



## INTERIM REPORT

16-week period ended July 2, 2022

3<sup>rd</sup> Quarter 2022

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### HIGHLIGHTS

#### 2022 THIRD QUARTER

- Sales of \$5,865.5 million, up 2.5%
  - Food same-store sales up 1.1%
  - Pharmacy same-store sales up 7.2%
  - Net earnings of \$275.0 million, up 9.0% and adjusted net earnings<sup>(1)</sup> of \$283.8 million, up 8.7%
  - Fully diluted net earnings per share of \$1.14, up 10.7%, and adjusted fully diluted net earnings per share<sup>(1)</sup> of \$1.18, up 11.3%
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## REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the third quarter of Fiscal 2022 ended July 2, 2022.

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

Third quarter net earnings were \$275.0 million in Fiscal 2022 compared with \$252.4 million in 2021, and fully diluted net earnings per share were \$1.14 compared with \$1.03 in 2021, up 9.0% and 10.7% respectively. Taking into account adjustments for the 2022 and 2021 third quarters, consisting of the after-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, adjusted net earnings<sup>(1)</sup> for the third quarter of Fiscal 2022 totalled \$283.8 million compared with \$261.2 million in 2021, and adjusted fully diluted net earnings per share<sup>(1)</sup> amounted to \$1.18 versus \$1.06, up 8.7% and 11.3% respectively.

On August 9, 2022, the Board of Directors declared a quarterly dividend of \$0.275 per share, the same amount declared last quarter.

We are pleased with the performance of our food and pharmacy businesses in the third quarter, which was achieved in a challenging operating environment with increasing inflationary pressures as well as ongoing labor shortages that are impacting the supply chain and our operations. I want to thank our teams who strive to deliver the best value possible to customers in these inflationary times with our multiple formats, effective promotional strategies and strong private label offering. Finally, we are on track with our supply chain modernization program as the transition to our fully automated frozen food distribution center in Toronto is now complete and the ramp-up is progressing well.

Eric La Flèche  
President and Chief Executive Officer

August 10, 2022

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

<sup>(2)</sup> 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 July 2, 2022 and for the 16 and 40-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 16 and 40-week periods ended July 2, 2022 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 July 29, 2022.

Additional information, including the Certification of Interim Filings for the quarter ended July 2, 2022 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](http://www.sedar.com).

## OPERATING RESULTS

### SALES

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

Sales in the first 40 weeks of Fiscal 2022 totalled \$14,456.3 million, up 1.9% compared to \$14,191.0 million for the corresponding period of 2021.

### OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

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

Operating income before depreciation and amortization for the third quarter of Fiscal 2022 totalled \$565.1 million, or 9.6% of sales, an increase of 5.9% versus the corresponding quarter of Fiscal 2021. Included in the third quarter of Fiscal 2022 are \$7.7 million of direct costs related to the one-week labour conflict and new collective agreement ratification with our distribution center employees in Toronto offset by a non-recurring gain on the sale of assets of \$8.7 million (\$5.1 million in 2021). Operating income before depreciation and amortization for the first 40 weeks of Fiscal 2022 totalled \$1,403.2 million or 9.7% of sales, up 5.6% versus the corresponding period of 2021.

Gross margin on sales for the third quarter and the first 40 weeks of Fiscal 2022 were 19.8% and 19.9% respectively, the same percentages as the corresponding periods of 2021. A slight decline in our food division margin in the third quarter was compensated by a stronger pharmacy performance. Gross margin for the third quarter of Fiscal 2022 also included \$5.3 million of direct costs related to the one-week labour conflict with our distribution center employees in Toronto.

Operating expenses as a percentage of sales for the third quarter of Fiscal 2022 were 10.1% versus 10.5% for the corresponding quarter of 2021 mainly due to the reduction in COVID-related costs. Operating expenses for the third quarter of Fiscal 2022 were impacted by \$2.4 million of direct costs related to the one-week labour conflict and new collective agreement ratification with our distribution center employees in Toronto offset by a non-recurring gain on the sale of assets of \$8.7 million (\$5.1 million in 2021). For the first 40 weeks of Fiscal 2022, operating expenses as a percentage of sales were 10.2% versus 10.5% in 2021.

### DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the third quarter of Fiscal 2022 was \$154.7 million versus \$149.4 million for the corresponding quarter of 2021. This increase reflects the additional investments in supply chain

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

<sup>(2)</sup> See section on "Forward-looking Information"



and logistics as well as in-store technology. For the first 40 weeks of Fiscal 2022, total depreciation and amortization expense was \$383.5 million versus \$367.5 million for the corresponding period of 2021.

Net financial costs for the third quarter of Fiscal 2022 were \$35.8 million compared with \$42.1 million for the corresponding quarter of 2021. For the first 40 weeks of Fiscal 2022, net financial costs were \$92.3 million compared with \$104.8 million for the corresponding period of 2021. The reduction is mainly due to lower debt, lower borrowing rates on new debt and higher capitalized interest.

## INCOME TAXES

The income tax expense of \$99.6 million for the third quarter of Fiscal 2022 represented an effective tax rate of 26.6% compared with an income tax expense of \$89.7 million and an effective tax rate of 26.2% in the third quarter of Fiscal 2021. The 40-week period income tax expense of \$246.6 million for Fiscal 2022 and \$224.9 million for Fiscal 2021 represented an effective tax rate of 26.6% and 26.3% respectively.

## NET EARNINGS AND ADJUSTED NET EARNINGS<sup>(1)</sup>

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

Net earnings for the first 40 weeks of Fiscal 2022 were \$680.8 million compared with \$631.7 million for the corresponding period of 2021, while fully diluted net earnings per share were \$2.81 compared with \$2.54 in 2021, up 7.8% and 10.6%, respectively. Excluding the specific item shown in the table below, adjusted net earnings<sup>(1)</sup> for the first 40 weeks of Fiscal 2022 totalled \$702.7 million compared with \$653.6 million for the corresponding period of 2021, and adjusted fully diluted net earnings per share<sup>(1)</sup> amounted to \$2.90 versus \$2.63, up 7.5% and 10.3%, respectively.

### Net earnings adjustments<sup>(1)</sup>

	16 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	275.0	1.14	252.4	1.03	9.0	10.7
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	8.8		8.8			
Adjusted net earnings <sup>(1)</sup>	283.8	1.18	261.2	1.06	8.7	11.3

	40 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	680.8	2.81	631.7	2.54	7.8	10.6
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	21.9		21.9			
Adjusted net earnings <sup>(1)</sup>	702.7	2.90	653.6	2.63	7.5	10.3

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

<sup>(2)</sup> See section on "Forward-looking Information"



## QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2022	2021	2020	Change (%)
<b>Sales</b>				
Q3 <sup>(4)</sup>	5,865.5	5,719.8		2.5
Q2 <sup>(3)</sup>	4,274.2	4,193.0		1.9
Q1 <sup>(3)</sup>	4,316.6	4,278.2		0.9
Q4 <sup>(3)</sup>		4,092.0	4,143.6	(1.2)
<b>Net earnings</b>				
Q3 <sup>(4)</sup>	275.0	252.4		9.0
Q2 <sup>(3)</sup>	198.1	188.1		5.3
Q1 <sup>(3)</sup>	207.7	191.2		8.6
Q4 <sup>(3)</sup>		194.0	186.5	4.0
<b>Adjusted net earnings<sup>(1)</sup></b>				
Q3 <sup>(4)</sup>	283.8	261.2		8.7
Q2 <sup>(3)</sup>	204.7	194.7		5.1
Q1 <sup>(3)</sup>	214.2	197.7		8.3
Q4 <sup>(3)</sup>		200.6	193.1	3.9
<b>Fully diluted net earnings per share (Dollars)</b>				
Q3 <sup>(4)</sup>	1.14	1.03		10.7
Q2 <sup>(3)</sup>	0.82	0.75		9.3
Q1 <sup>(3)</sup>	0.85	0.76		11.8
Q4 <sup>(3)</sup>		0.79	0.74	6.8
<b>Adjusted fully diluted net earnings per share<sup>(1)</sup> (Dollars)</b>				
Q3 <sup>(4)</sup>	1.18	1.06		11.3
Q2 <sup>(3)</sup>	0.84	0.78		7.7
Q1 <sup>(3)</sup>	0.88	0.79		11.4
Q4 <sup>(3)</sup>		0.81	0.77	5.2

<sup>(3)</sup> 12 weeks

<sup>(4)</sup> 16 weeks

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

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

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

<sup>(2)</sup> See section on "Forward-looking Information"

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.

