



INTERIM REPORT

12-week period ended March 12, 2022

2nd Quarter 2022

HIGHLIGHTS

2022 SECOND QUARTER

- Sales of \$4,274.2 million, up 1.9%
 - Food same-store sales up 0.8%, and up 11.5% for the first 8 weeks of the second quarter versus 2020 (pre-COVID period)
 - Pharmacy same-store sales up 9.4%, and up 11.0% for the first 8 weeks of the second quarter versus 2020 (pre-COVID period)
 - Net earnings of \$198.1 million, up 5.3% and adjusted net earnings⁽¹⁾ of \$204.7 million, up 5.1%
 - Fully diluted net earnings per share of \$0.82, up 9.3%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$0.84, up 7.7%
 - \$8 million of gift cards paid to front-line employees, the same amount as in the second quarter last year
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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the second quarter of Fiscal 2022 ended March 12, 2022.

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).

Second quarter net earnings were \$198.1 million in Fiscal 2022 compared with \$188.1 million in 2021, and fully diluted net earnings per share were \$0.82 compared with \$0.75 in 2021, up 5.3% and 9.3% respectively. Taking into account adjustments for the 2022 and 2021 second quarters, consisting of the after-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, adjusted net earnings⁽¹⁾ for the second quarter of Fiscal 2022 totalled \$204.7 million compared with \$194.7 million in 2021, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.84 versus \$0.78, up 5.1% and 7.7% respectively.

On April 20, 2022, the Board of Directors declared a quarterly dividend of \$0.275 per share, the same amount declared last quarter.

We are pleased with our results in the second quarter, achieved in a challenging operating environment marked by the Omicron variant and labour shortages throughout the supply chain. Our industry continues to experience higher than normal inflationary pressures and our teams remain focused on providing quality products at competitive prices to our customers. We reached another milestone this quarter with the successful start up of our fully automated frozen distribution center in Toronto. Finally, I am proud to say that for the second time in three years, the Jean Coutu banner has been designated by consumers as the most admired company in Quebec in the latest Leger Reputation survey. This is a reflection of the strength of the brand, the trust of consumers, and the quality of services provided by the pharmacist owners.



Eric La Flèche
President and Chief Executive Officer

April 21, 2022

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

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on March 12, 2022 and for the 12 and 24-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 12 and 24-week periods ended March 12, 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 April 1, 2022.

Additional information, including the Certification of Interim Filings for the quarter ended March 12, 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.

OPERATING RESULTS

SALES

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).

Sales in the first 24 weeks of Fiscal 2022 totalled \$8,590.8 million, up 1.4% compared to \$8,471.2 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 second quarter of Fiscal 2022 totalled \$414.0 million, or 9.7% of sales, an increase of 4.5% versus the corresponding quarter of Fiscal 2021. Operating income before depreciation and amortization for the first 24 weeks of Fiscal 2022 totalled \$838.1 million or 9.8% of sales, up 5.4% versus the corresponding period of 2021.

Gross margin on sales for the second quarter and the first 24 weeks of Fiscal 2022 were 20.1% and 20.0% respectively, versus 20.2% and 19.9% for the corresponding periods of 2021.

Operating expenses as a percentage of sales for the second quarter of Fiscal 2022 were 10.4% versus 10.7% for the corresponding quarter of 2021 mainly due to the reduction in COVID-related costs, although gift cards totalling \$8 million were paid to all front-line employees in both years. For the first 24 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 second quarter of Fiscal 2022 was \$116.3 million versus \$110.8 million for the corresponding quarter of 2021. This increase reflects the additional investments in supply chain and logistics as well as in-store technology. For the first 24 weeks of Fiscal 2022, total depreciation and amortization expense was \$228.8 million versus \$218.1 million for the corresponding period of 2021.

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

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



Net financial costs for the second quarter of Fiscal 2022 were \$27.8 million compared with \$31.3 million for the corresponding quarter of 2021. For the first 24 weeks of Fiscal 2022, net financial costs were \$56.5 million compared with \$62.7 million for the corresponding period of 2021.

