



INTERIM REPORT

12-week period ended December 18, 2021

1st Quarter 2022

HIGHLIGHTS

2022 FIRST QUARTER

- Sales of \$4,316.6 million, up 0.9%, and up 7.1% vs 2020
 - Food same-store sales down 1.4%, and up 8.5% vs 2020
 - Pharmacy same-store sales up 7.7%, and up 9.1% vs 2020
 - Net earnings of \$207.7 million, up 8.6% and adjusted net earnings⁽¹⁾ of \$214.2 million, up 8.3%, and up 22.0% and 18.4% respectively vs 2020
 - Fully diluted net earnings per share of \$0.85, up 11.8%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$0.88, up 11.4%, and up 26.9% and 23.9% respectively vs 2020
 - Declared dividend of \$0.275 per share, up 10.0%
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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the first quarter of Fiscal 2022 ended December 18, 2021.

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

First quarter net earnings were \$207.7 million in Fiscal 2022 compared with \$191.2 million in 2021, and fully diluted net earnings per share were \$0.85 compared with \$0.76 in 2021, up 8.6% and 11.8% respectively, and up 22.0% and 26.9% respectively on a two-year basis. Taking into account adjustments for the 2022 and 2021 first quarters, the after-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, adjusted net earnings⁽¹⁾ for the first quarter of Fiscal 2022 totalled \$214.2 million compared with \$197.7 million in 2021, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.88 versus \$0.79, up 8.3% and 11.4% respectively, and up 18.4% and 23.9% respectively over two years. The labour conflict at our Jean Coutu distribution center had an unfavorable impact of approximately \$0.05 on the fully diluted net earnings per share of the first quarter of 2021.

On January 24, 2022, the Board of Directors declared a quarterly dividend of \$0.275 per share, an increase of 10.0% versus the same quarter last year.

We delivered strong results in our first quarter of 2022, driven by continued sales growth on top of record sales last year and good expense control. Our industry is facing higher than normal inflationary pressures and our teams are working hard to provide the best value possible to our customers. The rapid spread of the omicron variant since the end of the quarter has caused challenges in our operations and I want to thank all our front-line employees for their commitment in these trying times. Today we are unveiling our 2022-2026 Corporate Responsibility Plan which builds on the progress we achieved over the last decade and sets ambitious goals for the company in the context of global sustainable development.



Eric La Flèche
President and Chief Executive Officer

January 25, 2022

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS 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 December 18, 2021 and for the 12-week period 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 12-week period ended December 18, 2021 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 2021 Annual Report. Unless otherwise stated, the interim report is based on information as at January 14, 2022.

Additional information, including the Certification of Interim Filings for fiscal year ended December 18, 2021 signed by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Treasurer, will also be available on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

SALES

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

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

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

Operating income before depreciation and amortization for the first quarter of Fiscal 2022 totalled \$424.1 million, or 9.8% of sales, an increase of 6.2% versus the corresponding quarter of Fiscal 2021.

Gross margin on sales for the first quarter of Fiscal 2022 was 19.9%, versus 19.7% for the corresponding period of 2021.

Operating expenses as a percentage of sales for the first quarter of Fiscal 2022 were 10.1% versus 10.4% for the corresponding quarter of 2021 mainly due to the reduction in COVID-related costs.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the first quarter of Fiscal 2022 was \$112.5 million versus \$107.3 million for the corresponding quarter of 2021. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

Net financial costs for the first quarter of Fiscal 2022 were \$28.7 million compared with \$31.4 million for the corresponding quarter of 2021.

INCOME TAXES

The income tax expense of \$75.2 million for the first quarter of Fiscal 2022 represented an effective tax rate of 26.6% compared with an income tax expense of \$69.3 million and 26.6% in the first quarter of Fiscal 2021.

