



INTERIM REPORT

12-week period ended September 25, 2021

4th Quarter 2021 and Fiscal 2021

HIGHLIGHTS

2021 FOURTH QUARTER

- Sales of \$4,092.0 million, down 1.2%, and up 6.0% vs 2019
- Food same-store sales down 2.9%, and up 6.8% vs 2019
- Pharmacy same-store sales up 4.1%, and up 9.8% vs 2019
- Net earnings of \$194.0 million, up 4.0% and adjusted net earnings⁽¹⁾ of \$200.6 million, up 3.9%, and up 15.9% and 15.3% respectively vs 2019
- Fully diluted net earnings per share of \$0.79, up 6.8%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$0.81, up 5.2%, and up 19.7% and 19.1% respectively vs 2019
- Expenses related to COVID-19 totalling \$9 million

FISCAL 2021

- Sales of \$18,283.0 million, up 1.6%, and up 9.0% vs 2019
 - Net earnings of \$825.7 million, up 3.7% and adjusted net earnings⁽¹⁾ of \$854.2 million, up 3.0%, and up 15.6% and 16.8% respectively vs 2019
 - Fully diluted net earnings per share of \$3.33, up 6.1%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$3.44, up 5.2%, and up 19.8% and 21.1% respectively vs 2019
 - Expenses related to COVID-19 totalling \$104 million, including \$24 million of gift cards to front-line employees
 - Record level of capital spending of just under \$600 million
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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the fourth quarter of Fiscal 2021 ended September 25, 2021.

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.

Fourth quarter net earnings were \$194.0 million in Fiscal 2021 compared with \$186.5 million in 2020, and 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. Taking into account adjustments for the 2021 and 2020 fourth quarters, the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, adjusted net earnings⁽¹⁾ for the fourth quarter of Fiscal 2021 totalled \$200.6 million compared with \$193.1 million in 2020, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.81 versus \$0.77, up 3.9% and 5.2% respectively, and up 15.3% and 19.1% respectively over two years.

On September 27, 2021, the Board of Directors declared a quarterly dividend of \$0.25 per share, the same amount declared last quarter.

We ended the 2021 fiscal year on a strong note with net earnings growth in the fourth quarter, despite lower sales as we cycled exceptional sales last year. As government restrictions eased over the summer, a portion of food consumption transferred back to restaurants, however our food sales continue to compare favourably to pre-pandemic levels. We continue to invest in the modernization of our supply chain, our network of stores, and our omnichannel strategy, with a record level of capital expenditures this year. I want to thank all our colleagues for their unwavering daily commitment to serve our customers during the pandemic while also successfully executing on our long-term strategic priorities.

Eric La Flèche
President and Chief Executive Officer

November 17, 2021

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on September 25, 2021 and for the 12-week period and fiscal year 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 and fiscal year ended September 25, 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 2020 Annual Report. Unless otherwise stated, the interim report is based on information as at November 9, 2021.

Additional information, including the Certification of Interim Filings for fiscal year ended September 25, 2021 signed by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Treasurer, will also be available in December on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

SALES

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.

Sales for Fiscal 2021 totalled \$18,283.0 million, up 1.6% compared to \$17,997.5 million for Fiscal 2020.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

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

Operating income before depreciation and amortization for the fourth quarter of Fiscal 2021 totalled \$403.6 million, or 9.9% of sales and remained stable versus the corresponding quarter of Fiscal 2020.

Operating income before depreciation and amortization for Fiscal 2021 totalled \$1,732.5 million or 9.5% of sales, up 2.9% versus last year. During Fiscal 2020, we recognized a loss of \$7.5 million on the disposal of our meal-kit subsidiary. Excluding this item, adjusted operating income before depreciation and amortization⁽²⁾ for Fiscal 2021 increased by 2.4% versus last year.

Operating income before depreciation and amortization adjustments (OI)⁽²⁾

	52 weeks / Fiscal Year					
	2021			2020		
<i>(Millions of dollars, unless otherwise indicated)</i>	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization	1,732.5	18,283.0	9.5	1,683.6	17,997.5	9.4
Loss on disposal of a subsidiary	—			7.5		
Adjusted operating income before depreciation and amortization ⁽²⁾	1,732.5	18,283.0	9.5	1,691.1	17,997.5	9.4

Gross margin on sales for the fourth quarter and Fiscal 2021 was 20.4% and 20.0% respectively, versus 20.2% and 19.9% for the corresponding periods of 2020.

