabilities (note 9)	1,380.3	1,502.7
Defined benefit liabilities (note 18)	29.4	30.0
Deferred taxes (note 5)	1,001.6	942.2
Other liabilities (notes 15 and 24)	30.6	31.0
	7,049.0	6,782.9
Equity		
Attributable to equity holders of the parent	6,801.2	6,604.5
Attributable to non-controlling interests	15.1	13.9
	6,816.3	6,618.4
	13,865.3	13,401.3

Commitments and contingencies (notes 8, 9, 19 and 20)

See accompanying notes

On behalf of the Board

ERIC LA FLÈCHE
Director

RUSSELL GOODMAN
Director



Consolidated statements of changes in equity
Years ended September 30, 2023 and September 24, 2022
(Millions of dollars)

	Attributable to the equity holders of the parent						Non-controlling interests	Total equity
	Capital stock <i>(note 16)</i>	Treasury shares <i>(note 16)</i>	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total		
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
Net earnings	—	—	—	1,014.8	—	1,014.8	4.0	1,018.8
Other comprehensive income	—	—	—	37.6	(2.1)	35.5	—	35.5
Comprehensive income	—	—	—	1,052.4	(2.1)	1,050.3	4.0	1,054.3
Stock options exercised	8.8	—	(1.0)	—	—	7.8	—	7.8
Shares redeemed	(57.0)	—	—	—	—	(57.0)	—	(57.0)
Share redemption premium <i>(note 16)</i>	—	—	—	(529.0)	—	(529.0)	—	(529.0)
Acquisition of treasury shares	—	(7.6)	—	—	—	(7.6)	—	(7.6)
Share-based compensation cost	—	—	7.2	—	—	7.2	—	7.2
Performance share units settlement	—	5.9	(5.9)	—	—	—	—	—
Dividends <i>(note 17)</i>	—	—	—	(275.0)	—	(275.0)	(1.4)	(276.4)
Buyout of minority interests	—	—	—	—	—	—	(1.4)	(1.4)
	(48.2)	(1.7)	0.3	(804.0)	—	(853.6)	(2.8)	(856.4)
Balance as at September 30, 2023	1,601.1	(17.9)	23.6	5,195.6	(1.2)	6,801.2	15.1	6,816.3

	Attributable to the equity holders of the parent						Non-controlling interests	Total equity
	Capital stock <i>(note 16)</i>	Treasury shares <i>(note 16)</i>	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	(48.5)	—	—	—	—	(48.5)	—	(48.5)
Share redemption premium <i>(note 16)</i>	—	—	—	(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 <i>(note 17)</i>	—	—	—	(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

See accompanying notes



Consolidated statements of cash flows
Years ended September 30, 2023 and September 24, 2022
(Millions of dollars)

	2023	2022
	(53 weeks)	(52 weeks)
Operating activities		
Earnings before income taxes	1,321.8	1,153.6
Non-cash items		
Depreciation and amortization	525.2	503.3
Gains on disposal of assets	(4.2)	(25.3)
Impairment losses of assets	—	71.5
Impairment loss reversals of assets	—	(1.4)
Share-based compensation cost	12.0	8.6
Difference between amounts paid for employee benefits and current year cost	21.0	6.3
Net financial costs	122.6	117.6
	1,998.4	1,834.2
Net change in non-cash working capital items	(125.5)	(115.2)
Income taxes paid	(309.4)	(257.6)
	1,563.5	1,461.4
Investing activities		
Buyout of minority interests	(1.4)	(0.2)
Net change in other assets (note 24)	0.3	15.7
Additions to fixed assets (notes 8 and 24)	(597.2)	(522.8)
Disposals of fixed assets (notes 8 and 24)	1.2	21.6
Additions to intangible assets (note 10)	(82.7)	(98.2)
Payments received from subleases	92.9	91.2
Interests received from subleases	14.4	14.9
	(572.5)	(477.8)
Financing activities		
Shares issued (note 16)	7.8	21.0
Shares redeemed (note 16)	(586.0)	(470.0)
Acquisition of treasury shares (note 16)	(7.6)	—
Performance share units settlement	—	(3.7)
Increase in debt	500.9	330.5
Repayment of debt (note 24)	(188.2)	(616.8)
Interest paid on debt	(113.1)	(105.6)
Payment of lease liabilities (principal)	(269.1)	(268.0)
Payment of lease liabilities (interest)	(44.8)	(45.6)
Net change in other liabilities (note 24)	0.2	0.1
Dividends (note 17)	(275.0)	(257.9)
	(974.9)	(1,416.0)
Net change in cash and cash equivalents	16.1	(432.4)
Cash and cash equivalents – beginning of year	13.4	445.8
Cash and cash equivalents – end of year	29.5	13.4

See accompanying notes



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(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 pharmacies. 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 using an actuarial valuation method. 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 21). 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 the sale is recorded as deferred revenue equal to the fair value of the points issued under the Corporation's loyalty program. This fair value is determined based on the exchange value of the points awarded. There is no estimate of expected redemption included in the calculation of deferred revenue. 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.