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the first quarter of Fiscal 2022 were \$207.7 million compared with \$191.2 million for the corresponding quarter of 2021, while fully diluted net earnings per share were \$0.85 compared with \$0.76 in 2021, up 8.6% and 11.8% respectively, and up 22.0% and 26.9% respectively on a two-year basis. Excluding the specific item shown in the table below, adjusted net earnings⁽¹⁾ for the first quarter of Fiscal 2022 totalled \$214.2 million compared with \$197.7 million for the corresponding quarter of 2021, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.88 versus \$0.79, up 8.3% and 11.4% respectively, and up 18.4% and 23.9% respectively over two years. The labour conflict at our Jean Coutu distribution center had an unfavorable impact of approximately \$0.05 on the fully diluted net earnings per share of the first quarter of 2021.

Net earnings adjustments⁽¹⁾

	12 weeks / Fiscal Year					
	2022		2021		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	207.7	0.85	191.2	0.76	8.6	11.8
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.5		6.5			
Adjusted net earnings ⁽¹⁾	214.2	0.88	197.7	0.79	8.3	11.4

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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



QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2022	2021	2020	Change (%)
Sales				
Q1 ⁽³⁾	4,316.6	4,278.2	4,029.8	0.9
Q4 ⁽³⁾	—	4,092.0	4,143.6	(1.2)
Q3 ⁽⁴⁾	—	5,719.8	5,835.2	(2.0)
Q2 ⁽³⁾	—	4,193.0	3,988.9	5.1
Net earnings				
Q1 ⁽³⁾	207.7	191.2	170.2	8.6
Q4 ⁽³⁾	—	194.0	186.5	4.0
Q3 ⁽⁴⁾	—	252.4	263.5	(4.2)
Q2 ⁽³⁾	—	188.1	176.2	6.8
Adjusted net earnings⁽¹⁾				
Q1 ⁽³⁾	214.2	197.7	180.9	8.3
Q4 ⁽³⁾	—	200.6	193.1	3.9
Q3 ⁽⁴⁾	—	261.2	272.3	(4.1)
Q2 ⁽³⁾	—	194.7	182.8	6.5
Fully diluted net earnings per share (Dollars)				
Q1 ⁽³⁾	0.85	0.76	0.67	11.8
Q4 ⁽³⁾	—	0.79	0.74	6.8
Q3 ⁽⁴⁾	—	1.03	1.04	(1.0)
Q2 ⁽³⁾	—	0.75	0.69	8.7
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)				
Q1 ⁽³⁾	0.88	0.79	0.71	11.4
Q4 ⁽³⁾	—	0.81	0.77	5.2
Q3 ⁽⁴⁾	—	1.06	1.08	(1.9)
Q2 ⁽³⁾	—	0.78	0.72	8.3

⁽³⁾ 12 weeks

⁽⁴⁾ 16 weeks

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

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

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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

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

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

Net earnings for the first quarter of Fiscal 2022 were \$207.7 million compared with \$191.2 million for the first quarter of 2021, while fully diluted net earnings per share were \$0.85 compared with \$0.76 in 2021, up 8.6% and 11.8%, respectively and up 22.0% and 26.9% respectively on a two-year basis. Excluding from the first quarter of Fiscals 2022 and 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$8.9 million as well as income taxes relating to these items, adjusted net earnings⁽¹⁾ for the first quarter of Fiscal 2022 totalled \$214.2 million compared with \$197.7 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.88 compared with \$0.79, up 8.3% and 11.4% respectively, and up 18.4% and 23.9% respectively over two years. The labour conflict at our Jean Coutu distribution center had an unfavorable impact of approximately \$0.05 on the fully diluted net earnings per share of the first quarter of 2021.