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

Operating expenses as a percentage of sales for the fourth quarter of Fiscal 2021 were 10.5% versus 10.4% for the corresponding quarter of 2020. COVID-19 related expenses for the fourth quarter of Fiscal 2021 were approximately \$9 million versus approximately \$27 million in the same quarter last year. This decrease was offset by an increase in costs related to activities and services that were reinstated after initially being halted at the start of the pandemic.

For Fiscal 2021, operating expenses as a percentage of sales were 10.5%, flat versus Fiscal 2020. The costs related to COVID-19 for Fiscal 2021 were approximately \$104 million, including \$24 million of gift cards to front-line employees, compared to \$137 million in 2020. This decrease of \$33 million was offset by an increase in other operating expenses, mainly related to activities and services that have been reinstated after initially being halted at the start of the pandemic, and non-recurring costs of approximately \$10 million related to the transition to our new fresh distribution center in Ontario.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter of Fiscal 2021 was \$110.8 million versus \$118.5 million for the corresponding quarter of 2020. In the fourth quarter of 2020, we recorded accelerated amortization totalling \$10.7 million related to the opening of our new fresh products distribution centre in Ontario. For Fiscal 2021, total depreciation and amortization expense was \$478.3 million versus \$462.5 million for Fiscal 2020. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

Net financial costs for the fourth quarter of Fiscal 2021 were \$28.7 million compared with \$30.8 million for the corresponding quarter of 2020. For Fiscal 2021, net financial costs were \$133.5 million compared with \$136.8 million for 2020.

INCOME TAXES

The income tax expense of \$70.1 million for the fourth quarter of Fiscal 2021 represented an effective tax rate of 26.5% compared with an income tax expense of \$67.7 million in the fourth quarter of Fiscal 2020 which represented an effective tax rate of 26.6%. The income tax expense of \$295.0 million for Fiscal 2021 and \$287.9 million for Fiscal 2020 represented an effective tax rate of 26.3% and 26.6% respectively.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the fourth quarter of Fiscal 2021 were \$194.0 million compared with \$186.5 million for the corresponding 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 the specific items shown in the table below, 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 versus \$0.77, up 3.9% and 5.2% respectively, and up 15.3% and 19.1% respectively over two years.

Net earnings for Fiscal 2021 were \$825.7 million compared with \$796.4 million for Fiscal 2020, while fully diluted net earnings per share were \$3.33 compared with \$3.14 in 2020, up 3.7% and 6.1% respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for Fiscal 2021 totalled \$854.2 million compared with \$829.1 million for Fiscal 2020, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$3.44 versus \$3.27, up 3.0% and 5.2% respectively. The impact of the labour conflict at the Jean Coutu distribution center in the first quarter of Fiscal 2021, was approximately \$0.05 per share.

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"



Net earnings adjustments⁽¹⁾

	12 weeks / Fiscal Year				Change (%)	
	2021		2020		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	194.0	0.79	186.5	0.74	4.0	6.8
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6		6.6			
Adjusted net earnings ⁽¹⁾	200.6	0.81	193.1	0.77	3.9	5.2

	52 weeks / Fiscal Year				Change (%)	
	2021		2020		Net earnings	Fully diluted EPS
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)		
Net earnings	825.7	3.33	796.4	3.14	3.7	6.1
Loss on disposal of a subsidiary, after taxes	—		4.2			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	28.5		28.5			
Adjusted net earnings ⁽¹⁾	854.2	3.44	829.1	3.27	3.0	5.2

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"



QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2021	2020	Change (%)
Sales			
Q4 ⁽⁴⁾	4,092.0	4,143.6	(1.2)
Q3 ⁽⁵⁾	5,719.8	5,835.2	(2.0)
Q2 ⁽⁴⁾	4,193.0	3,988.9	5.1
Q1 ⁽⁴⁾	4,278.2	4,029.8	6.2
Net earnings			
Q4 ⁽⁴⁾	194.0	186.5	4.0
Q3 ⁽⁵⁾	252.4	263.5	(4.2)
Q2 ⁽⁴⁾	188.1	176.2	6.8
Q1 ⁽⁴⁾	191.2	170.2	12.3
Adjusted net earnings⁽¹⁾			
Q4 ⁽⁴⁾	200.6	193.1	3.9
Q3 ⁽⁵⁾	261.2	272.3	(4.1)
Q2 ⁽⁴⁾	194.7	182.8	6.5
Q1 ⁽⁴⁾	197.7	180.9	9.3
Fully diluted net earnings per share (Dollars)			
Q4 ⁽⁴⁾	0.79	0.74	6.8
Q3 ⁽⁵⁾	1.03	1.04	(1.0)
Q2 ⁽⁴⁾	0.75	0.69	8.7
Q1 ⁽⁴⁾	0.76	0.67	13.4
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)			
Q4 ⁽⁴⁾	0.81	0.77	5.2
Q3 ⁽⁵⁾	1.06	1.08	(1.9)
Q2 ⁽⁴⁾	0.78	0.72	8.3
Q1 ⁽⁴⁾	0.79	0.71	11.3

⁽⁴⁾ 12 weeks

⁽⁵⁾ 16 weeks

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.