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

Income taxes

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

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

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

Share-based payment

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

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

The compensation expense for the equity-settled 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 compensation expense and corresponding liability for the cash-settled PSU plan are recognized on the grant date and determined based on the grant date market value of the Corporation's Common Shares. The PSU liability is included in accounts payable and other liabilities and is periodically adjusted to reflect any changes in the stock market valuation of the Corporation's Common Shares.

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



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

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.

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. Investment properties are presented in other assets in the consolidated statements of financial position.



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

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.

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:



Notes to consolidated financial statements

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

Deferred revenues

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. Provisions are included in other liabilities.

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.



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

Non-controlling interests

Non-controlling interests are recognized in equity.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability will be offset and the net amount presented in the consolidated statements of financial position when we currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments

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

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

In summary, the Corporation's assets and liabilities are classified and measured valued as follows:

- Cash, cash equivalents, accounts receivable, accounts receivable on subleases and loans to certain customers are classified and measured at amortized cost;
- Bank loans, accounts payable, the revolving credit facility, notes and loans are classified and measured at amortized cost;
- Non-controlling interests are 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 net 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.



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

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 net income.

The changes in the fair value of the interest rate swaps are recognized in the consolidated statements of net 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 net 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 net income.

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal year ended September 30, 2023 included 53 weeks of operations and the fiscal year ended September 24, 2022 included 52 weeks of operations. An additional week is included in the fourth quarter every five or six years to realign the Corporation's fiscal year with calendar. This inclusion occurred in the fourth quarter of Fiscal 2023.



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

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 10 and 11.

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 18.



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

4. NET FINANCIAL COSTS

The net financial costs were as follows:

	2023 <i>(53 weeks)</i>	2022 <i>(52 weeks)</i>
Current interest	5.6	3.3
Non-current interest	113.6	98.7
Net interest on lease liabilities <i>(note 9)</i>	30.8	30.5
Interest on defined benefit obligations net of plan assets <i>(note 18)</i>	(3.2)	0.3
Amortization of deferred financing costs	1.4	1.7
Interest income and capitalized interest	(25.9)	(17.2)
Passage of time	0.3	0.3
	122.6	117.6

5. INCOME TAXES

The effective income tax rates were as follows:

<i>(Percentage)</i>	2023 <i>(53 weeks)</i>	2022 <i>(52 weeks)</i>
Combined statutory income tax rate	26.5	26.5
Changes		
Favorable tax adjustment in respect of prior years	(3.5)	—
Other	(0.1)	(0.1)
	22.9	26.4

The Corporation recorded tax assets of \$40.7 in the third quarter of Fiscal 2023 (\$8.2 of current tax assets and \$32.5 of deferred tax assets) with an equivalent reduction of the tax expense following a favorable judgement at the Tax Court of Canada. Capital losses previously disallowed by the Canada Revenue Agency (“CRA”) on the disposition of shares of a subsidiary in the years 2012 to 2014, have now been granted. The CRA subsequently accepted that the Corporation amend a rollover form filed for the tax year ended March 3, 2018, resulting in an increase in the tax base of intangible assets.

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

Consolidated income statements

	2023 <i>(53 weeks)</i>	2022 <i>(52 weeks)</i>
Current		
Current tax expense	249.5	299.1
Deferred		
Adjustment related to temporary differences	53.5	5.0
	303.0	304.1



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

Consolidated comprehensive income statements

	2023 (53 weeks)	2022 (52 weeks)
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial losses	19.4	9.6
Asset ceiling effect	(5.8)	6.2
Minimum funding requirement	—	5.7
Change in fair value of derivatives designated as cash flow hedges	(0.8)	0.3
	12.8	21.8