INCOME TAXES

The income tax expense of \$71.8 million for the second quarter of Fiscal 2022 represented an effective tax rate of 26.6% compared with an income tax expense of \$65.9 million and an effective tax rate of 25.9% in the second quarter of Fiscal 2021. The 24-week period income tax expense of \$147.0 million for Fiscal 2022 and \$135.2 million for Fiscal 2021 represented an effective tax rate of 26.6% and 26.3% respectively.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the second quarter of Fiscal 2022 were \$198.1 million compared with \$188.1 million for the corresponding 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 the specific item shown in the table below, adjusted net earnings⁽¹⁾ 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⁽¹⁾ amounted to \$0.84 versus \$0.78, up 5.1% and 7.7% respectively.

Net earnings for the first 24 weeks of Fiscal 2022 were \$405.8 million compared with \$379.3 million for the corresponding period of 2021, while fully diluted net earnings per share were \$1.67 compared with \$1.51 in 2021, up 7.0% and 10.6%, respectively. Excluding the specific item shown in the table below, adjusted net earnings⁽¹⁾ for the first 24 weeks of Fiscal 2022 totalled \$418.9 million compared with \$392.4 million for the corresponding period of 2021, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.72 versus \$1.57, up 6.8% and 9.6%, respectively.

Net earnings adjustments⁽¹⁾

| | 12 weeks / Fiscal Year | | | | Change (%) | |
|---|------------------------|-----------------------------|-----------------------|-----------------------------|--------------|-------------------|
| | 2022 | | 2021 | | Net earnings | Fully diluted EPS |
| | (Millions of dollars) | Fully diluted EPS (Dollars) | (Millions of dollars) | Fully diluted EPS (Dollars) | | |
| Net earnings | 198.1 | 0.82 | 188.1 | 0.75 | 5.3 | 9.3 |
| Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes | 6.6 | | 6.6 | | | |
| Adjusted net earnings ⁽¹⁾ | 204.7 | 0.84 | 194.7 | 0.78 | 5.1 | 7.7 |

| | 24 weeks / Fiscal Year | | | | Change (%) | |
|---|------------------------|-----------------------------|-----------------------|-----------------------------|--------------|-------------------|
| | 2022 | | 2021 | | Net earnings | Fully diluted EPS |
| | (Millions of dollars) | Fully diluted EPS (Dollars) | (Millions of dollars) | Fully diluted EPS (Dollars) | | |
| Net earnings | 405.8 | 1.67 | 379.3 | 1.51 | 7.0 | 10.6 |
| Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes | 13.1 | | 13.1 | | | |
| Adjusted net earnings ⁽¹⁾ | 418.9 | 1.72 | 392.4 | 1.57 | 6.8 | 9.6 |

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

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



QUARTERLY HIGHLIGHTS

| <i>(Millions of dollars, unless otherwise indicated)</i> | 2022 | 2021 | 2020 | Change (%) |
|--|----------------|---------|---------|------------|
| Sales | | | | |
| Q2 ⁽³⁾ | 4,274.2 | 4,193.0 | | 1.9 |
| Q1 ⁽³⁾ | 4,316.6 | 4,278.2 | | 0.9 |
| Q4 ⁽³⁾ | | 4,092.0 | 4,143.6 | (1.2) |
| Q3 ⁽⁴⁾ | | 5,719.8 | 5,835.2 | (2.0) |
| Net earnings | | | | |
| Q2 ⁽³⁾ | 198.1 | 188.1 | | 5.3 |
| Q1 ⁽³⁾ | 207.7 | 191.2 | | 8.6 |
| Q4 ⁽³⁾ | | 194.0 | 186.5 | 4.0 |
| Q3 ⁽⁴⁾ | | 252.4 | 263.5 | (4.2) |
| Adjusted net earnings⁽¹⁾ | | | | |
| Q2 ⁽³⁾ | 204.7 | 194.7 | | 5.1 |
| Q1 ⁽³⁾ | 214.2 | 197.7 | | 8.3 |
| Q4 ⁽³⁾ | | 200.6 | 193.1 | 3.9 |
| Q3 ⁽⁴⁾ | | 261.2 | 272.3 | (4.1) |
| Fully diluted net earnings per share (Dollars) | | | | |
| Q2 ⁽³⁾ | 0.82 | 0.75 | | 9.3 |
| Q1 ⁽³⁾ | 0.85 | 0.76 | | 11.8 |
| Q4 ⁽³⁾ | | 0.79 | 0.74 | 6.8 |
| Q3 ⁽⁴⁾ | | 1.03 | 1.04 | (1.0) |
| Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars) | | | | |
| Q2 ⁽³⁾ | 0.84 | 0.78 | | 7.7 |
| Q1 ⁽³⁾ | 0.88 | 0.79 | | 11.4 |
| Q4 ⁽³⁾ | | 0.81 | 0.77 | 5.2 |
| Q3 ⁽⁴⁾ | | 1.06 | 1.08 | (1.9) |