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.

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

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.

Sales in the first quarter of Fiscal 2021 reached \$4,278.2 million, up 6.2% compared to \$4,029.8 million in the first quarter of Fiscal 2020. Food same-store sales were up 10.0% (1.4% in 2020). Online food sales increased by about 170% versus last year. Our food basket inflation was approximately 2.5% (2.0% in 2020). Pharmacy same-store sales were up 1.3% (3.6% in 2020), with a 4.0% increase in prescription drugs and a 3.8% decrease in front-store sales, mainly due to lower traffic, the milder cold and flu season, and reduced promotional activity during the labour conflict. Our warehouse sales to franchisees were impacted by the labour conflict at our Jean Coutu distribution center which had a dampening effect on the total sales increase of the Corporation.

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.

Net earnings for the first quarter of Fiscal 2021 were \$191.2 million compared with \$170.2 million for the first quarter of Fiscal 2020, while fully diluted net earnings per share were \$0.76 compared with \$0.67 in 2020, up 12.3% and 13.4%, respectively. Excluding from the first quarter of Fiscal 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$8.9 million and from the first quarter of Fiscal 2020 the \$7.5 million loss on disposal of a subsidiary and 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 2021 totalled \$197.7 million compared with \$180.9 million for the corresponding quarter of 2020 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.79 compared with \$0.71, up 9.3% and 11.3%, respectively. The impact of the labour conflict at the Jean Coutu distribution center was approximately \$0.05 per share resulting from lower revenues and additional costs incurred to implement our contingency plan.

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

<i>(Millions of dollars)</i>	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net earnings	194.0	252.4	188.1	191.2	186.5	263.5	176.2	170.2
Loss on disposal of a subsidiary, after taxes	—	—	—	—	—	—	—	4.2
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6	8.8	6.6	6.5	6.6	8.8	6.6	6.5
Adjusted net earnings ⁽¹⁾	200.6	261.2	194.7	197.7	193.1	272.3	182.8	180.9

<i>(Dollars)</i>	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Fully diluted net earnings per share	0.79	1.03	0.75	0.76	0.74	1.04	0.69	0.67
Adjustments impact	0.02	0.03	0.03	0.03	0.03	0.04	0.03	0.04
Adjusted fully diluted net earnings per share ⁽¹⁾	0.81	1.06	0.78	0.79	0.77	1.08	0.72	0.71

CASH POSITION

OPERATING ACTIVITIES

In the fourth quarter of Fiscal 2021, operating activities generated cash inflows of \$415.3 million compared with \$415.8 million in the corresponding quarter of 2020. In Fiscal 2021, operating activities generated cash inflows of \$1,583.3 million compared with \$1,474.1 million for the corresponding period of 2020. This difference resulted primarily from the increase in earnings and the change in non-cash working capital items that generated cash inflows of \$162.2 million in 2021 compared with cash outflows of \$34.5 million in 2020, partly offset by the increase in taxes paid in 2021.

INVESTING ACTIVITIES

Investing activities required cash outflows of \$187.3 million for the fourth quarter of Fiscal 2021 compared with \$181.9 million for the corresponding quarter of 2020. In Fiscal 2021, investing activities required cash outflows of \$471.6 million compared with \$444.1 million for the corresponding period of 2020. This difference stemmed mainly from higher investments in tangible and intangible assets of \$88.6 million in 2021, partly offset by the buyout of minority interests in Groupe Première Moisson Inc. in the amount of \$51.6 million in the first quarter of 2020.

During Fiscal 2021, we and our retailers opened 4 stores, carried out major expansions and renovations of 9 stores and relocated 1 store for a net increase of 260,000 square feet or 1.3% of our food retail network.

FINANCING ACTIVITIES

In the fourth quarter of 2021, financing activities required cash outflows of \$193.2 million compared with \$159.0 million in the corresponding quarter of 2020. This difference resulted mainly from higher share repurchases of \$40.8 million in 2021. In Fiscal 2021, financing activities required cash outflows of \$1,107.4 million compared with \$861.9 million for the corresponding period of 2020. This difference resulted also from higher share repurchases of \$239.1 million in 2021.

