



INTERIM REPORT

13-week period ended September 30, 2023

4th Quarter 2023 and Fiscal 2023

HIGHLIGHTS

2023 FOURTH QUARTER

- 13-week quarter versus 12 weeks in 2022
- Sales of \$5,071.7 million, up 14.4%
- Food same-store sales⁽¹⁾ up 6.8%
- Pharmacy same-store sales⁽¹⁾ up 5.5%
- Net earnings of \$222.2 million, up 31.7%, and adjusted net earnings⁽¹⁾ of \$228.8 million, up 4.3%
- Fully diluted net earnings per share of \$0.96, up 37.1%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$0.99, up 7.6%
- Negative impact of about \$0.12 per share due to a labour conflict at 27 Metro stores in the Greater Toronto Area

FISCAL 2023

- 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%, and adjusted net earnings⁽¹⁾ of \$1,006.6 million, up 9.2%
 - Fully diluted net earnings per share of \$4.35, up 23.9%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$4.30, up 12.6%
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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the fourth quarter of Fiscal 2023 ended September 30, 2023.

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.

Fourth quarter net earnings were \$222.2 million in Fiscal 2023 compared with \$168.7 million in 2022 and 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 after-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition as well as a non-cash \$44.1 million impairment of a loyalty program in the fourth quarter of 2022, net of taxes of \$15.9 million. 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.

On October 6, 2023, the Board of Directors declared a quarterly dividend of \$0.3025 per share, the same amount declared last quarter.

We are pleased with our fourth quarter results which were achieved in a challenging operating environment that included a 5-week strike at 27 Metro stores in Ontario. For the first time in our history, sales for the year exceeded \$20 billion and net earnings reached \$1 billion. Our sales momentum remains strong, driven by our discount banners and pharmacy. Food inflation declined steadily during the quarter and our teams continue to deliver the best value possible to our customers every day. We reached a key milestone in our supply chain modernization program with the start-up of our new state-of-the-art automated distribution center for fresh and frozen products north of Montreal. This facility will improve service to our stores and fuel our long-term growth⁽²⁾.

Eric La Flèche
President and Chief Executive Officer

November 15, 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 DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on September 30, 2023 and for the 13 and 53-week periods then ended. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes in this interim report.

The unaudited interim condensed consolidated financial statements for the 13-week period and fiscal year ended September 30, 2023 have been prepared by management in accordance with IAS 34 *Interim Financial Reporting*. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes and the MD&A presented in the Corporation's 2022 Annual Report. Unless otherwise stated, the interim report is based on information as at November 7, 2023.

Additional information, including the Certification of Interim Filings for the quarter ended September 30, 2023 signed by the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Treasurer, will also be available in December on the SEDAR website at: www.sedarplus.ca.

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.

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%.

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

This earnings measurement excludes financial costs, taxes, depreciation and 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. For Fiscal 2023 operating income before depreciation and amortization and impairments of assets, net of reversals totalled \$1,969.6 million or 9.5% of sales, up 6.8% versus the corresponding period of 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 the fourth quarter and Fiscal 2023 were 19.5% and 19.7% respectively, versus 20.4% and 20.0% for the corresponding periods 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 and Fiscal 2023 were 10.7% and 10.2% versus 10.7% and 10.4% in the corresponding periods 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 and Fiscal 2023 was \$125.0 million and \$525.2 million versus \$119.8 million and \$503.3 million for the corresponding periods 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 center automation projects. For Fiscal 2023, net financial costs were \$122.6 million compared with \$117.6 million for Fiscal 2022.

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. The income tax expense of \$303.0 million for Fiscal 2023 and \$304.1 million for Fiscal 2022 represented an effective tax rate of 22.9% and of 26.4% respectively. The decrease in the effective tax rate in 2023 is mainly attributable to the recording of tax assets of \$40.7 million in the third quarter of Fiscal 2023, for capital losses previously refused by the Canada Revenue Agency.

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 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.