⁽³⁾ 12 weeks

⁽⁴⁾ 16 weeks

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).

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.

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

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

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.

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⁽¹⁾ 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⁽¹⁾ 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⁽¹⁾ for the first quarter of Fiscal 2022 totalled \$214.2 million compared with \$197.7 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.88 compared with \$0.79, up 8.3% and 11.4% respectively, and up 18.4% and 23.9% respectively over two years. The labour conflict at our Jean Coutu distribution center had an unfavorable impact of approximately \$0.05 on the fully diluted net earnings per share of the first quarter of 2021.

Net earnings for the fourth quarter of Fiscal 2021 were \$194.0 million compared with \$186.5 million for the fourth quarter of 2020, while fully diluted net earnings per share were \$0.79 compared with \$0.74 in 2020, up 4.0% and 6.8%, respectively and up 15.9% and 19.7% respectively on a two-year basis. Excluding from the fourth 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⁽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 quarters of Fiscal 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.

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

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

| | 2022 | | 2021 | | | | 2020 | |
|---|--------------|--------------|-------|-------|-------|-------|-------|-------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| <i>(Millions of dollars)</i> | | | | | | | | |
| Net earnings | 198.1 | 207.7 | 194.0 | 252.4 | 188.1 | 191.2 | 186.5 | 263.5 |
| Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes | 6.6 | 6.5 | 6.6 | 8.8 | 6.6 | 6.5 | 6.6 | 8.8 |
| Adjusted net earnings ⁽¹⁾ | 204.7 | 214.2 | 200.6 | 261.2 | 194.7 | 197.7 | 193.1 | 272.3 |

| | 2022 | | 2021 | | | | 2020 | |
|--|-------------|-------------|------|------|------|------|------|------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| <i>(Dollars)</i> | | | | | | | | |
| Fully diluted net earnings per share | 0.82 | 0.85 | 0.79 | 1.03 | 0.75 | 0.76 | 0.74 | 1.04 |
| Adjustments impact | 0.02 | 0.03 | 0.02 | 0.03 | 0.03 | 0.03 | 0.03 | 0.04 |
| Adjusted fully diluted net earnings per share ⁽¹⁾ | 0.84 | 0.88 | 0.81 | 1.06 | 0.78 | 0.79 | 0.77 | 1.08 |

CASH POSITION

OPERATING ACTIVITIES

In the second quarter of Fiscal 2022, operating activities generated cash inflows of \$384.8 million compared with \$416.9 million in the corresponding quarter of 2021. In the first 24 weeks of Fiscal 2022, operating activities generated cash inflows of \$561.8 million compared with \$650.3 million for the corresponding period of 2021. This difference resulted primarily from the increase in earnings and the change in non-cash working capital items that required cash outflows of \$158.1 million in 2022 compared with \$25.4 million in 2021.

INVESTING ACTIVITIES

Investing activities required cash outflows of \$116.6 million for the second quarter of Fiscal 2022 compared with \$93.7 million for the corresponding quarter of 2021. In the first 24 weeks of Fiscal 2022, investing activities required cash outflows of \$230.4 million compared with \$158.1 million for the corresponding period of 2021. This difference stemmed mainly from higher investments in tangible and intangible assets of \$76.2 million in 2022.

During the first 24 weeks of 2022, we and our retailers opened 4 stores, carried out major expansions and renovations of 6 stores and relocated 1 store for a net increase of 115,000 square feet or 0.5% of our food retail network.