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

FINANCIAL POSITION

We do not anticipate⁽³⁾ any liquidity risk and consider our financial position at the end of Fiscal 2021 as very solid. We had an unused authorized revolving credit facility of \$600.0 million. Our non-current debt and lease liabilities represented 40.0% of the combined total of non-current debt, lease liabilities and equity (non-current debt and lease liabilities/total capital).

At the end of Fiscal 2021, 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	—
Series C Notes	3.20% fixed rate	December 1, 2021	300.0
Series F Notes	2.68% fixed rate	December 5, 2022	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

The Corporation reclassified the Series C Notes of \$300.0 million to current liabilities as it matures on December 1, 2021. The Corporation intends⁽³⁾ to refinance the Series C Notes.

Our main financial ratios were as follows:

	As at September 25, 2021	As at September 26, 2020
Financial structure		
Non-current debt (Millions of dollars)	2,618.2	2,612.0
Non-current lease liabilities (Millions of dollars)	1,657.5	1,811.4
	4,275.7	4,423.4
Equity (Millions of dollars)	6,412.8	6,155.4
Non-current debt and lease liabilities/total capital (%)	40.0	41.8

Since the Corporation intends⁽³⁾ to refinance the Series C 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.

	52 weeks / Fiscal Year	
	2021	2020
Results		
Operating income before depreciation and amortization/Financial costs (Times)	13.0	12.3

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"



CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at September 25, 2021	As at September 26, 2020
Number of Common Shares outstanding (<i>Thousands</i>)	242,949	250,243
Stock options:		
Number outstanding (<i>Thousands</i>)	2,318	2,322
Exercise prices (<i>Dollars</i>)	35.42 to 57.81	21.90 to 56.92
Weighted average exercise price (<i>Dollars</i>)	46.69	41.27
Performance share units:		
Number outstanding (<i>Thousands</i>)	615	618

NORMAL COURSE ISSUER BID PROGRAM

On September 30, 2021, the Corporation announced the amendment to its normal course issuer bid program. This amendment allows the Corporation to repurchase in the normal course of business an additional 1,500,000 of its Common Shares, bringing the total number of its Common Shares that can be repurchased under the program to 8,500,000 between November 25, 2020 and November 24, 2021. As at November 9, 2021, the Corporation has repurchased 8,500,000 Common Shares at an average price of \$58.55, for a total consideration of \$497.7 million. The Corporation intends⁽³⁾ to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On September 27, 2021, the Board of Directors declared a quarterly dividend of \$0.25 per share, the same amount declared last quarter.

SHARE TRADING

The value of METRO shares remained in the \$52.63 to \$66.25 range over Fiscal 2021. During this period, a total of 141.6 million shares were traded on the Toronto Stock Exchange. The closing price on November 9, 2021 was \$65.29 compared with \$60.18 at the end of Fiscal 2021.

CONTINGENCIES

In the normal course of business, the Corporation is exposed to various contingencies as described in the Corporation's audited annual consolidated financial statements for the fiscal year ended September 26, 2020.

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including a subsidiary of the Corporation, Pro Doc Ltée. In February 2020, a proposed class action relating to opioids was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc Ltée. and The Jean Coutu Group (PJC) Inc. In April 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the City of Grande Prairie, in Alberta. In September 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band, in Saskatchewan. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. These proposed class actions contain allegations of breach of the Competition Act, of fraudulent misrepresentation and deceit, and negligence. The province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The City of Grande Prairie, on its behalf and on behalf of all Canadian municipalities and local governments, seeks damages which are unquantified in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. The Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band are attempting

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

a similar recourse, claiming unquantified damages from multiple defendants on their own behalf and on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

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" 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 2020 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.

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⁽³⁾

While it is difficult to predict how our customers' habits, the labour market and food basket inflation will evolve over the short term, the fundamentals of our business remain strong, and our sales continue to compare favourably to pre-pandemic levels. Our industry is experiencing cost inflation pressures, mostly with respect to cost of goods sold, however we will strive to continue to offer the best value possible to our customers. Our investments in our supply chain modernization projects remain on track with only minor delays due to the pandemic, and our ecommerce footprint continues to grow at a measured pace. As we begin a new fiscal year, our steadfast focus is on exceeding our customers' expectations every day while delivering on our strategic priorities.

Montréal, November 17, 2021

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"

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

⁽²⁾ See table on "Operating income before depreciation and amortization adjustments" and section on "Non-IFRS Measurements"

⁽³⁾ See section on "Forward-looking Information"



Interim Condensed Consolidated Financial Statements

METRO INC.