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

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



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

	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

	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			
Q4 ⁽³⁾	5,071.7	4,432.6	14.4
Q3 ⁽⁴⁾	6,427.5	5,865.5	9.6
Q2 ⁽⁵⁾	4,554.5	4,274.2	6.6
Q1 ⁽⁵⁾	4,670.9	4,316.6	8.2
Net earnings			
Q4 ⁽³⁾	222.2	168.7	31.7
Q3 ⁽⁴⁾	346.7	275.0	26.1
Q2 ⁽⁵⁾	218.8	198.1	10.4
Q1 ⁽⁵⁾	231.1	207.7	11.3
Adjusted net earnings⁽¹⁾			
Q4 ⁽³⁾	228.8	219.4	4.3
Q3 ⁽⁴⁾	314.8	283.8	10.9
Q2 ⁽⁵⁾	225.4	204.7	10.1
Q1 ⁽⁵⁾	237.6	214.2	10.9
Fully diluted net earnings per share (Dollars)			
Q4 ⁽³⁾	0.96	0.70	37.1
Q3 ⁽⁴⁾	1.49	1.14	30.7
Q2 ⁽⁵⁾	0.93	0.82	13.4
Q1 ⁽⁵⁾	0.97	0.85	14.1
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)			
Q4 ⁽³⁾	0.99	0.92	7.6
Q3 ⁽⁴⁾	1.35	1.18	14.4
Q2 ⁽⁵⁾	0.96	0.84	14.3
Q1 ⁽⁵⁾	1.00	0.88	13.6

⁽³⁾ 13 weeks

⁽⁴⁾ 16 weeks

⁽⁵⁾ 12 weeks

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.

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.

⁽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 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.

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.

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 pre-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.

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 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.

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

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



<i>(Millions of dollars)</i>	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net earnings	222.2	346.7	218.8	231.1	168.7	275.0	198.1	207.7
Impairment of a loyalty program, after taxes	—	—	—	—	44.1	—	—	—
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6	8.8	6.6	6.5	6.6	8.8	6.6	6.5
Favorable tax adjustment in respect of prior years	—	(40.7)	—	—	—	—	—	—
Adjusted net earnings ⁽¹⁾	228.8	314.8	225.4	237.6	219.4	283.8	204.7	214.2

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

CASH POSITION

OPERATING ACTIVITIES

In the fourth quarter of Fiscal 2023, operating activities generated cash inflows of \$387.1 million compared with \$466.6 million in the corresponding quarter of 2022. The decline is mainly due to changes in working capital. In Fiscal 2023, operating activities generated cash inflows of \$1,563.5 million compared with \$1,461.4 million for Fiscal 2022. The variance for the fiscal year is mainly due to higher earnings in 2023.

INVESTING ACTIVITIES

Investing activities required cash outflows of \$207.6 million for the fourth quarter of Fiscal 2023 compared with \$136.0 million for the corresponding quarter of 2022. 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 Fiscal 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

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.

In Fiscal 2023, financing activities required cash outflows of \$974.9 million compared with \$1,416.0 million for 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, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at September 30, 2023	As at September 24, 2022
Number of Common Shares outstanding (<i>Thousands</i>)	228,653	236,594
Stock options:		
Number outstanding (<i>Thousands</i>)	2,226	2,092
Exercise prices (<i>Dollars</i>)	40.23 to 77.75	40.23 to 62.82
Weighted average exercise price (<i>Dollars</i>)	56.42	51.47
Performance share units:		
Number outstanding (<i>Thousands</i>)	572	557

NORMAL COURSE ISSUER BID PROGRAM

Under the current normal course issuer bid program, the Corporation may repurchase up to 7,000,000 of its Common Shares between November 25, 2022 and November 24, 2023. Between November 25, 2022 and November 7, 2023, the Corporation has repurchased 6,719,700 Common Shares at an average price of \$72.09, for a total consideration of \$484.4 million. The Corporation intends⁽²⁾ to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On October 6, 2023, the Board of Directors declared a quarterly dividend of \$0.3025 per share, the same amount declared last quarter.

SHARE TRADING

The value of METRO shares remained in the \$67.09 to \$78.90 range over Fiscal 2023. During this period, a total of 118.6 million shares were traded on the Toronto Stock Exchange. The closing price on November 7, 2023 was \$73.92 compared with \$70.54 at the end of Fiscal 2023.

FORWARD-LOOKING INFORMATION

We have used, throughout this 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 herein that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "anticipate", "intend", "expect" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food and pharmaceutical industries, the general economy, our annual budget, as well as our 2024 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. Risk factors that could cause actual results or events to differ materially from our expectations as expressed in, or implied by, our forward-looking statements are described and discussed under the "Risk Management" section in our Annual Report 2022.

We believe these statements to be reasonable and pertinent 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.

We believe that presenting this ratio, in which a non-GAAP financial measurement 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.