FINANCING ACTIVITIES

In the second quarter of 2022, financing activities required cash outflows of \$244.5 million compared with \$318.8 million in the corresponding quarter of 2021. This difference resulted mainly from lower share repurchases of \$74.8 million in 2022.

In the first 24 weeks of Fiscal 2022, financing activities required cash outflows of \$554.6 million compared with \$609.0 million for the corresponding period of 2021. This difference resulted mainly from lower share repurchases of \$58.4 million in 2022.

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

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

FINANCIAL POSITION

We do not anticipate⁽²⁾ any liquidity risk and consider our financial position at the end of the second 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 39.2% 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 second quarter of 2022, the main elements of our 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 F Notes | 2.68% fixed rate | December 5, 2022 | 300.0 |
| Series J Notes | 1.92% fixed rate | December 2, 2024 | 297.5 |
| 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 March 12, 2022, the balance of the Series J unsecured senior notes was \$297.5 million, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$2.5 million.

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

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

Our main financial ratios were as follows:

| | As at March 12, 2022 | As at September 25, 2021 |
|--|-------------------------|-----------------------------|
| Financial structure | | |
| Non-current debt (Millions of dollars) | 2,616.0 | 2,618.2 |
| Non-current lease liabilities (Millions of dollars) | 1,570.9 | 1,657.5 |
| | 4,186.9 | 4,275.7 |
| Equity (Millions of dollars) | 6,502.7 | 6,412.8 |
| Non-current debt and lease liabilities/total capital (%) | 39.2 | 40.0 |

Since the Corporation intends⁽²⁾ 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.

| | 24 weeks / Fiscal Year | |
|---|------------------------|------|
| | 2022 | 2021 |
| Results | | |
| Operating income before depreciation and amortization/Financial costs (Times) | 14.8 | 12.7 |

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

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



CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

| | As at March 12, 2022 | As at September 25, 2021 |
|--|-------------------------|-----------------------------|
| Number of Common Shares outstanding (<i>Thousands</i>) | 239,952 | 242,949 |
| Stock options: | | |
| Number outstanding (<i>Thousands</i>) | 2,365 | 2,318 |
| Exercise prices (<i>Dollars</i>) | 35.42 to 62.82 | 35.42 to 57.81 |
| Weighted average exercise price (<i>Dollars</i>) | 50.79 | 46.69 |
| Performance share units: | | |
| Number outstanding (<i>Thousands</i>) | 601 | 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 April 1, 2022, the Corporation has repurchased 2,350,000 Common Shares at an average price of \$66.51, for a total consideration of \$156.3 million.

DIVIDENDS

On April 20, 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 \$72.85 range over the first 24 weeks of Fiscal 2022. During this period, a total of 51.3 million shares were traded on the Toronto Stock Exchange. The closing price on April 1, 2022 was \$71.57 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", "expect" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food and pharmaceutical industries, the general economy, our annual budget, as well as our 2022 action plan.

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

We believe these statements to be reasonable and pertinent as at the date of publication of this report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

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

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

NON-IFRS MEASUREMENTS

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

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

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

OUTLOOK⁽²⁾

At the start of the third quarter, most government measures to curb the pandemic had been lifted, but the ancillary impacts on our industry are ongoing. We continue to face higher than normal inflationary pressures and labour shortages which, if prolonged, could put pressure on margins. In the short term, we expect food sales to remain relatively stable versus last year while we expect continued growth in our pharmacy business although somewhat moderated versus the first half of the year. The labour conflict with our full-time distribution center employees in Toronto, which started on April 2, 2022, was resolved seven days later with the ratification of a new four-and-a-half-year collective agreement. Our third quarter results will be impacted by the direct costs of the strike and the impact of the new labour agreement, estimated at about \$10 million pre-tax.

Montréal, April 21, 2022

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

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



Interim Condensed Consolidated Financial Statements

METRO INC.