Net earnings for the third quarter of Fiscal 2022 were \$275.0 million compared with \$252.4 million for the third quarter of 2021, while fully diluted net earnings per share were \$1.14 compared with \$1.03 in 2021, up 9.0% and 10.7%, respectively. Excluding from the third quarters of Fiscal 2022 and 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$11.9 million as well as income taxes relating to these items, adjusted net earnings<sup>(1)</sup> for the third quarter of Fiscal 2022 totalled \$283.8 million compared with \$261.2 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share<sup>(1)</sup> amounted to \$1.18 compared with \$1.06, up 8.7% and 11.3% respectively.

Net earnings for the second quarter of Fiscal 2022 were \$198.1 million compared with \$188.1 million for the second quarter of 2021, while fully diluted net earnings per share were \$0.82 compared with \$0.75 in 2021, up 5.3% and 9.3%, respectively. Excluding from the second quarters of Fiscal 2022 and 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$8.9 million as well as income taxes relating to these items, adjusted net earnings<sup>(1)</sup> for the second quarter of Fiscal 2022 totalled \$204.7 million compared with \$194.7 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share<sup>(1)</sup> amounted to \$0.84 compared with \$0.78, up 5.1% and 7.7% respectively.

Net earnings for the first quarter of Fiscal 2022 were \$207.7 million compared with \$191.2 million for the first quarter of 2021, while fully diluted net earnings per share were \$0.85 compared with \$0.76 in 2021, up 8.6% and 11.8%, respectively and up 22.0% and 26.9% respectively on a two-year basis. Excluding from the first quarters of Fiscal 2022 and 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$8.9 million as well as income taxes relating to these items, adjusted net earnings<sup>(1)</sup> 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<sup>(1)</sup> 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 quarters of Fiscal 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<sup>(1)</sup> 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<sup>(1)</sup> 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.

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

<sup>(2)</sup> See section on "Forward-looking Information"

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(Millions of dollars)</i>								
Net earnings	275.0	198.1	207.7	194.0	252.4	188.1	191.2	186.5
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	8.8	6.6	6.5	6.6	8.8	6.6	6.5	6.6
Adjusted net earnings <sup>(1)</sup>	283.8	204.7	214.2	200.6	261.2	194.7	197.7	193.1

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<i>(Dollars)</i>								
Fully diluted net earnings per share	1.14	0.82	0.85	0.79	1.03	0.75	0.76	0.74
Adjustments impact	0.04	0.02	0.03	0.02	0.03	0.03	0.03	0.03
Adjusted fully diluted net earnings per share <sup>(1)</sup>	1.18	0.84	0.88	0.81	1.06	0.78	0.79	0.77

## CASH POSITION

### OPERATING ACTIVITIES

In the third quarter of Fiscal 2022, operating activities generated cash inflows of \$433.0 million compared with \$517.7 million in the corresponding quarter of 2021. In the first 40 weeks of Fiscal 2022, operating activities generated cash inflows of \$994.8 million compared with \$1,168.0 million for the corresponding period of 2021. The variance is mainly due to the change in non-cash working capital items that required cash outflows of \$207.5 million in 2022 compared with \$106.7 million in 2021, net of higher earnings.

### INVESTING ACTIVITIES

Investing activities required cash outflows of \$111.4 million for the third quarter of Fiscal 2022 compared with \$126.2 million for the corresponding quarter of 2021. In the first 40 weeks of Fiscal 2022, investing activities required cash outflows of \$341.8 million compared with \$284.3 million for the corresponding period of 2021. This difference stemmed mainly from higher investments in tangible and intangible assets of \$62.1 million in 2022.

During the first 40 weeks of 2022, we and our retailers opened 5 stores, carried out major expansions and renovations of 11 stores, 1 store was relocated and 1 store was closed for a net increase of 141,100 square feet or 0.7% of our food retail network.

### FINANCING ACTIVITIES

In the third quarter of 2022, financing activities required cash outflows of \$544.2 million compared with \$305.2 million in the corresponding quarter of 2021. This difference is mainly due to the early repayment of all Series F notes in the amount of \$300.0 million in the third quarter of 2022.