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

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



OUTLOOK⁽²⁾

As we begin our new fiscal year, we are ramping up our new state-of-the-art, automated distribution center 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.

Montréal, November 15, 2023

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

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



Interim Condensed Consolidated Financial Statements
(Unaudited)

METRO INC.

September 30, 2023

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Consolidated statements of net income

Periods ended September 30, 2023 and September 24, 2022

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

	Fiscal Year		Fiscal Year	
	2023 <i>(13 weeks)</i>	2022 <i>(12 weeks)</i>	2023 <i>(53 weeks)</i>	2022 <i>(52 weeks)</i>
Sales	5,071.7	4,432.6	20,724.6	18,888.9
Cost of sales	(4,083.3)	(3,526.3)	(16,642.4)	(15,105.6)
Gross profit	988.4	906.3	4,082.2	3,783.3
Operating expenses	(540.3)	(476.1)	(2,116.8)	(1,964.0)
Gains (losses) on disposal of assets	(0.1)	11.2	4.2	25.3
Operating income before depreciation and amortization and impairments of assets, net of reversals	448.0	441.4	1,969.6	1,844.6
Depreciation and amortization	(125.0)	(119.8)	(525.2)	(503.3)
Impairments of assets, net of reversals <i>(note 2)</i>	—	(70.1)	—	(70.1)
Net financial costs	(30.1)	(25.3)	(122.6)	(117.6)
Earnings before income taxes	292.9	226.2	1,321.8	1,153.6
Income taxes <i>(note 3)</i>	(70.7)	(57.5)	(303.0)	(304.1)
Net earnings	222.2	168.7	1,018.8	849.5
Attributable to:				
Equity holders of the parent	221.6	168.0	1,014.8	846.1
Non-controlling interest	0.6	0.7	4.0	3.4
	222.2	168.7	1,018.8	849.5
Net earnings per share <i>(Dollars) (note 4)</i>				
Basic	0.96	0.71	4.36	3.53
Fully diluted	0.96	0.70	4.35	3.51

See accompanying notes



Consolidated statements of comprehensive income

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars)

	Fiscal Year		Fiscal Year	
	2023	2022	2023	2022
	(13 weeks)	(12 weeks)	(53 weeks)	(52 weeks)
Net earnings	222.2	168.7	1,018.8	849.5
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (losses) (note 8)	11.7	(59.4)	73.0	36.1
Asset ceiling effect	2.5	87.8	(21.8)	23.6
Minimum funding requirement	—	23.6	—	21.4
Corresponding income taxes	(3.8)	(13.8)	(13.6)	(21.5)
	10.4	38.2	37.6	59.6
Items that will be reclassified later to net earnings				
Change in fair value of derivatives designated as cash flow hedges	—	(2.5)	(3.0)	1.2
Reclassification of the change in fair value of derivatives designated as cash flow hedges to net earnings	—	—	0.1	—
Corresponding income taxes	—	0.7	0.8	(0.3)
	—	(1.8)	(2.1)	0.9
	10.4	36.4	35.5	60.5
Comprehensive income	232.6	205.1	1,054.3	910.0
Attributable to:				
Equity holders of the parent	232.0	204.4	1,050.3	906.6
Non-controlling interest	0.6	0.7	4.0	3.4
	232.6	205.1	1,054.3	910.0

See accompanying notes



Consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at September 30, 2023	As at September 24, 2022
ASSETS		
Current assets		
Cash and cash equivalents	29.5	13.4
Accounts receivable	728.3	680.3
Accounts receivable on subleases	96.1	94.8
Inventories	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	3,768.3	3,457.7
Right-of-use assets	942.8	995.1
Intangible assets	2,733.0	2,739.0
Goodwill	3,307.4	3,301.2
Deferred taxes	37.9	44.8
Defined benefit assets	160.5	127.9
Accounts receivable on subleases	426.5	478.3
Other assets (note 9)	85.3	74.0
	13,865.3	13,401.3
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (note 9)	1,619.4	1,575.8
Deferred revenues	36.8	38.5
Current taxes	6.9	43.6
Current portion of debt (notes 5 and 9)	19.3	18.3
Current portion of lease liabilities	278.4	276.3
	1,960.8	1,952.5
Non-current liabilities		
Debt (note 5)	2,646.3	2,324.5
Lease liabilities	1,380.3	1,502.7
Defined benefit liabilities	29.4	30.0
Deferred taxes	1,001.6	942.2
Other liabilities (note 9)	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 interest	15.1	13.9
	6,816.3	6,618.4
	13,865.3	13,401.3