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

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

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

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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

	2022	2021				2020		
<i>(Millions of dollars)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net earnings	207.7	194.0	252.4	188.1	191.2	186.5	263.5	176.2
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.5	6.6	8.8	6.6	6.5	6.6	8.8	6.6
Adjusted net earnings ⁽¹⁾	214.2	200.6	261.2	194.7	197.7	193.1	272.3	182.8

	2022	2021				2020		
<i>(Dollars)</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Fully diluted net earnings per share	0.85	0.79	1.03	0.75	0.76	0.74	1.04	0.69
Adjustments impact	0.03	0.02	0.03	0.03	0.03	0.03	0.04	0.03
Adjusted fully diluted net earnings per share ⁽¹⁾	0.88	0.81	1.06	0.78	0.79	0.77	1.08	0.72

CASH POSITION

OPERATING ACTIVITIES

In the first quarter of Fiscal 2022, operating activities generated cash inflows of \$177.0 million compared with \$233.4 million in the corresponding quarter of 2021. This difference resulted primarily from the change in non-cash working capital items that generated cash outflows of \$182.1 million in 2022 compared with cash outflows of \$89.8 million in 2021.

INVESTING ACTIVITIES

Investing activities required cash outflows of \$113.8 million for the first quarter of Fiscal 2022 compared with \$64.4 million for the corresponding quarter of 2021. This difference stemmed mainly from higher investments in tangible and intangible assets of \$51.6 million in 2022.

During Fiscal 2022, we and our retailers opened 3 stores, carried out major expansions and renovations of 3 stores and relocated 1 store for a net increase of 76,000 square feet or 0.4% of our food retail network.

FINANCING ACTIVITIES

In the first quarter of 2022, financing activities required cash outflows of \$310.1 million compared with \$290.2 million in the corresponding quarter of 2021. This difference resulted mainly from higher share repurchases of \$16.4 million in 2022.

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS 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 first quarter of 2022 as very solid. We had an unused authorized revolving credit facility of \$597.0 million. Our non-current debt and lease liabilities represented 39.7% of the combined total of non-current debt, lease liabilities and equity (non-current debt and lease liabilities/total capital).

At the end of first quarter of 2022, the main elements of our non-current debt were as follows:

	Interest Rate	Maturity	Balance (Millions of dollars)
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	September 3, 2026	3.0
Series F Notes	2.68% fixed rate	December 5, 2022	300.0
Series J Notes	1.92% fixed rate	December 2, 2024	301.4
Series G Notes	3.39% fixed rate	December 6, 2027	450.0
Series B Notes	5.97% fixed rate	October 15, 2035	400.0
Series D Notes	5.03% fixed rate	December 1, 2044	300.0
Series H Notes	4.27% fixed rate	December 4, 2047	450.0
Series I Notes	3.41% fixed rate	February 28, 2050	400.0

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 December 18, 2021, the balance of the Series J unsecured senior notes was \$301.4 million, including an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$1.4 million.

On December 1, 2021, the Corporation redeemed all of the Series C notes, bearing interest at a fixed nominal rate of 3.2%, in the amount of \$300.0 million that matured on the same day.

The Corporation reclassified the Series F Notes of \$300.0 million to current liabilities as it matures on December 5, 2022. The Corporation intends⁽²⁾ to refinance the Series F Notes.

Our main financial ratios were as follows:

	As at December 18, 2021	As at September 25, 2021
Financial structure		
Non-current debt (Millions of dollars)	2,622.6	2,618.2
Non-current lease liabilities (Millions of dollars)	1,623.3	1,657.5
	4,245.9	4,275.7
Equity (Millions of dollars)	6,444.2	6,412.8
Non-current debt and lease liabilities/total capital (%)	39.7	40.0

Since the Corporation intends⁽²⁾ to refinance the Series F Notes presented under non-current debt, the amount of \$300.0 million was added to non-current debt when calculating the ratio of non-current debt and lease liabilities/total capital.

	12 weeks / Fiscal Year	
	2022	2021
Results		
Operating income before depreciation and amortization/Financial costs (Times)	14.8	12.7

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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



CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at December 18, 2021	As at September 25, 2021
Number of Common Shares outstanding (<i>Thousands</i>)	240,917	242,949
Stock options:		
Number outstanding (<i>Thousands</i>)	2,693	2,318
Exercise prices (<i>Dollars</i>)	35.42 to 62.82	35.42 to 57.81
Weighted average exercise price (<i>Dollars</i>)	49.26	46.69
Performance share units:		
Number outstanding (<i>Thousands</i>)	604	615

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, 2021 and November 24, 2022. Between November 25, 2021 and January 14, 2022, the Corporation has repurchased 650,000 Common Shares at an average price of \$63.38, for a total consideration of \$41.2 million.