In the first 40 weeks of Fiscal 2022, financing activities required cash outflows of \$1,098.8 million compared with \$914.2 million for the corresponding period of 2021. This difference is mainly due to the early repayment of all Series F notes in the amount of \$300.0 million, less lower share repurchases of \$49.9 million in 2022.

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

<sup>(2)</sup> See section on "Forward-looking Information"

## FINANCIAL POSITION

We do not anticipate<sup>(2)</sup> any liquidity risk and consider our financial position at the end of the third quarter of 2022 as very solid. We had an unused authorized revolving credit facility of \$600.0 million. Our non-current debt and lease liabilities represented 36.6% of the combined total of non-current debt, lease liabilities and equity (non-current debt and lease liabilities/total capital).

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

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

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 July 2, 2022, the balance of the Series J unsecured senior notes was \$288.7 million, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$11.3 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.

In May 2022, the Corporation entered into bond forwards designated as cash flow hedges on a component of a highly probable future debt issuance in the amount of \$200.0 million that secured a weighted average fixed interest rate of 3.02%.

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.

Our main financial ratios were as follows:

	As at July 2, 2022	As at September 25, 2021
Financial structure		
Non-current debt (Millions of dollars)	2,308.3	2,618.2
Non-current lease liabilities (Millions of dollars)	1,519.8	1,657.5
	3,828.1	4,275.7
Equity (Millions of dollars)	6,618.5	6,412.8
Non-current debt and lease liabilities/total capital (%)	36.6	40.0

Since the Corporation intended<sup>(2)</sup> to refinance the Series F Notes presented under current debt, the amount of \$300.0 million was added to non-current debt when calculating the ratio of non-current debt and lease liabilities/total capital as September 25, 2021.

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

<sup>(2)</sup> See section on "Forward-looking Information"



	2022	2021
Results		
Operating income before depreciation and amortization/Financial costs ( <i>Times</i> )	<b>15.2</b>	12.7

### CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at July 2, 2022	As at September 25, 2021
Number of Common Shares outstanding ( <i>Thousands</i> )	<b>238,575</b>	242,949
Stock options:		
Number outstanding ( <i>Thousands</i> )	<b>2,192</b>	2,318
Exercise prices ( <i>Dollars</i> )	<b>40.23 to 62.82</b>	35.42 to 57.81
Weighted average exercise price ( <i>Dollars</i> )	<b>51.60</b>	46.69
Performance share units:		
Number outstanding ( <i>Thousands</i> )	<b>597</b>	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 July 29, 2022, the Corporation has repurchased 3,800,000 Common Shares at an average price of \$67.38, for a total consideration of \$256.0 million.

### DIVIDENDS

On August 9, 2022, the Board of Directors declared a quarterly dividend of \$0.275 per share, the same amount declared last quarter.

### SHARE TRADING

The value of METRO shares remained in the \$59.14 to \$73.54 range over the first 40 weeks of Fiscal 2022. During this period, a total of 91.1 million shares were traded on the Toronto Stock Exchange. The closing price on July 29, 2022 was \$70.91 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.

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

<sup>(2)</sup> See section on "Forward-looking Information"



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.

## **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<sup>(2)</sup>**

We continue to face higher than normal inflationary pressures and labor shortages, and it is difficult to predict how long this situation will last. If prolonged, this environment could put pressure on margins. In the short term, we expect same-store food sales to grow at a higher rate than in recent quarters as we are now cycling periods last year without significant pandemic restrictions. On the pharmacy side, we expect growth in prescriptions to moderate versus year-to-date levels given the high number of visits to physicians in the fourth quarter last year. We also expect front of store revenues to remain strong, namely driven by over-the-counter product sales.

Montréal, August 10, 2022

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

<sup>(2)</sup> See section on "Forward-looking Information"



Interim Condensed Consolidated Financial Statements

**METRO INC.**

July 2, 2022

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## Consolidated statements of income