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 30, 2023	As at September 24, 2022	2023 (53 weeks)	2022 (52 weeks)
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	11.0	17.6	(7.4)	(0.5)
Lease liabilities	439.5	471.4	(31.9)	(39.3)
Deferred tax losses	6.8	7.0	(0.2)	1.4
Inventories	(10.3)	(9.6)	(0.7)	0.6
Employee benefits	(36.7)	(27.7)	4.6	0.9
Accounts receivable on subleases	(138.5)	(151.9)	13.4	18.3
Investment in a joint venture	0.3	0.3	—	(0.7)
Difference between net carrying value and tax value				
Fixed assets	(364.2)	(290.9)	(73.3)	(28.7)
Investment properties	0.4	0.5	(0.1)	0.1
Right-of-use assets	(249.9)	(263.7)	13.8	18.4
Intangible assets	(564.6)	(592.7)	28.1	26.0
Goodwill	(57.5)	(57.7)	0.2	(1.5)
	(963.7)	(897.4)	(53.5)	(5.0)
Deferred tax assets	37.9	44.8		
Deferred tax liabilities	(1,001.6)	(942.2)		
	(963.7)	(897.4)		



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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:

	2023	2022
<i>(Millions)</i>	<i>(53 weeks)</i>	<i>(52 weeks)</i>
Weighted average number of shares outstanding – Basic	232.5	239.9
Dilutive effect under:		
Stock option plan	0.5	0.5
Performance share unit plan	0.3	0.4
Weighted average number of shares outstanding – Fully diluted	233.3	240.8

7. INVENTORIES

	2023	2022
Wholesale inventories	864.8	799.1
Retail inventories	586.2	532.0
	1,451.0	1,331.1



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8. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost					
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
Transfer 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
Acquisitions	16.5	166.4	346.8	67.5	597.2
Transfer to Investment properties	(8.3)	—	—	—	(8.3)
Disposals and write-offs	(0.1)	(0.6)	(68.9)	(25.7)	(95.3)
Balance as at September 30, 2023	566.0	1,925.1	2,421.6	1,055.8	5,968.5
Accumulated depreciation and impairment					
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)
Depreciation	—	(47.8)	(158.5)	(71.5)	(277.8)
Disposals and write-offs	—	0.2	68.9	25.7	94.8
Balance as at September 30, 2023	—	(436.3)	(1,181.6)	(582.3)	(2,200.2)
Net carrying value					
Balance as at September 24, 2022	557.9	1,370.6	1,051.7	477.5	3,457.7
Balance as at September 30, 2023	566.0	1,488.8	1,240.0	473.5	3,768.3

During the fiscal year, the Corporation invested \$679.9 (\$621.0 in 2022) in capital spending consisting of \$597.2 in fixed assets and \$82.7 in intangible assets (\$522.8 and \$98.2 in 2022). Additions of intangible assets accrued at year-end amounted to \$5.0 in 2023 (\$6.0 in 2022).

As at September 30, 2023, work in progress not yet amortized included in buildings, equipment and leasehold improvements totalled \$104.8, \$87.0 and \$1.3 (\$251.1, \$163.0 and \$0.8 in 2022), respectively.

As at September 30, 2023, the Corporation had contractual commitments to purchase fixed assets totalling \$262.7 in 2023, consisting mainly of buildings and equipment.



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9. 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 30, 2023, changes in right-of-use assets were as follows:

	Buildings	Rolling stock and other	Total
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
New leases	32.6	0.6	33.2
Terminations and adjustments	75.5	—	75.5
Depreciation	(151.1)	(9.9)	(161.0)
Balance as at September 30, 2023	923.2	19.6	942.8

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 \$126.3 in 2023 (\$122.0 in 2022).



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As at September 30, 2023, changes in lease liabilities were as follows:

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
Balance as at September 24, 2022	1,779.0
Additions	61.6
Terminations and adjustments	87.2
Lease payments	(314.3)
Interest expense on lease liabilities	45.2
Balance as at September 30, 2023	1,658.7
Current portion	278.4
Non-current portion	1,380.3

The weighted average incremental borrowing rate was 2.80% as at September 30, 2023 (2.49% in 2022). The weighted average remaining contractual life as at September 30, 2023 was 5 years (5 years in 2022).

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

2024	323.1
2025	295.1
2026	257.9
2027	219.5
2028	181.7
2029 and thereafter	610.2
	1,887.5

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 \$6.5 in 2023 (\$6.3 in 2022).