September 25, 2021

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Consolidated statements of income

Periods ended September 25, 2021 and September 26, 2020

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

	12 weeks		52 weeks	
	Fiscal Year		Fiscal Year	
	2021	2020	2021	2020
Sales	4,092.0	4,143.6	18,283.0	17,997.5
Cost of sales and operating expenses (note 2)	(3,688.4)	(3,740.1)	(16,550.5)	(16,306.4)
Loss on disposal of a subsidiary (note 2)	—	—	—	(7.5)
Operating income before depreciation and amortization	403.6	403.5	1,732.5	1,683.6
Depreciation and amortization (note 2)	(110.8)	(118.5)	(478.3)	(462.5)
Financial costs, net (note 2)	(28.7)	(30.8)	(133.5)	(136.8)
Earnings before income taxes	264.1	254.2	1,120.7	1,084.3
Income taxes (note 3)	(70.1)	(67.7)	(295.0)	(287.9)
Net earnings	194.0	186.5	825.7	796.4
Attributable to:				
Equity holders of the parent	193.8	186.3	823.0	795.2
Non-controlling interest	0.2	0.2	2.7	1.2
	194.0	186.5	825.7	796.4
Net earnings per share (Dollars) (note 4)				
Basic	0.79	0.74	3.34	3.15
Fully diluted	0.79	0.74	3.33	3.14

See accompanying notes



Consolidated statements of comprehensive income

Periods ended September 25, 2021 and September 26, 2020

(Unaudited) (Millions of dollars)

	12 weeks		52 weeks	
	Fiscal Year		Fiscal Year	
	2021	2020	2021	2020
Net earnings	194.0	186.5	825.7	796.4
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (losses) (note 9)	24.1	(0.3)	214.2	(15.5)
Asset ceiling effect	(24.9)	(0.2)	(41.5)	(0.3)
Minimum funding requirement	(21.4)	(0.1)	(21.4)	0.8
Corresponding income taxes	5.9	0.2	(40.1)	4.1
	(16.3)	(0.4)	111.2	(10.9)
Comprehensive income	177.7	186.1	936.9	785.5
Attributable to:				
Equity holders of the parent	177.5	185.9	934.2	784.3
Non-controlling interest	0.2	0.2	2.7	1.2
	177.7	186.1	936.9	785.5

See accompanying notes



Consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at September 25, 2021	As at September 26, 2020
ASSETS		
Current assets		
Cash and cash equivalents	445.8	441.5
Accounts receivable	679.2	641.8
Accounts receivable on subleases	92.8	88.0
Inventories	1,169.0	1,268.2
Prepaid expenses	46.6	45.0
Current taxes	33.4	16.0
	2,466.8	2,500.5
Non-current assets		
Fixed assets	3,129.8	2,860.8
Investment properties	33.4	40.2
Right-of-use assets	1,064.7	1,150.5
Intangible assets	2,854.7	2,850.2
Goodwill	3,301.2	3,300.7
Deferred taxes	57.1	43.5
Defined benefit assets	84.8	19.7
Accounts receivable on subleases	549.6	596.3
Other assets	50.0	61.5
	13,592.1	13,423.9
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	0.1	0.4
Accounts payable	1,546.5	1,458.9
Deferred revenues	35.9	38.0
Current taxes	25.9	81.7
Provisions	1.6	2.5
Current portion of debt (note 5)	318.5	20.6
Current portion of lease liabilities	269.7	258.0
	2,198.2	1,860.1
Non-current liabilities		
Debt (note 5)	2,318.2	2,612.0
Lease liabilities	1,657.5	1,811.4
Defined benefit liabilities	61.5	129.9
Provisions	13.5	19.2
Deferred taxes	927.7	833.9
Other liabilities	2.7	2.0
	7,179.3	7,268.5
Equity		
Attributable to equity holders of the parent	6,399.9	6,142.2
Attributable to non-controlling interest	12.9	13.2
	6,412.8	6,155.4
	13,592.1	13,423.9

See accompanying notes



Consolidated statements of changes in equity
Periods ended September 25, 2021 and September 26, 2020
(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent						Non-controlling interest	Total equity
	Capital stock (note 6)	Treasury shares (note 6)	Contributed surplus	Retained earnings	Total			
Balance as at September 26, 2020	1,713.8	(25.1)	22.2	4,431.3	6,142.2	13.2	6,155.4	
Net earnings	—	—	—	823.0	823.0	2.7	825.7	
Other comprehensive income	—	—	—	111.2	111.2	—	111.2	
Comprehensive income	—	—	—	934.2	934.2	2.7	936.9	
Stock options exercised	14.2	—	(1.6)	—	12.6	—	12.6	
Shares redeemed	(53.7)	—	—	—	(53.7)	—	(53.7)	
Share redemption premium	—	—	—	(402.6)	(402.6)	—	(402.6)	
Share-based compensation cost	—	—	10.6	—	10.6	—	10.6	
Performance share units settlement	—	4.6	(7.0)	(0.9)	(3.3)	—	(3.3)	
Dividends	—	—	—	(240.1)	(240.1)	(1.9)	(242.0)	
Repurchase of shares in joint ventures	—	—	—	—	—	(1.1)	(1.1)	
	(39.5)	4.6	2.0	(643.6)	(676.5)	(3.0)	(679.5)	
Balance as at September 25, 2021	1,674.3	(20.5)	24.2	4,721.9	6,399.9	12.9	6,412.8	