Periods ended July 2, 2022 and July 3, 2021

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

	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2022	2021	2022	2021
<b>Sales</b>	<b>5,865.5</b>	5,719.8	<b>14,456.3</b>	14,191.0
Cost of sales and operating expenses (note 2)	<b>(5,300.4)</b>	(5,186.2)	<b>(13,053.1)</b>	(12,862.1)
<b>Operating income before depreciation and amortization</b>	<b>565.1</b>	533.6	<b>1,403.2</b>	1,328.9
Depreciation and amortization (note 2)	<b>(154.7)</b>	(149.4)	<b>(383.5)</b>	(367.5)
Financial costs, net (note 2)	<b>(35.8)</b>	(42.1)	<b>(92.3)</b>	(104.8)
<b>Earnings before income taxes</b>	<b>374.6</b>	342.1	<b>927.4</b>	856.6
Income taxes (note 3)	<b>(99.6)</b>	(89.7)	<b>(246.6)</b>	(224.9)
<b>Net earnings</b>	<b>275.0</b>	252.4	<b>680.8</b>	631.7
Attributable to:				
Equity holders of the parent	<b>274.0</b>	251.4	<b>678.1</b>	629.2
Non-controlling interest	<b>1.0</b>	1.0	<b>2.7</b>	2.5
	<b>275.0</b>	252.4	<b>680.8</b>	631.7
<b>Net earnings per share (Dollars) (note 4)</b>				
Basic	<b>1.14</b>	1.03	<b>2.82</b>	2.55
Fully diluted	<b>1.14</b>	1.03	<b>2.81</b>	2.54

See accompanying notes



## Consolidated statements of comprehensive income

Periods ended July 2, 2022 and July 3, 2021

(Unaudited) (Millions of dollars)

	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2022	2021	2022	2021
Net earnings	275.0	252.4	680.8	631.7
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (note 8)	21.0	30.9	95.5	190.1
Asset ceiling effect	(22.1)	(0.7)	(64.2)	(16.6)
Minimum funding requirement	1.2	—	(2.2)	—
Corresponding income taxes	—	(8.0)	(7.7)	(46.0)
	0.1	22.2	21.4	127.5
Items that will be reclassified later to net earnings				
Change in fair value of derivatives designated as cash flow hedges	3.7	—	3.7	—
Corresponding income taxes	(1.0)	—	(1.0)	—
	2.7	—	2.7	—
	2.8	22.2	24.1	127.5
Comprehensive income	277.8	274.6	704.9	759.2
Attributable to:				
Equity holders of the parent	276.8	273.6	702.2	756.7
Non-controlling interest	1.0	1.0	2.7	2.5
	277.8	274.6	704.9	759.2

See accompanying notes



## Consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at July 2, 2022	As at September 25, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	—	445.8
Accounts receivable	771.5	679.2
Accounts receivable on subleases	95.9	92.8
Inventories	1,257.3	1,169.0
Prepaid expenses	49.8	46.6
Current taxes	23.1	33.4
	<b>2,197.6</b>	<b>2,466.8</b>
<b>Non-current assets</b>		
Fixed assets	3,359.8	3,129.8
Investment properties	24.3	33.4
Right-of-use assets	1,017.1	1,064.7
Intangible assets	2,804.6	2,854.7
Goodwill	3,301.2	3,301.2
Deferred taxes	56.9	57.1
Defined benefit assets	100.8	84.8
Accounts receivable on subleases	488.1	549.6
Other assets	63.6	50.0
	<b>13,414.0</b>	<b>13,592.1</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Bank loans	70.9	0.1
Accounts payable	1,481.9	1,546.5
Deferred revenues	41.3	35.9
Current taxes	55.8	25.9
Provisions	0.8	1.6
Current portion of debt (note 5)	16.1	318.5
Current portion of lease liabilities	275.3	269.7
	<b>1,942.1</b>	<b>2,198.2</b>
<b>Non-current liabilities</b>		
Debt (note 5)	2,308.3	2,318.2
Lease liabilities	1,519.8	1,657.5
Defined benefit liabilities	52.1	61.5
Provisions	13.0	13.5
Deferred taxes	945.2	927.7
Other liabilities	15.0	2.7
	<b>6,795.5</b>	<b>7,179.3</b>
<b>Equity</b>		
Attributable to equity holders of the parent	6,604.4	6,399.9
Attributable to non-controlling interest	14.1	12.9
	<b>6,618.5</b>	<b>6,412.8</b>
	<b>13,414.0</b>	<b>13,592.1</b>