See accompanying notes



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

	Attributable to the equity holders of the parent						Non-controlling interest	Total equity
	Capital stock <i>(note 6)</i>	Treasury shares <i>(note 6)</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 <i>(note 6)</i>	(57.0)	—	—	—	—	(57.0)	—	(57.0)
Share redemption premium <i>(note 6)</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	—	—	—	(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 interest	Total equity
	Capital stock	Treasury shares	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 <i>(note 6)</i>	(48.5)	—	—	—	—	(48.5)	—	(48.5)
Share redemption premium <i>(note 6)</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	—	—	—	(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

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars)

	Fiscal Year		Fiscal Year	
	2023	2022	2023	2022
	(13 weeks)	(12 weeks)	(53 weeks)	(52 weeks)
Operating activities				
Earnings before income taxes	292.9	226.2	1,321.8	1,153.6
Non-cash items				
Depreciation and amortization	125.0	119.8	525.2	503.3
(Gains) losses on disposal of assets	0.1	(11.2)	(4.2)	(25.3)
Impairment losses of assets (note 2)	—	71.5	—	71.5
Impairment loss reversals of assets (note 2)	—	(1.4)	—	(1.4)
Share-based compensation cost	3.1	1.6	12.0	8.6
Difference between amounts paid for employee benefits and current period cost	6.3	2.7	21.0	6.3
Net financial costs	30.1	25.3	122.6	117.6
	457.5	434.5	1,998.4	1,834.2
Net change in non-cash working capital items	(3.3)	92.3	(125.5)	(115.2)
Income taxes paid	(67.1)	(60.2)	(309.4)	(257.6)
	387.1	466.6	1,563.5	1,461.4
Investing activities				
Buyout of minority interests	—	—	(1.4)	(0.2)
Net change in other assets (note 9)	1.1	12.2	0.3	15.7
Additions to fixed assets (note 9)	(211.2)	(162.0)	(597.2)	(522.8)
Disposal of fixed assets (note 9)	0.8	10.3	1.2	21.6
Additions to intangible assets	(15.5)	(13.3)	(82.7)	(98.2)
Payments received from subleases	14.6	14.1	92.9	91.2
Interest received from subleases	2.6	2.7	14.4	14.9
	(207.6)	(136.0)	(572.5)	(477.8)
Financing activities				
Shares issued	0.8	0.8	7.8	21.0
Shares redeemed	(79.0)	(141.4)	(586.0)	(470.0)
Acquisition of treasury shares (note 6)	—	—	(7.6)	—
Performance share units settlement	—	—	—	(3.7)
Increase in debt (note 5)	41.4	21.6	500.9	330.5
Repayment of debt (notes 5 and 9)	(4.3)	(73.4)	(188.2)	(616.8)
Interest paid on debt	(14.4)	(7.8)	(113.1)	(105.6)
Payment of lease liabilities (principal)	(41.6)	(43.4)	(269.1)	(268.0)
Payment of lease liabilities (interest)	(7.4)	(7.9)	(44.8)	(45.6)
Net change in other liabilities (note 9)	(0.9)	(0.4)	0.2	0.1
Dividends	(69.3)	(65.3)	(275.0)	(257.9)
	(174.7)	(317.2)	(974.9)	(1,416.0)
Net change in cash and cash equivalents	4.8	13.4	16.1	(432.4)
Cash and cash equivalents — beginning of period	24.7	—	13.4	445.8
Cash and cash equivalents — end of period	29.5	13.4	29.5	13.4

see accompanying notes



Notes to interim condensed consolidated financial statements

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars, unless otherwise indicated)

1. STATEMENT PRESENTATION

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

The unaudited interim condensed consolidated financial statements for the 13-week period and fiscal year ended September 30, 2023 have been prepared by management in accordance with IAS 34 *Interim Financial Reporting* and using the same accounting policies and methods of computation as those used in preparing the audited annual consolidated financial statements for the year ended September 24, 2022. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2022 Annual Report.

2. IMPAIRMENTS OF ASSETS, NET OF REVERSALS

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 represented 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%.

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.

3. INCOME TAXES

The effective income tax rates were as follows:

	Fiscal Year		Fiscal Year	
	2023	2022	2023	2022
(Percentage)	(13 weeks)	(12 weeks)	(53 weeks)	(52 weeks)
Combined statutory income tax rate	26.5	26.5	26.5	26.5
Changes				
Favorable tax adjustment in respect of prior years	(1.8)	—	(3.5)	—
Other	(0.6)	(1.1)	(0.1)	(0.1)
	24.1	25.4	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.