	Attributable to the equity holders of the parent						Non-controlling interest	Total equity
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Total			
Balance as at September 28, 2019	1,732.3	(24.6)	19.2	4,228.3	5,955.2	13.4	5,968.6	
Net earnings	—	—	—	795.2	795.2	1.2	796.4	
Other comprehensive income	—	—	—	(10.9)	(10.9)	—	(10.9)	
Comprehensive income	—	—	—	784.3	784.3	1.2	785.5	
Stock options exercised	8.2	—	(1.0)	—	7.2	—	7.2	
Shares redeemed	(26.7)	—	—	—	(26.7)	—	(26.7)	
Share redemption premium	—	—	—	(190.5)	(190.5)	—	(190.5)	
Acquisition of treasury shares	—	(6.2)	—	—	(6.2)	—	(6.2)	
Share-based compensation cost	—	—	9.5	—	9.5	—	9.5	
Performance share units settlement	—	5.7	(5.5)	(0.2)	—	—	—	
Dividends	—	—	—	(220.7)	(220.7)	(1.4)	(222.1)	
Adoption of IFRS 16 "Leases"	—	—	—	(169.4)	(169.4)	—	(169.4)	
Change in fair value of non-controlling interest liability	—	—	—	(0.5)	(0.5)	—	(0.5)	
	(18.5)	(0.5)	3.0	(581.3)	(597.3)	(1.4)	(598.7)	
Balance as at September 26, 2020	1,713.8	(25.1)	22.2	4,431.3	6,142.2	13.2	6,155.4	

See accompanying notes



Consolidated statements of cash flows

Periods ended September 25, 2021 and September 26, 2020

(Unaudited) (Millions of dollars)

	12 weeks		52 weeks	
	Fiscal Year		Fiscal Year	
	2021	2020	2021	2020
Operating activities				
Earnings before income taxes	264.1	254.2	1,120.7	1,084.3
Non-cash items				
Gain on disposal of an investment	(0.3)	—	(0.3)	—
Loss on disposal of a subsidiary (note 2)	—	—	—	7.5
Depreciation and amortization	110.8	118.5	478.3	462.5
Gain on disposal and write-offs of fixed and intangible assets and investment properties	(1.4)	(1.5)	(7.1)	(4.5)
Impairment losses on fixed assets	—	0.8	—	3.0
Share-based compensation cost	2.4	2.2	10.6	9.5
Difference between amounts paid for employee benefits and current period cost	9.0	0.2	13.5	3.8
Financial costs, net	28.7	30.8	133.5	136.8
	413.3	405.2	1,749.2	1,702.9
Net change in non-cash working capital items	55.5	52.0	162.2	(34.5)
Income taxes paid	(53.5)	(41.4)	(328.1)	(194.3)
	415.3	415.8	1,583.3	1,474.1
Investing activities				
Net proceeds on disposal of a subsidiary (note 2)	—	—	—	3.5
Repurchase of shares in joint ventures and buyout of a minority interest (note 8)	(0.1)	—	(1.1)	(51.6)
Net change in other assets	6.4	(0.6)	1.7	0.8
Additions to fixed assets and investment properties	(200.2)	(194.8)	(520.0)	(463.3)
Disposal of fixed assets and investment properties	4.3	4.9	22.4	12.4
Additions to intangible assets	(15.4)	(8.3)	(79.3)	(47.4)
Payments received from subleases	15.3	14.1	89.0	85.6
Interest received from subleases	2.4	2.8	15.7	15.9
	(187.3)	(181.9)	(471.6)	(444.1)
Financing activities				
Net change in bank loans	0.1	0.3	(0.3)	0.4
Shares issued	4.5	1.7	12.6	7.2
Shares redeemed	(77.8)	(37.0)	(456.3)	(217.2)
Acquisition of treasury shares (note 6)	—	—	—	(6.2)
Performance share units settlement	—	—	(3.3)	—
Increase in debt	9.2	0.6	21.9	413.1
Repayment of debt	(8.9)	(7.4)	(24.0)	(428.7)
Interest paid on debt	(8.0)	(7.4)	(109.1)	(107.1)
Payment of lease liabilities (principal)	(44.6)	(45.2)	(260.9)	(252.9)
Payment of lease liabilities (interest)	(7.8)	(8.5)	(48.6)	(51.1)
Net change in other liabilities	1.0	0.3	0.7	1.3
Dividends	(60.9)	(56.4)	(240.1)	(220.7)
	(193.2)	(159.0)	(1,107.4)	(861.9)
Net change in cash and cash equivalents	34.8	74.9	4.3	168.1
Cash and cash equivalents — beginning of period	411.0	366.6	441.5	273.4
Cash and cash equivalents — end of period	445.8	441.5	445.8	441.5