DIVIDENDS

On January 24, 2022, the Board of Directors declared a quarterly dividend of \$0.275 per share, an increase of 10.0% versus the same quarter last year.

SHARE TRADING

The value of METRO shares remained in the \$59.14 to \$68.34 range over first quarter of 2022. During this period, a total of 26.4 million shares were traded on the Toronto Stock Exchange. The closing price on January 14, 2022 was \$66.99 compared with \$60.18 at the end of Fiscal 2021.

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", "predict", "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 2022 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. The arrival of a new competitor is an example of the risks described under the "Risk Management" section of the 2021 Annual Report which could have an impact on these statements. As with the preceding risks, the COVID-19 pandemic constitutes a risk that could have an impact on the business, operations, projects and performance of the Corporation as well as on the forward-looking statements contained in this document.

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 on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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

NON-IFRS MEASUREMENTS

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

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

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

OUTLOOK⁽²⁾

Government measures to curb the impact of the pandemic were tightened at the start of the second quarter, similar to what transpired a year ago, and it remains difficult to predict how they will evolve and the impact they will have on our business. In the short term, food sales are expected to remain relatively stable as restaurant closures and work from home advisories persist. On the pharmacy side, we expect sales to increase versus the prior year with launch of COVID rapid test distribution in our network coupled with less restrictive government measures as 2021 was unfavourably impacted by a six-week ban on the sale of non-essential goods in Quebec. Our industry continues to experience cost inflationary pressures, particularly in cost of goods, and labour shortages which have increased with the latest strain of COVID. Labour shortages are also affecting our suppliers and logistics providers which in turn impact our supply chain and it is difficult to predict how long this situation will last. Despite this challenging environment, our teams continue to focus on delivering quality products at competitive prices to our customers.

Montréal, January 25, 2022

⁽¹⁾ See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"

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



Interim Condensed Consolidated Financial Statements

METRO INC.

December 18, 2021

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Consolidated statements of income

Periods ended December 18, 2021 and December 19, 2020

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

	12 weeks Fiscal Year	
	2022	2021
Sales	4,316.6	4,278.2
Cost of sales and operating expenses (note 2)	(3,892.5)	(3,879.0)
Operating income before depreciation and amortization	424.1	399.2
Depreciation and amortization (note 2)	(112.5)	(107.3)
Financial costs, net (note 2)	(28.7)	(31.4)
Earnings before income taxes	282.9	260.5
Income taxes (note 3)	(75.2)	(69.3)
Net earnings	207.7	191.2
Attributable to:		
Equity holders of the parent	206.7	190.5
Non-controlling interest	1.0	0.7
	207.7	191.2
Net earnings per share (Dollars) (note 4)		
Basic	0.85	0.76
Fully diluted	0.85	0.76

See accompanying notes



Consolidated statements of comprehensive income

Periods ended December 18, 2021 and December 19, 2020

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year	
	2022	2021
Net earnings	207.7	191.2
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (note 8)	11.9	53.8
Asset ceiling effect	—	(6.5)
Minimum funding requirement	1.0	—
Corresponding income taxes	(3.4)	(12.5)
	9.5	34.8
Comprehensive income	217.2	226.0
Attributable to:		
Equity holders of the parent	216.2	225.3
Non-controlling interest	1.0	0.7
	217.2	226.0