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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 2023 was \$14.4 (\$14.9 in 2022). Future minimum lease payments receivable by the Corporation relating to subleased properties to third parties will be as follows:

2024	108.7
2025	101.7
2026	85.3
2027	71.4
2028	56.4
2029 and thereafter	156.5
Total undiscounted lease payments receivable	580.0
Unearned finance income	(57.4)
Accounts receivable on subleases	522.6
Current portion	96.1
Non-current portion	426.5

Operating leases

The Corporation leases buildings under operating leases. The Corporation recorded rental income of \$53.1 in 2023 (\$51.2 in 2022).

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

2024	47.2
2025	38.4
2026	32.4
2027	24.2
2028	13.1
2029 and thereafter	58.1
	213.4



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10. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Software	Retail network retention premiums	Customer relationships	Total
Cost				
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
Acquisitions	64.3	17.2	—	81.5
Disposals and write-offs	(0.1)	(7.0)	—	(7.1)
Balance as at September 30, 2023	416.9	294.6	1,067.4	1,778.9
Accumulated amortization and impairment				
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)
Amortization	(26.9)	(19.6)	(39.7)	(86.2)
Disposals and write-offs	0.1	5.7	—	5.8
Balance as at September 30, 2023	(268.8)	(161.5)	(235.1)	(665.4)
Net carrying value				
Balance as at September 24, 2022	110.7	136.8	872.0	1,119.5
Balance as at September 30, 2023	148.1	133.1	832.3	1,113.5

During the fiscal year, the Corporation invested \$679.9 (\$621.0 in 2022) in capital spending consisting of \$597.2 in fixed assets and \$82.7 in intangible assets (\$522.8 and \$98.2 in 2022). Additions of intangible assets accrued at year-end amounted to \$5.0 in 2023 (\$6.0 in 2022).

As at September 30, 2023, there was no work in progress for software not yet amortized (\$3.0 in 2022).



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Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balance as at September 25, 2021	1,473.3	121.5	83.5	1,678.3
Acquisitions	—	1.2	—	1.2
Impairment losses	—	—	(60.0)	(60.0)
Balances as at September 24, 2022 and September 30, 2023	1,473.3	122.7	23.5	1,619.5

Impairment testing of one of the 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 program and private labels, after deduction of the return on contributory assets, was based on historical data reflecting past experience. For the loyalty program, the earnings multiple used was 16.0 (15.7 in 2022) considering a growth rate of 2.0% (2.0% in 2022) corresponding to the consumer price index. For the private labels, the earnings multiples used ranged between 14.3 and 15.4 (14.3 and 15.4 in 2022) considering a growth rate of 2.0% (2.0% in 2022) 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% in 2022.

Impairment testing of banners and 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 2022) and the multiples used were between 14.3 and 15.4 (14.3 and 15.4 in 2022) considering growth rate of 2.0% (2.0% in 2022) corresponding to the consumer price index.

11. GOODWILL

	2023	2022
Balance – beginning of year	3,301.2	3,301.2
Acquisitions through business combinations	6.2	—
Balance – end of year	3,307.4	3,301.2

For impairment testing, goodwill with a carrying amount of \$1,984.1 (\$1,977.9 as at September 24, 2022) 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 9.6% (9.5% in 2022) 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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For impairment testing, goodwill with a carrying amount of \$1,323.3 (\$1,323.3 as at September 24, 2022) 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 10.1% (10.3% in 2022) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

12. OTHER ASSETS

	2023	2022
Loans to certain customers, bearing weighted average floating interest rates of 4.28% in 2023, maturing through 2031	43.9	49.3
Investment in a joint venture	10.0	9.4
Investment properties	21.1	14.5
Derivative financial instruments	18.4	10.6
Other assets	1.5	4.3
	94.9	88.1
Current portion included in accounts receivable	9.6	14.1
	85.3	74.0

The fair value of investment properties was \$23.2 as at September 30, 2023 (\$20.2 as at September 24, 2022). 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.

13. ACCOUNTS PAYABLE

	2023	2022
Accounts payable (gross amount)	1,685.5	1,637.4
Vendor rebate receivables	(66.1)	(61.6)
Accounts payable (net amount)	1,619.4	1,575.8



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14. DEBT

	2023	2022
Revolving Credit Facility, bearing interest at a weighted average rate of 6.71% (5.09% in 2022), repayable on October 27, 2028	39.9	20.9
Series J Notes, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024	288.9	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 K Notes, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033	300.0	—
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 4.18% (3.43% in 2022)	49.6	49.3
Deferred financing costs	(12.8)	(12.5)
	2,665.6	2,342.8
Current portion	19.3	18.3
	2,646.3	2,324.5

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 30, 2023, the unused authorized revolving credit facility was \$560.1 (\$579.1 as at September 24, 2022).