See accompanying notes



## Consolidated statements of changes in equity

Periods ended July 2, 2022 and July 3, 2021

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent					Total	Non-controlling interest	Total equity
	Capital stock (note 6)	Treasury shares (note 6)	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
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	—	—	—	678.1	—	678.1	2.7	680.8
Other comprehensive income	—	—	—	21.4	2.7	24.1	—	24.1
Comprehensive income	—	—	—	699.5	2.7	702.2	2.7	704.9
Stock options exercised	22.6	—	(2.4)	—	—	20.2	—	20.2
Shares redeemed	(34.6)	—	—	—	—	(34.6)	—	(34.6)
Share redemption premium	—	—	—	(294.0)	—	(294.0)	—	(294.0)
Share-based compensation cost	—	—	7.0	—	—	7.0	—	7.0
Performance share units settlement	—	4.3	(7.0)	(1.0)	—	(3.7)	—	(3.7)
Dividends	—	—	—	(192.6)	—	(192.6)	(0.7)	(193.3)
Repurchase of shares in joint ventures	—	—	—	—	—	—	(0.8)	(0.8)
	(12.0)	4.3	(2.4)	(487.6)	—	(497.7)	(1.5)	(499.2)
Balance as at July 2, 2022	1,662.3	(16.2)	21.8	4,933.8	2.7	6,604.4	14.1	6,618.5

	Attributable to the equity holders of the parent					Total	Non-controlling interest	Total equity
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
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	—	—	—	629.2	—	629.2	2.5	631.7
Other comprehensive income	—	—	—	127.5	—	127.5	—	127.5
Comprehensive income	—	—	—	756.7	—	756.7	2.5	759.2
Stock options exercised	9.2	—	(1.1)	—	—	8.1	—	8.1
Shares redeemed	(45.1)	—	—	—	—	(45.1)	—	(45.1)
Share redemption premium	—	—	—	(333.4)	—	(333.4)	—	(333.4)
Share-based compensation cost	—	—	8.2	—	—	8.2	—	8.2
Performance share units settlement	—	4.6	(7.0)	(0.9)	—	(3.3)	—	(3.3)
Dividends	—	—	—	(179.2)	—	(179.2)	(0.8)	(180.0)
Repurchase of shares in joint ventures	—	—	—	—	—	—	(1.0)	(1.0)
	(35.9)	4.6	0.1	(513.5)	—	(544.7)	(1.8)	(546.5)
Balance as at July 3, 2021	1,677.9	(20.5)	22.3	4,674.5	—	6,354.2	13.9	6,368.1

See accompanying notes





## Consolidated statements of cash flows

Periods ended July 2, 2022 and July 3, 2021

(Unaudited) (Millions of dollars)

	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2022	2021	2022	2021
<b>Operating activities</b>				
Earnings before income taxes	374.6	342.1	927.4	856.6
Non-cash items				
Depreciation and amortization	154.7	149.4	383.5	367.5
Gain on disposal and write-offs of fixed and intangible assets and investment properties	(8.7)	(5.1)	(12.4)	(5.2)
Gain on disposal of right-of-use assets	—	(0.5)	(1.7)	(0.5)
Share-based compensation cost	3.6	3.5	7.0	8.2
Difference between amounts paid for employee benefits and current period cost	0.5	3.1	3.6	4.5
Financial costs, net	35.8	42.1	92.3	104.8
	560.5	534.6	1,399.7	1,335.9
Net change in non-cash working capital items	(49.4)	132.1	(207.5)	106.7
Income taxes paid	(78.1)	(149.0)	(197.4)	(274.6)
	433.0	517.7	994.8	1,168.0
<b>Investing activities</b>				
Repurchase of shares in joint ventures	—	—	(0.2)	(1.0)
Net change in other assets	(4.3)	(2.4)	(13.4)	(4.7)
Additions to fixed assets and investment properties	(144.8)	(161.1)	(360.9)	(319.8)
Disposal of fixed assets and investment properties	17.4	15.5	28.3	18.1
Additions to intangible assets	(15.3)	(13.1)	(84.9)	(63.9)
Payments received from subleases	30.8	29.7	77.1	73.7
Interest received from subleases	4.8	5.2	12.2	13.3
	(111.4)	(126.2)	(341.8)	(284.3)
<b>Financing activities</b>				
Net change in bank loans	70.7	(0.4)	70.8	(0.4)
Shares issued	7.0	7.0	20.2	8.1
Shares redeemed	(106.6)	(98.1)	(328.6)	(378.5)
Performance share units settlement	—	—	(3.7)	(3.3)
Increase in debt	0.9	8.3	308.9	12.7
Repayment of debt	(301.5)	(10.6)	(614.2)	(15.1)
Interest paid on debt	(43.4)	(47.0)	(97.8)	(101.1)
Payment of lease liabilities (principal)	(89.8)	(87.4)	(224.6)	(216.3)
Payment of lease liabilities (interest)	(14.9)	(15.9)	(37.7)	(40.8)
Net change in other liabilities	(0.8)	—	0.5	(0.3)
Dividends	(65.8)	(61.1)	(192.6)	(179.2)
	(544.2)	(305.2)	(1,098.8)	(914.2)
<b>Net change in cash and cash equivalents</b>	(222.6)	86.3	(445.8)	(30.5)
Cash and cash equivalents — beginning of period	222.6	324.7	445.8	441.5
Cash and cash equivalents — end of period	—	411.0	—	411.0