Notes to interim condensed consolidated financial statements

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars, unless otherwise indicated)

4. NET EARNINGS PER SHARE

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

	Fiscal Year		Fiscal Year	
	2023	2022	2023	2022
(Millions)	(13 weeks)	(12 weeks)	(53 weeks)	(52 weeks)
Weighted average number of shares outstanding – Basic	229.0	237.9	232.5	239.9
Dilutive effect under:				
Stock option plan	0.5	0.5	0.5	0.5
Performance share unit plan	0.3	0.3	0.3	0.4
Weighted average number of shares outstanding – Fully diluted	229.8	238.7	233.3	240.8

5. DEBT

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 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.



Notes to interim condensed consolidated financial statements

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars, unless otherwise indicated)

6. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued and the changes during the fiscal year ended September 30, 2023 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 fiscal year ended September 30, 2023 are summarized as follows:

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

Treasury shares are held in trust for the performance share unit (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.

Excluding treasury shares from the Common Shares issued, the Corporation had 228,653,000 outstanding Common Shares issued as at September 30, 2023 (236,594,000 as at September 24, 2022).



Notes to interim condensed consolidated financial statements

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars, unless otherwise indicated)

STOCK OPTION PLAN

The outstanding options and the changes during the fiscal year ended September 30, 2023 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 exercise prices of the outstanding options ranged from \$40.23 to \$77.75 as at September 30, 2023 with expiration dates up to 2029. Of these options, 792,716 could be exercised at a weighted average exercise price of \$46.22.

The compensation expense for these options amounted to \$0.8 and \$3.1 for the 13-week period and fiscal year ended September 30, 2023 (\$0.4 and \$2.4 in 2022).

PERFORMANCE SHARE UNIT PLAN

PSUs outstanding and changes during the fiscal year ended September 30, 2023 are summarized as follows:

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

The compensation expense for the PSU plan amounted to \$2.2 and \$8.8 for the 13-week period and fiscal year ended September 30, 2023 (\$1.2 and \$6.2 in 2022).



Notes to interim condensed consolidated financial statements

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars, unless otherwise indicated)

7. FINANCIAL INSTRUMENTS

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:

	As at September 30, 2023		As at September 24, 2022	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers	43.9	43.9	49.3	49.3
Debt				
Liabilities measured at amortized cost				
Revolving Credit Facility	39.9	39.9	20.9	20.9
Series J Notes (note 5)	288.9	288.9	285.1	285.1
Series G Notes	450.0	421.0	450.0	418.8
Series K Notes (note 5)	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 (note 9)	49.6	49.6	49.3	49.3
	2,678.4	2,415.8	2,355.3	2,164.7

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

8. CHANGES IN DEFINED BENEFIT PLANS

During the fourth quarter of 2023, the Corporation recorded, in the consolidated statements of comprehensive income, an actuarial gain of \$11.7 mainly attributable to the increase in the discount rate of 0.63%, net of variations in the fair value of assets. During Fiscal 2023, the Corporation recorded an actuarial gain of \$73.0, mainly attributable to the increase in the discount rates from 4.95% at September 24, 2022 to 5.60% at September 30, 2023, net of variations in the fair value on assets.

The Corporation recorded, in the consolidated statements of comprehensive income, an actuarial loss of \$59.4 mainly attributable to the decrease in the discount rate of 0.37% during the fourth quarter of 2022, net of variations in the fair value of assets. During Fiscal 2022, the Corporation recorded an actuarial gain of \$36.1, mainly attributable to the increase in the discount rates from 3.33% at September 25, 2021 to 4.95% at September 24, 2022, net of variations in the fair value on assets.

Post-employment benefits expense recorded in the consolidated statements of income during the 13 and 53-week periods ending September 30, 2023 was \$20.7 and \$81.5, respectively (\$22.0 and \$94.6 in 2022).



Notes to interim condensed consolidated financial statements

Periods ended September 30, 2023 and September 24, 2022

(Unaudited) (Millions of dollars, unless otherwise indicated)

9. 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.

10. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 13-week period and fiscal year ended September 30, 2023 (including comparative figures) were approved for issue by the Board of Directors on November 14, 2023.

INFORMATION

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