The debt related to the acquisition of intangible assets, excluded from debt changes presented at the consolidated statements of cash flows, totaled \$5.0 in 2023 (\$6.0 in 2022).

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 30, 2023, the balance of the Series J unsecured senior notes was \$288.9 (\$285.1 as at September 24, 2022), reflecting an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$3.8 in 2023 (decrease of \$14.9 in 2022).

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.

On February 6, 2023, the Corporation issued through a private placement Series K unsecured senior notes in the aggregate principal amount of \$300.0, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033. In anticipation of this issuance, on November 14, 2022, the Corporation entered into a bond forward contract designated as cash flow hedge 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 2.996%. The effective part of the loss on



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the hedging instrument was recognized in Other Comprehensive Income. Following the Series K Notes issuance, the amounts accumulated in equity are reclassified to net financial costs on a linear basis over the life of the debt.

During the second quarter of 2023 the Corporation repaid all its revolving credit facility drawn in USD and the cross-currency interest rate swaps entered into in the first quarter of 2023 came to maturity.

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

	Facility and loans	Notes	Total
2024	19.3	—	19.3
2025	42.4	300.0	342.4
2026	1.5	—	1.5
2027	1.0	—	1.0
2028	0.6	450.0	450.6
2029 and thereafter	24.7	1,850.0	1,874.7
	89.5	2,600.0	2,689.5

15. OTHER LIABILITIES

	2023	2022
Provisions	12.4	12.8
Deferred revenues	3.0	2.8
Derivative financial instruments	12.8	15.4
Share-based compensation	2.4	—
	30.6	31.0



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16. 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 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
Shares redeemed for cash, excluding premium of \$529.0	(8,170)	(57.0)
Stock options exercised	190	8.8
Balance as at September 30, 2023	228,949	1,601.1

Treasury shares

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

	Number (Thousands)	
Balance as at September 25, 2021	442	(20.5)
Released	(107)	4.3
Balance as at September 24, 2022	335	(16.2)
Acquisitions	99	(7.6)
Released	(138)	5.9
Balance as at September 30, 2023	296	(17.9)

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 30, 2023, a balance of 5,250,342 shares could be issued following the exercise of stock options (2,940,626 as at September 24, 2022). 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.



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

	Number (Thousands)	Weighted average exercise price (Dollars)
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
Granted	363	77.62
Exercised	(190)	42.23
Cancelled	(39)	58.03
Balance as at September 30, 2023	2,226	56.42

The information regarding the stock options outstanding and exercisable as at September 30, 2023 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 55.94	1,180	28.4	47.64	677	44.38
56.92 to 77.75	1,046	59.8	66.32	116	56.93
	2,226	43.2	56.42	793	46.22

The weighted average fair value of \$13.17 per option (\$8.17 in 2022) for stock options granted during Fiscal 2023 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 3.0% (1.3% in 2022), expected life of 5.6 years (5.6 years in 2022), expected volatility of 15.4% (15.9% in 2022) and expected dividend yield of 1.4% (1.6% in 2022). 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 \$3.1 for Fiscal 2023 (\$2.4 in 2022).

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.



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

	Number (Thousands)
Balance as at September 25, 2021	615
Granted	200
Settled	(162)
Cancelled	(96)
Balance as at September 24, 2022	557
Granted	209
Settled	(138)
Cancelled	(56)
Balance as at September 30, 2023	572

The weighted average fair value of \$74.16 per PSU (\$64.00 in 2022) for PSUs granted during Fiscal 2023 was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all PSUs amounted to \$8.8 for Fiscal 2023 (\$6.2 in 2022).

In Fiscal 2023, the liability for cash-settled PSU awards was reclassified from contributed surplus to other liabilities. As at September 30, 2023, the cash-settled PSU liability amounted to \$5.5 (nil as at September 24, 2022). During the third quarter of Fiscal 2023, 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 cash-settled PSU awards (note 23).

Deferred Share Unit Plan

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

The DSU expense totalled \$1.8 for Fiscal 2023 (\$4.0 in 2022). During the third quarter of Fiscal 2023 and the second quarter of Fiscal 2022, the Corporation entered into prepaid equity forward contracts to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards (note 23).

As at September 30, 2023, the DSU liability amounted to \$14.7 (\$12.7 as at September 24, 2022).