see accompanying notes



## Notes to interim condensed consolidated financial statements

Periods ended July 2, 2022 and July 3, 2021

(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 16 and 40-week periods ended July 2, 2022 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 July 2, 2022 and July 3, 2021

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

### 2. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	16 weeks				40 weeks			
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2022	%	2021	%	2022	%	2021	%
<b>Sales</b>	<b>5,865.5</b>		5,719.8		<b>14,456.3</b>		14,191.0	
<b>Cost of sales</b>	<b>(4,706.8)</b>		(4,586.9)		<b>(11,579.3)</b>		(11,369.7)	
<b>Gross margin</b>	<b>1,158.7</b>	<b>19.8</b>	1,132.9	19.8	<b>2,877.0</b>	<b>19.9</b>	2,821.3	19.9
<b>Operating expenses</b>								
Wages and fringe benefits	(299.5)		(310.3)		(751.2)		(765.5)	
Employee benefits expense	(28.5)		(33.6)		(72.6)		(81.7)	
Rent and occupancy charges	(91.0)		(91.0)		(225.4)		(231.5)	
Other	(174.6)		(164.4)		(424.6)		(413.7)	
	(593.6)	10.1	(599.3)	10.5	(1,473.8)	10.2	(1,492.4)	10.5
<b>Operating income before depreciation and amortization</b>	<b>565.1</b>	<b>9.6</b>	533.6	9.3	<b>1,403.2</b>	<b>9.7</b>	1,328.9	9.4
<b>Depreciation and amortization</b>								
Fixed assets	(80.3)		(74.3)		(197.9)		(183.5)	
Investment properties	(0.1)		(0.2)		(0.4)		(0.5)	
Right-of-use assets	(48.7)		(50.9)		(122.7)		(124.1)	
Intangible assets	(25.6)		(24.0)		(62.5)		(59.4)	
	(154.7)		(149.4)		(383.5)		(367.5)	
<b>Financial costs, net</b>								
Current interest	(0.8)		(1.3)		(2.4)		(2.6)	
Non-current interest	(30.6)		(32.1)		(76.9)		(80.7)	
Net interest on lease liabilities	(9.3)		(9.9)		(23.7)		(25.6)	
Interest on defined benefit obligations net of plan assets	0.1		(1.3)		(0.1)		(3.3)	
Amortization of deferred financing costs	(0.7)		(0.5)		(1.4)		(1.4)	
Interest income and capitalized interest	5.5		3.1		12.4		9.0	
Passage of time	—		(0.1)		(0.2)		(0.2)	
	(35.8)		(42.1)		(92.3)		(104.8)	
<b>Earnings before income taxes</b>	<b>374.6</b>		342.1		<b>927.4</b>		856.6	



## Notes to interim condensed consolidated financial statements

Periods ended July 2, 2022 and July 3, 2021

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

### 3. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	<b>2022</b>	2021	<b>2022</b>	2021
Combined statutory income tax rate	<b>26.5</b>	26.5	<b>26.5</b>	26.5
Changes				
Other	<b>0.1</b>	(0.3)	<b>0.1</b>	(0.2)
	<b>26.6</b>	26.2	<b>26.6</b>	26.3

### 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)	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	<b>2022</b>	2021	<b>2022</b>	2021
Weighted average number of shares outstanding – Basic	<b>239.2</b>	244.8	<b>240.4</b>	246.9
Dilutive effect under:				
Stock option plan	<b>0.5</b>	0.5	<b>0.5</b>	0.6
Performance share unit plan	<b>0.4</b>	0.5	<b>0.4</b>	0.5
Weighted average number of shares outstanding – Fully diluted	<b>240.1</b>	245.8	<b>241.3</b>	248.0

### 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 July 2, 2022, the balance of the Series J unsecured senior notes was \$288.7, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$11.3.