See accompanying notes



Consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at December 18, 2021	As at September 25, 2021
ASSETS		
Current assets		
Cash and cash equivalents	198.9	445.8
Accounts receivable	772.4	679.2
Accounts receivable on subleases	93.6	92.8
Inventories	1,336.7	1,169.0
Prepaid expenses	39.8	46.6
Current taxes	34.0	33.4
	2,475.4	2,466.8
Non-current assets		
Fixed assets	3,185.1	3,129.8
Investment properties	30.8	33.4
Right-of-use assets	1,064.3	1,064.7
Intangible assets	2,865.7	2,854.7
Goodwill	3,301.2	3,301.2
Deferred taxes	56.9	57.1
Defined benefit assets	94.2	84.8
Accounts receivable on subleases	526.0	549.6
Other assets	53.8	50.0
	13,653.4	13,592.1
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	3.0	0.1
Accounts payable	1,579.3	1,546.5
Deferred revenues	47.8	35.9
Current taxes	29.5	25.9
Provisions	0.9	1.6
Current portion of debt (note 5)	317.5	318.5
Current portion of lease liabilities	272.3	269.7
	2,250.3	2,198.2
Non-current liabilities		
Debt (note 5)	2,322.6	2,318.2
Lease liabilities	1,623.3	1,657.5
Defined benefit liabilities	62.0	61.5
Provisions	13.0	13.5
Deferred taxes	934.9	927.7
Other liabilities	3.1	2.7
	7,209.2	7,179.3
Equity		
Attributable to equity holders of the parent	6,430.3	6,399.9
Attributable to non-controlling interest	13.9	12.9
	6,444.2	6,412.8
	13,653.4	13,592.1

See accompanying notes



Consolidated statements of changes in equity
Periods ended December 18, 2021 and December 19, 2020
(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent						
	Capital stock <i>(note 6)</i>	Treasury shares <i>(note 6)</i>	Contributed surplus	Retained earnings	Total	Non-controlling interest	Total equity
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	—	—	—	206.7	206.7	1.0	207.7
Other comprehensive income	—	—	—	9.5	9.5	—	9.5
Comprehensive income	—	—	—	216.2	216.2	1.0	217.2
Stock options exercised	0.7	—	(0.1)	—	0.6	—	0.6
Shares redeemed	(14.1)	—	—	—	(14.1)	—	(14.1)
Share redemption premium	—	—	—	(114.0)	(114.0)	—	(114.0)
Share-based compensation cost	—	—	2.3	—	2.3	—	2.3
Dividends	—	—	—	(60.6)	(60.6)	—	(60.6)
	(13.4)	—	2.2	(174.6)	(185.8)	—	(185.8)
Balance as at December 18, 2021	1,660.9	(20.5)	26.4	4,763.5	6,430.3	13.9	6,444.2

	Attributable to the equity holders of the parent						
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at September 26, 2020	1,713.8	(25.1)	22.2	4,431.3	6,142.2	13.2	6,155.4
Net earnings	—	—	—	190.5	190.5	0.7	191.2
Other comprehensive income	—	—	—	34.8	34.8	—	34.8
Comprehensive income	—	—	—	225.3	225.3	0.7	226.0
Stock options exercised	0.2	—	—	—	0.2	—	0.2
Shares redeemed	(12.6)	—	—	—	(12.6)	—	(12.6)
Share redemption premium	—	—	—	(99.1)	(99.1)	—	(99.1)
Share-based compensation cost	—	—	2.2	—	2.2	—	2.2
Dividends	—	—	—	(56.3)	(56.3)	(0.1)	(56.4)
Repurchase of shares in joint ventures	—	—	—	—	—	(1.0)	(1.0)
	(12.4)	—	2.2	(155.4)	(165.6)	(1.1)	(166.7)
Balance as at December 19, 2020	1,701.4	(25.1)	24.4	4,501.2	6,201.9	12.8	6,214.7