17. DIVIDENDS

In Fiscal 2023, the Corporation paid \$275.0 in dividends to holders of Common Shares (\$257.9 in 2022), or \$1.1825 per share (\$1.075 in 2022). On October 6, 2023, the Corporation's Board of Directors declared a quarterly dividend of \$0.3025 per Common Share payable on November 14, 2023.



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18. 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:

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Balance – beginning of year	1,286.3	25.4	1,553.7	30.9
Participant contributions	10.5	—	10.5	—
Benefits paid	(61.1)	(3.2)	(60.0)	(3.4)
Amounts paid under a settlement	—	(2.2)	—	—
Items in net earnings				
Current service cost	41.0	2.0	56.6	2.4
Past service cost	0.6	0.1	1.4	0.1
Loss from a settlement	—	0.4	—	—
Interest cost	64.7	1.2	53.5	1.1
Actuarial gains	—	0.1	—	(2.5)
	106.3	3.8	111.5	1.1
Items in other comprehensive income				
Actuarial losses (gains) from demographic assumptions	—	0.3	—	(0.2)
Actuarial gains from financial assumptions	(109.6)	(0.9)	(341.0)	(3.0)
Adjustments due to experience	4.2	0.3	11.6	—
	(105.4)	(0.3)	(329.4)	(3.2)
Balance – end of year	1,236.6	23.5	1,286.3	25.4

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

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
(Percentage)				
Active plan participants	51	70	53	69
Deferred plan participants	5	—	5	—
Retirees	44	30	42	31



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

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Fair value – beginning of year	1,446.7	—	1,687.3	—
Employer contributions	20.6	5.4	51.2	3.4
Participant contributions	10.5	—	10.5	—
Benefits paid	(61.1)	(3.2)	(60.0)	(3.4)
Amounts paid under a settlement	—	(2.2)	—	—
Items in net earnings				
Interest income	70.9	—	57.0	—
Administration costs	(3.0)	—	(2.8)	—
	67.9	—	54.2	—
Item in other comprehensive income				
Return on plan assets, excluding the amounts included in interest income	(32.7)	—	(296.5)	—
Fair value – end of year	1,451.9	—	1,446.7	—

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

	2023		2022	
	Asset ceiling	Minimum funding requirement	Asset ceiling	Minimum funding requirement
Balance - beginning of year	(37.1)	—	(58.0)	(21.4)
Interest	(1.8)	—	(2.0)	(0.7)
Change in defined benefit assets	(21.8)	—	22.9	—
Change in defined benefit liabilities	—	—	—	22.1
Balance - end of year	(60.7)	—	(37.1)	—

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:

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Balance of defined benefit obligation – end of year	(1,236.6)	(23.5)	(1,286.3)	(25.4)
Fair value of plan assets – end of year	1,451.9	—	1,446.7	—
Funded status	215.3	(23.5)	160.4	(25.4)
Asset ceiling effect	(60.7)	—	(37.1)	—
	154.6	(23.5)	123.3	(25.4)
Defined benefit assets	160.5	—	127.9	—
Defined benefit liabilities	(5.9)	(23.5)	(4.6)	(25.4)
	154.6	(23.5)	123.3	(25.4)

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

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans , including multi-employer plans	34.3	—	33.8	—
Defined benefit plans				
Current service cost	41.0	2.0	56.6	2.4
Past service cost	0.6	0.1	1.4	0.1
Loss from a settlement	—	0.4	—	—
Actuarial gains	—	0.1	—	(2.5)
Administration costs	3.0	—	2.8	—
	44.6	2.6	60.8	—
Employee benefits expense	78.9	2.6	94.6	—
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in net financial costs	(4.4)	1.2	(0.8)	1.1
Net total expense	74.5	3.8	93.8	1.1

The remeasurements recognized as other comprehensive income were as follows:

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Gains on accrued obligation	(105.4)	(0.3)	(329.4)	(3.2)
Return on plan assets	32.7	—	296.5	—
Change in the effect of the asset ceiling	21.8	—	(23.6)	—
Change in the minimum funding requirement	—	—	(21.4)	—
	(50.9)	(0.3)	(77.9)	(3.2)

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 \$26.0 in 2023 (\$54.6 in 2022). The Corporation plans to contribute \$27.1 to the defined benefit plans and \$35.2 to multi-employer plans during the next fiscal year.



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Weighted average duration of defined benefit obligations was 13 years as at September 30, 2023 and was 14 years as at September 24, 2022.