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.

In May 2022, the Corporation entered into bond forwards designated as cash flow hedges on a component of a highly probable future debt issuance in the amount of \$200.0 that secured a weighted average fixed interest rate of 3.02%.

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.



## Notes to interim condensed consolidated financial statements

Periods ended July 2, 2022 and July 3, 2021

(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	<b>243,391</b>	<b>1,674.3</b>
Shares redeemed for cash, excluding premium of \$294.0	<b>(5,000)</b>	<b>(34.6)</b>
Stock options exercised	<b>519</b>	<b>22.6</b>
Balance as at July 2, 2022	<b>238,910</b>	<b>1,662.3</b>

#### 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	<b>442</b>	<b>(20.5)</b>
Release	<b>(107)</b>	<b>4.3</b>
Balance as at July 2, 2022	<b>335</b>	<b>(16.2)</b>

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 238,575,000 outstanding Common Shares issued as at July 2, 2022 (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	<b>2,318</b>	<b>46.69</b>
Granted	<b>431</b>	<b>62.82</b>
Exercised	<b>(519)</b>	<b>38.87</b>
Cancelled	<b>(38)</b>	<b>52.86</b>
Balance as at July 2, 2022	<b>2,192</b>	<b>51.60</b>



## Notes to interim condensed consolidated financial statements

Periods ended July 2, 2022 and July 3, 2021

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

The exercise prices of the outstanding options ranged from \$40.23 to \$62.82 as at July 2, 2022 with expiration dates up to 2028. Of these options, 644,480 could be exercised at a weighted average exercise price of \$43.52.

The compensation expense for these options amounted to \$0.8 and \$2.0 for the 16 and 40-week periods ended July 2, 2022 (\$0.7 and \$1.8 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	<b>615</b>
Granted	<b>200</b>
Exercised	<b>(162)</b>
Cancelled	<b>(56)</b>
Balance as at July 2, 2022	<b>597</b>

The compensation expense for the PSU plan amounted to \$2.8 and \$5.0 for the 16 and 40-week periods ended July 2, 2022 (\$2.8 and \$6.4 in 2021).



## Notes to interim condensed consolidated financial statements

Periods ended July 2, 2022 and July 3, 2021

(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 July 2, 2022		As at September 25, 2021	
	Book value	Fair value	Book value	Fair value
<b>Other assets</b>				
Assets measured at amortized cost				
Loans to certain customers	52.0	52.0	50.3	50.3
<b>Debt</b>				
Liabilities measured at amortized cost				
Series C Notes (note 5)	—	—	300.0	303.8
Series F Notes (note 5)	—	—	300.0	308.9
Series J Notes (note 5)	288.7	288.7	—	—
Series G Notes	450.0	422.3	450.0	488.1
Series B Notes	400.0	420.9	400.0	519.9
Series D Notes	300.0	281.2	300.0	363.4
Series H Notes	450.0	373.1	450.0	494.7
Series I Notes	400.0	285.5	400.0	377.3
Loans	48.4	48.4	49.7	49.7
	2,337.1	2,120.1	2,649.7	2,905.8

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

The actuarial gains of \$21.0 and \$95.5 recorded in the consolidated statements of comprehensive income during the 16 and 40-week periods ending July 2, 2022 are primarily due to the increase in discount rates from 3.33% as at September 25, 2021 to 5.32% as at July 2, 2022, net of changes in fair value of assets.



## **Notes to interim condensed consolidated financial statements**

**Periods ended July 2, 2022 and July 3, 2021**

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

### **9. APPROVAL OF FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements for the 16 and 40-week periods ended July 2, 2022 (including comparative figures) were approved for issue by the Board of Directors on August 9, 2022.

### **INFORMATION**

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Telephone: (514) 643-1000

METRO INC.'s corporate information and press releases are available on the Internet at the following address: [www.metro.ca](http://www.metro.ca)



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