See accompanying notes



Consolidated statements of cash flows

Periods ended December 18, 2021 and December 19, 2020

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year	
	2022	2021
Operating activities		
Earnings before income taxes	282.9	260.5
Non-cash items		
Depreciation and amortization	112.5	107.3
Gain on disposal and write-offs of fixed and intangible assets and investment properties	(1.3)	—
Gain on disposal of right-of-use assets	(1.7)	—
Share-based compensation cost	2.3	2.2
Difference between amounts paid for employee benefits and current period cost	3.9	1.3
Financial costs, net	28.7	31.4
	427.3	402.7
Net change in non-cash working capital items	(182.1)	(89.8)
Income taxes paid	(68.2)	(79.5)
	177.0	233.4
Investing activities		
Repurchase of shares in joint ventures	—	(1.0)
Net change in other assets	0.7	(1.9)
Additions to fixed assets and investment properties	(113.8)	(80.2)
Disposal of fixed assets and investment properties	0.2	2.5
Additions to intangible assets	(27.7)	(9.7)
Payments received from subleases	23.1	21.8
Interest received from subleases	3.7	4.1
	(113.8)	(64.4)
Financing activities		
Net change in bank loans	2.9	0.5
Shares issued	0.6	0.2
Shares redeemed	(128.1)	(111.7)
Increase in debt	307.8	2.4
Repayment of debt	(307.3)	(3.0)
Interest paid on debt	(46.7)	(47.2)
Payment of lease liabilities (principal)	(67.6)	(63.9)
Payment of lease liabilities (interest)	(11.5)	(12.0)
Net change in other liabilities	0.4	0.8
Dividends	(60.6)	(56.3)
	(310.1)	(290.2)
Net change in cash and cash equivalents	(246.9)	(121.2)
Cash and cash equivalents — beginning of period	445.8	441.5
Cash and cash equivalents — end of period	198.9	320.3

see accompanying notes



Notes to interim condensed consolidated financial statements

Periods ended December 18, 2021 and December 19, 2020

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

1. STATEMENT PRESENTATION

METRO INC. (the Corporation) is a company incorporated under the laws of Québec. One of Canada's leading food and pharmacy retailers and distributors, the Corporation 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 two business segments, food operations and pharmacy operations, are combined into one reportable operating segment due to the similar nature of their operations.

The unaudited interim condensed consolidated financial statements for the 12-week period ended December 18, 2021 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 25, 2021. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2021 Annual Report.



Notes to interim condensed consolidated financial statements

Periods ended December 18, 2021 and December 19, 2020

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

2. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks			
	Fiscal Year			
	2022	%	2021	%
Sales	4,316.6		4,278.2	
Cost of sales	(3,455.7)		(3,434.8)	
Gross margin	860.9	19.9	843.4	19.7
Operating expenses				
Wages and fringe benefits	(219.0)		(225.6)	
Employee benefits expense	(22.7)		(23.6)	
Rent and occupancy charges	(65.0)		(70.2)	
Other	(130.1)		(124.8)	
	(436.8)	10.1	(444.2)	10.4
Operating income before depreciation and amortization	424.1	9.8	399.2	9.3
Depreciation and amortization				
Fixed assets	(57.7)		(53.4)	
Investment properties	(0.1)		(0.1)	
Right-of-use assets	(36.2)		(36.4)	
Intangible assets	(18.5)		(17.4)	
	(112.5)		(107.3)	
Financial costs, net				
Current interest	(0.9)		(0.7)	
Non-current interest	(23.9)		(24.4)	
Net interest on lease liabilities	(7.2)		(7.9)	
Interest on defined benefit obligations net of plan assets	(0.1)		(1.0)	
Amortization of deferred financing costs	(0.4)		(0.4)	
Interest income	3.9		3.0	
Passage of time	(0.1)		—	
	(28.7)		(31.4)	
Earnings before income taxes	282.9		260.5	



Notes to interim condensed consolidated financial statements

Periods ended December 18, 2021 and December 19, 2020

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

3. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	12 weeks	
	Fiscal Year	
	2022	2021
Combined statutory income tax rate	26.5	26.5
Changes		
Other	0.1	0.1
	26.6	26.6

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:

(Millions)	12 weeks	
	Fiscal Year	
	2022	2021
Weighted average number of shares outstanding – Basic	241.8	249.6
Dilutive effect under:		
Stock option plan	0.5	0.7
Performance share unit plan	0.4	0.6
Weighted average number of shares outstanding – Fully diluted	242.7	250.9

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 December 18, 2021, the balance of the Series J unsecured senior notes was \$301.4, including an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$1.4.