see accompanying notes



Notes to interim condensed consolidated financial statements

Periods ended September 25, 2021 and September 26, 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 and fiscal year ended September 25, 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 26, 2020. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2020 Annual Report.



Notes to interim condensed consolidated financial statements

Periods ended September 25, 2021 and September 26, 2020

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

2. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks				52 weeks			
	Fiscal Year		Fiscal Year		Fiscal Year		Fiscal Year	
	2021	%	2020	%	2021	%	2020	%
Sales	4,092.0		4,143.6		18,283.0		17,997.5	
Cost of sales	(3,258.5)		(3,307.9)		(14,628.2)		(14,415.7)	
Gross margin	833.5	20.4	835.7	20.2	3,654.8	20.0	3,581.8	19.9
Operating expenses								
Wages and fringe benefits	(215.1)		(217.1)		(980.6)		(954.9)	
Employee benefits expense	(24.9)		(22.1)		(106.6)		(96.9)	
Rent and occupancy charges	(70.8)		(71.1)		(302.3)		(296.2)	
Loss on disposal of a subsidiary	—		—		—		(7.5)	
Other	(119.1)		(121.9)		(532.8)		(542.7)	
	(429.9)	10.5	(432.2)	10.4	(1,922.3)	10.5	(1,898.2)	10.5
Operating income before depreciation and amortization	403.6	9.9	403.5	9.7	1,732.5	9.5	1,683.6	9.4
Depreciation and amortization								
Fixed assets	(57.4)		(64.4)		(240.9)		(232.3)	
Investment properties	(0.1)		(0.1)		(0.6)		(0.6)	
Right-of-use assets	(34.5)		(36.4)		(158.6)		(154.2)	
Intangible assets	(18.8)		(17.6)		(78.2)		(75.4)	
	(110.8)		(118.5)		(478.3)		(462.5)	
Financial costs, net								
Current interest	(1.0)		(0.6)		(3.6)		(3.1)	
Non-current interest	(24.3)		(22.8)		(105.0)		(103.4)	
Net interest on lease liabilities	(7.3)		(8.7)		(32.9)		(34.9)	
Interest on defined benefit obligations net of plan assets	(1.0)		(0.8)		(4.3)		(4.0)	
Amortization of deferred financing costs	(0.3)		(0.5)		(1.7)		(2.4)	
Interest income	5.3		2.6		14.3		11.2	
Passage of time	(0.1)		—		(0.3)		(0.2)	
	(28.7)		(30.8)		(133.5)		(136.8)	
Earnings before income taxes	264.1		254.2		1,120.7		1,084.3	

The Corporation disposed of the assets of subsidiary MissFresh on December 9, 2019 for a cash consideration of \$3.5 and recorded a loss on disposal of \$7.5 mainly related to tangible and intangible assets. The Corporation also recognized a deferred tax asset of \$3.3 related to this subsidiary's fiscal attributes.



Notes to interim condensed consolidated financial statements

Periods ended September 25, 2021 and September 26, 2020

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

3. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	12 weeks		52 weeks	
	Fiscal Year	2020	Fiscal Year	2020
	2021		2021	
Combined statutory income tax rate	26.5	26.5	26.5	26.5
Changes				
Loss on disposal of a subsidiary (note 2)	—	—	—	(0.3)
Other	—	0.1	(0.2)	0.4
	26.5	26.6	26.3	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		52 weeks	
	Fiscal Year	2020	Fiscal Year	2020
	2021		2021	
Weighted average number of shares outstanding – Basic	243.7	250.6	246.2	252.1
Dilutive effect under:				
Stock option plan	0.5	0.7	0.6	0.7
Performance share unit plan	0.5	0.5	0.5	0.5
Weighted average number of shares outstanding – Fully diluted	244.7	251.8	247.3	253.3

5. DEBT

The Corporation reclassified the Series C Notes of \$300.0 to current liabilities as it matures on December 1, 2021. The Corporation intends to refinance the Series C Notes.

6. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number	
	(Thousands)	
Balance as at September 28, 2019	254,440	1,732.3
Shares redeemed for cash, excluding premium of \$190.5	(3,910)	(26.7)
Stock options exercised	265	8.2
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



Notes to interim condensed consolidated financial statements

Periods ended September 25, 2021 and September 26, 2020

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

TREASURY SHARES

The treasury shares were summarized as follows:

	Number	
	(Thousands)	
Balance as at September 28, 2019	577	(24.6)
Acquisition	112	(6.2)
Release	(137)	5.7
Balance as at September 26, 2020	552	(25.1)
Release	(110)	4.6
Balance as at September 25, 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 242,949,000 outstanding Common Shares issued as at September 25, 2021 (250,243,000 as at September 26, 2020).

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number	Weighted average exercise price
	(Thousands)	(Dollars)
Balance as at September 28, 2019	2,281	37.30
Granted	355	56.92
Exercised	(265)	27.35
Cancelled	(49)	45.08
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

The exercise prices of the outstanding options ranged from \$35.42 to \$57.81 as at September 25, 2021 with expiration dates up to 2028. Of these options, 818,180 could be exercised at a weighted average exercise price of \$39.76.

The compensation expense for these options amounted to \$0.5 and \$2.3 for the 12-week period and fiscal year ended September 25, 2021 (\$0.5 and \$2.3 in 2020).



Notes to interim condensed consolidated financial statements

Periods ended September 25, 2021 and September 26, 2020

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

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number (Thousands)
Balance as at September 28, 2019	605
Granted	205
Exercised	(137)
Cancelled	(55)
Balance as at September 26, 2020	618
Granted	231
Exercised	(171)
Cancelled	(63)
Balance as at September 25, 2021	615

The compensation expense for the PSU plan amounted to \$1.9 and \$8.3 for the 12-week period and fiscal year ended September 25, 2021 (\$1.7 and \$7.2 in 2020).

7. CONTINGENCIES

In the normal course of business, the Corporation is exposed to various contingencies as described in the Corporation's audited annual consolidated financial statements for the fiscal year ended September 26, 2020.

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including a subsidiary of the Corporation, Pro Doc Ltée. In February 2020, a proposed class action relating to opioids was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc Ltée. and The Jean Coutu Group (PJC) Inc. In April 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the City of Grande Prairie, in Alberta. In September 2021, multiple defendants, including Pro Doc Ltée and The Jean Coutu Group (PJC) Inc., were served with a proposed class action relating to opioids and filed by the Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band, in Saskatchewan. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. These proposed class actions contain allegations of breach of the Competition Act, of fraudulent misrepresentation and deceit, and negligence. The province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The City of Grande Prairie, on its behalf and on behalf of all Canadian municipalities and local governments, seeks damages which are unquantified in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. The Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band are attempting a similar recourse, claiming unquantified damages from multiple defendants on their own behalf and on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.



Notes to interim condensed consolidated financial statements

Periods ended September 25, 2021 and September 26, 2020

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

8. FINANCIAL INSTRUMENTS

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

	As at September 25, 2021		As at September 26, 2020	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers	50.3	50.3	59.8	59.8
Debt				
Liabilities measured at amortized cost				
Series C Notes (note 5)	300.0	303.8	300.0	307.9
Series F Notes	300.0	308.9	300.0	311.0
Series G Notes	450.0	488.1	450.0	503.6
Series B Notes	400.0	519.9	400.0	542.8
Series D Notes	300.0	363.4	300.0	391.0
Series H Notes	450.0	494.7	450.0	536.6
Series I Notes	400.0	377.3	400.0	416.5
Loans	49.7	49.7	47.2	47.2
	2,649.7	2,905.8	2,647.2	3,056.6

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.

Under the shareholder agreement, the Corporation acquired the minority interest in Groupe Première Moisson Inc. during the first quarter of Fiscal 2020 for a cash consideration of \$51.6, which represents the price payable based on Groupe Première Moisson's Fiscal 2019 results.

9. CHANGES IN DEFINED BENEFIT PLANS

The actuarial gains of \$24.1 and \$214.2 recorded in the consolidated statements of comprehensive income during the 12-week period and fiscal year ending September 25, 2021 are primarily due to the increase in discount rates from 2.74% as at September 26, 2020 to 3.33% as at September 25, 2021, net of changes in fair value of assets.



Notes to interim condensed consolidated financial statements

Periods ended September 25, 2021 and September 26, 2020

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

10. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week period and fiscal year ended September 25, 2021 (including comparative figures) were approved for issue by the Board of Directors on November 16, 2021.

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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