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 2023. The next valuations will be performed in December 2023.

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)	2023	2022
Annuity buy-in contracts	24	25
Shares in Canadian corporations	16	16
Shares in foreign corporations	24	22
Government and corporation bonds	22	23
Other	14	14

During Fiscal 2022, 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 \$4.0 as at September 30, 2023 (\$4.3 as at September 24, 2022).

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

(Percentage)	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate on defined benefit obligation	5.60	5.60	4.95	4.95
Discount rate on service costs	4.93	4.93	3.49	3.49
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	(138.8)	172.7	(1.6)	1.9



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The assumed annual health care cost trend rate per participant was set at 5.2% (5.3% in 2022). 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	(1.0)	0.9

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

	2023	2022
Wages and fringe benefits	1,962.4	1,842.3
Employee benefits expense	81.5	94.6
	2,043.9	1,936.9

19. COMMITMENTS

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2032 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2023	2022
Under 1 year	140.5	176.1
Between 1 and 5 years	268.0	132.8
Over 5 years	1.4	1.2
	409.9	310.1

20. CONTINGENCIES

Guarantees

The Corporation has guaranteed loans granted to certain stores by financial institutions, with varying terms through 2028. The balance of these loans amounted to \$0.5 as at September 30, 2023 (\$0.6 as at September 24, 2022). No liability has been recorded in respect of these guarantees for the years ended September 30, 2023 and September 24, 2022.

Buyback agreements

Under inventory repurchase agreements, the Corporation has undertaken with respect to financial institutions to repurchase at cost the inventories of certain stores, when they are in default, up to the amount drawn on lines of credit granted to these same stores by the financial institutions. As at September 30, 2023, inventory financing amounted to \$169.7 (\$143.8 as at September 24, 2022). 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 certain stores 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 30, 2023, financing related to the equipment amounted to \$14.2 (\$12.4 as at September 24, 2022).



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No liability has been recorded in respect of these guarantees for the years ended September 30, 2023 and September 24, 2022 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 (2) 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 provisions for contingent losses have been recognized in the Corporation's annual financial statements.

In 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 contesting all these actions at the certification 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 pharmacy 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 1st, 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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21. 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	46.2	46.2

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

	2023		2022	
	Sales	Accounts receivable	Sales	Accounts receivable
Companies controlled by an executive or a member of the Board of Directors	41.7	3.1	39.0	2.5
	41.7	3.1	39.0	2.5

Compensation for the principal officers and directors was as follows:

	2023	2022
Compensation and current benefits	7.3	7.1
Post-employment benefits	1.5	1.3
Share-based payment	8.9	6.2
	17.7	14.6



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22. 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 2023 annual results regarding its capital management objectives were as follows:

- a BBB credit rating confirmed by S&P and BBB High/Stable by DBRS (BBB/Stable by DBRS in 2022);
- a dividend representing 29.8% of the previous year net earnings, excluding non-recurring items (30.2% in 2022).

23. 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:

	2023		2022	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers (note 12)	43.9	43.9	49.3	49.3
Debt (notes 14 and 24)				
Liabilities measured at amortized cost				
Revolving Credit Facility	39.9	39.9	20.9	20.9
Series J Notes	288.9	288.9	285.1	285.1
Series G Notes	450.0	421.0	450.0	418.8
Series K Notes	300.0	281.0	—	—
Series B Notes	400.0	418.7	400.0	424.5
Series D Notes	300.0	276.4	300.0	288.6
Series H Notes	450.0	366.9	450.0	384.7
Series I Notes	400.0	273.4	400.0	292.8
Loans	49.6	49.6	49.3	49.3
	2,678.4	2,415.8	2,355.3	2,164.7



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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 30, 2023, the balance of the Series J unsecured senior notes was \$288.9 (\$285.1 as at September 24, 2022), reflecting an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$3.8 (\$14.9 decrease in 2022). The balance of the interest rate swap, recorded in other liabilities, was \$12.8 (\$15.4 as at September 24, 2022). 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 30, 2023, the hedge ineffectiveness of \$1.2 (\$0.5 in 2022) was recorded in operating expenses.