On December 1, 2021, the Corporation redeemed all of the Series C notes, bearing interest at a fixed nominal rate of 3.2%, in the amount of \$300.0 that matured on the same day.

The Corporation reclassified the Series F Notes of \$300.0 to current liabilities as it matures on December 5, 2022. The Corporation intends to refinance the Series F Notes.



Notes to interim condensed consolidated financial statements

Periods ended December 18, 2021 and December 19, 2020

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

6. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number (Thousands)	
Balance as at September 26, 2020	250,795	1,713.8
Shares redeemed for cash, excluding premium of \$402.6	(7,850)	(53.7)
Stock options exercised	446	14.2
Balance as at September 25, 2021	243,391	1,674.3
Shares redeemed for cash, excluding premium of \$114.0	(2,050)	(14.1)
Stock options exercised	18	0.7
Balance as at December 18, 2021	241,359	1,660.9

TREASURY SHARES

The treasury shares were summarized as follows:

	Number (Thousands)	
Balance as at September 26, 2020	552	(25.1)
Release	(110)	4.6
Balance as at September 25, 2021 and December 18, 2021	442	(20.5)

The treasury shares are held in trust for the performance share unit plan (PSU). They are released into circulation when the PSUs settle.

Excluding treasury shares from the Common Shares issued, the Corporation had 240,917,000 outstanding Common Shares issued as at December 18, 2021 (242,949,000 as at September 25, 2021).

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 26, 2020	2,322	41.27
Granted	488	55.95
Exercised	(446)	28.07
Cancelled	(46)	51.88
Balance as at September 25, 2021	2,318	46.69
Granted	431	62.82
Exercised	(18)	35.78
Cancelled	(38)	52.79
Balance as at December 18, 2021	2,693	49.26



Notes to interim condensed consolidated financial statements

Periods ended December 18, 2021 and December 19, 2020

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

The exercise prices of the outstanding options ranged from \$35.42 to \$62.82 as at December 18, 2021 with expiration dates up to 2028. Of these options, 869,900 could be exercised at a weighted average exercise price of \$41.24.

The compensation expense for these options amounted to \$0.5 for the 12-week period ended December 18, 2021 (\$0.5 in 2021).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number (Thousands)
Balance as at September 26, 2020	618
Granted	231
Exercised	(171)
Cancelled	(63)
Balance as at September 25, 2021	615
Cancelled	(11)
Balance as at December 18, 2021	604

The compensation expense for the PSU plan amounted to \$1.8 for the 12-week period ended December 18, 2021 (\$1.7 in 2021).

7. FINANCIAL INSTRUMENTS

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

	<u>As at December 18, 2021</u>		<u>As at September 25, 2021</u>	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers	51.4	51.4	50.3	50.3
Debt				
Liabilities measured at amortized cost				
Revolving Credit Facility	3.0	3.0	—	—
Series C Notes (note 5)	—	—	300.0	303.8
Series F Notes (note 5)	300.0	304.4	300.0	308.9
Series J Notes (note 5)	301.4	301.4	—	—
Series G Notes	450.0	478.3	450.0	488.1
Series B Notes	400.0	515.4	400.0	519.9
Series D Notes	300.0	368.6	300.0	363.4
Series H Notes	450.0	504.5	450.0	494.7
Series I Notes	400.0	390.7	400.0	377.3
Loans	49.1	49.1	49.7	49.7
	2,653.5	2,915.4	2,649.7	2,905.8



Notes to interim condensed consolidated financial statements

Periods ended December 18, 2021 and December 19, 2020

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

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 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

The actuarial gains of \$11.9 recorded in the consolidated statements of comprehensive income during the 12-week period ending December 18, 2021 are primarily due to the higher return on assets, net of the decrease in the discount rates from 3.33% as at September 25, 2021 to 3.28% as at December 18, 2021.

9. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week period ended December 18, 2021 (including comparative figures) were approved for issue by the Board of Directors on January 24, 2022.

INFORMATION

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METRO INC.'s corporate information and press releases
are available on the Internet at the following address: www.metro.ca

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