On February 6, 2023, the Corporation issued through a private placement Series K unsecured senior notes in the aggregate principal amount of \$300.0, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033. In anticipation of this issuance, on November 14, 2022, the Corporation entered into a bond forward contract designated as cash flow hedge 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 2.996%. As at September 30, 2023, the



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carrying amount of the hedging instrument's cash flow reserve was a debit balance of \$1.8 and the change in the fair value of the derivative for the current year was a decrease of \$3.0 (\$1.2 increase in 2022). In Fiscal 2023, \$0.1 (nil in 2022) has been reclassified from Consolidated Statements of Comprehensive income to our Consolidated Statements of Net 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 30, 2023, 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 30, 2023 and September 24, 2022, 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 30, 2023, the maximum potential liability under guarantees provided amounted to \$0.5 (\$0.6 as at September 24, 2022) 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 30, 2023 and September 24, 2022, the maximum exposure to credit risk for the foreign exchange forward contracts and the prepaid equity forward contracts was equal to their carrying amounts.

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, K, B, D, H and I Notes mature only in 2024, 2027, 2033, 2035, 2044, 2047 and 2050, respectively. The Corporation also has an unused authorized balance of \$560.1 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	1,619.4	21.2	106.8	323.1	2,070.5
Maturing in 1 to 10 years	—	61.6	1,863.4	1,398.7	3,323.7
Maturing in 11 to 20 years	—	12.8	928.3	154.6	1,095.7
Maturing over 20 years	—	26.4	1,334.2	11.1	1,371.7
	1,619.4	122.0	4,232.7	1,887.5	7,861.6

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 30, 2023 and September 24, 2022, the fair value of foreign exchange forward contracts was insignificant. As at December 17, 2022, the revolving credit facility included loans of \$100.0 million (US \$74.0 million) (nil as at September 24, 2022) and we entered into cross currency interest rate swaps to hedge against the effect of interest rate fluctuations on our USD borrowings. During the second quarter of 2023 the Corporation repaid all our revolving credit facility drawn in US currency and the cross-currency interest rate swaps entered into in the first quarter of 2023 came to maturity. The Corporation did not hold cross-currency interest rate swaps during the fiscal year ended September 24, 2022.

OTHER PRICE RISK

During the third quarter of Fiscal 2023 and the second quarter of Fiscal 2022, the Corporation entered into prepaid equity forward contracts to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards and cash-settled PSU awards. These contracts are not designated as hedging instruments for accounting purposes. The prepaid equity forward contracts are hybrid instruments containing an embedded derivative component and a non-derivative financial asset host component. These instruments are 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 Net Income.

24. COMPARATIVE FIGURES

Investment properties, bank loans, current and non-current provisions which were previously presented separately in the consolidated statements of financial position are now presented respectively in other assets, current portion of debt, accounts payable and other liabilities.

25. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the fiscal year ended September 30, 2023 (including comparative figures) were approved for issue by the Board of Directors on December 8, 2023.



DIRECTORS AND OFFICERS

Board of Directors

Pierre Boivin⁽³⁾

Montréal, Québec
Chair of the Board

Lori-Ann Beausoleil⁽¹⁾⁽³⁾

Mississauga, Ontario

Maryse Bertrand⁽²⁾⁽³⁾

Westmount, Québec

François J. Coutu

Montréal, Québec

Michel Coutu

Town of Mount-Royal, 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⁾

Greenwich, Connecticut

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

Pietro Satriano⁽¹⁾

Winnetka, Illinois

(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 Jean Coutu Group (PJC) Inc.

Carmen Fortino

Executive Vice President, National Supply Chain and Procurement

Marc Giroux

Executive Vice President and Chief Operating Officer - Food

Pietro John Rollo

Senior Vice President, National Procurement

Michel Avigliano

Vice President, Real Estate and Engineering

Marie-Claude Bacon

Vice President, Public Affairs and Communications

Christina Bédard

Vice President, Continuous Improvement

Genevieve Bich

Vice President, Human Resources

Guillaume Duchesne

Vice President, Applications and Systems

Dan Gabbard

Vice President, Logistics and Distribution

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 and Chief Marketing Officer and Digital Strategy

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

Head office

11011 Maurice-Duplessis Blvd.
Montréal, Québec H1C 1V6
Tel: (514) 643-1000

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 30, 2024 at 10:00 a.m.

Stock listing

Toronto Stock Exchange
Ticker Symbol: MRU

DIVIDENDS*

2024 FISCAL YEAR

Declaration date

January 29, 2024
April 23, 2024
August 13, 2024
September 30, 2024

Record date

February 15, 2024
May 15, 2024
September 5, 2024
October 24, 2024

Payment date

March 12, 2024
June 4, 2024
September 24, 2024
November 12, 2024

* Subject to approval by the Board of Directors

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