March 12, 2022

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Consolidated statements of income

Periods ended March 12, 2022 and March 13, 2021

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

| | 12 weeks Fiscal Year | | 24 weeks Fiscal Year | |
|--|-------------------------|-----------|-------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Sales | 4,274.2 | 4,193.0 | 8,590.8 | 8,471.2 |
| Cost of sales and operating expenses (note 2) | (3,860.2) | (3,796.9) | (7,752.7) | (7,675.9) |
| Operating income before depreciation and amortization | 414.0 | 396.1 | 838.1 | 795.3 |
| Depreciation and amortization (note 2) | (116.3) | (110.8) | (228.8) | (218.1) |
| Financial costs, net (note 2) | (27.8) | (31.3) | (56.5) | (62.7) |
| Earnings before income taxes | 269.9 | 254.0 | 552.8 | 514.5 |
| Income taxes (note 3) | (71.8) | (65.9) | (147.0) | (135.2) |
| Net earnings | 198.1 | 188.1 | 405.8 | 379.3 |
| Attributable to: | | | | |
| Equity holders of the parent | 197.4 | 187.3 | 404.1 | 377.8 |
| Non-controlling interest | 0.7 | 0.8 | 1.7 | 1.5 |
| | 198.1 | 188.1 | 405.8 | 379.3 |
| Net earnings per share (Dollars) (note 4) | | | | |
| Basic | 0.83 | 0.76 | 1.68 | 1.52 |
| Fully diluted | 0.82 | 0.75 | 1.67 | 1.51 |

See accompanying notes



Consolidated statements of comprehensive income

Periods ended March 12, 2022 and March 13, 2021

(Unaudited) (Millions of dollars)

| | 12 weeks | | 24 weeks | |
|---|-------------|--------|-------------|--------|
| | Fiscal Year | | Fiscal Year | |
| | 2022 | 2021 | 2022 | 2021 |
| Net earnings | 198.1 | 188.1 | 405.8 | 379.3 |
| Other comprehensive income | | | | |
| Items that will not be reclassified to net earnings | | | | |
| Changes in defined benefit plans | | | | |
| Actuarial gains (note 8) | 62.6 | 105.4 | 74.5 | 159.2 |
| Asset ceiling effect | (42.1) | (9.4) | (42.1) | (15.9) |
| Minimum funding requirement | (4.4) | — | (3.4) | — |
| Corresponding income taxes | (4.3) | (25.5) | (7.7) | (38.0) |
| | 11.8 | 70.5 | 21.3 | 105.3 |
| Comprehensive income | 209.9 | 258.6 | 427.1 | 484.6 |
| Attributable to: | | | | |
| Equity holders of the parent | 209.2 | 257.8 | 425.4 | 483.1 |
| Non-controlling interest | 0.7 | 0.8 | 1.7 | 1.5 |
| | 209.9 | 258.6 | 427.1 | 484.6 |

See accompanying notes



Consolidated statements of financial position

(Unaudited) (Millions of dollars)

| | As at March 12, 2022 | As at September 25, 2021 |
|--|-------------------------|-----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 222.6 | 445.8 |
| Accounts receivable | 635.3 | 679.2 |
| Accounts receivable on subleases | 95.0 | 92.8 |
| Inventories | 1,203.8 | 1,169.0 |
| Prepaid expenses | 69.8 | 46.6 |
| Current taxes | 26.6 | 33.4 |
| | 2,253.1 | 2,466.8 |
| Non-current assets | | |
| Fixed assets | 3,220.1 | 3,129.8 |
| Investment properties | 30.7 | 33.4 |
| Right-of-use assets | 1,029.8 | 1,064.7 |
| Intangible assets | 2,890.1 | 2,854.7 |
| Goodwill | 3,301.2 | 3,301.2 |
| Deferred taxes | 57.0 | 57.1 |
| Defined benefit assets | 106.1 | 84.8 |
| Accounts receivable on subleases | 512.2 | 549.6 |
| Other assets | 62.9 | 50.0 |
| | 13,463.2 | 13,592.1 |
| LIABILITIES AND EQUITY | | |
| Current liabilities | | |
| Bank loans | 0.2 | 0.1 |
| Accounts payable | 1,378.7 | 1,546.5 |
| Deferred revenues | 47.8 | 35.9 |
| Current taxes | 41.3 | 25.9 |
| Provisions | 0.8 | 1.6 |
| Current portion of debt (note 5) | 317.0 | 318.5 |
| Current portion of lease liabilities | 270.9 | 269.7 |
| | 2,056.7 | 2,198.2 |
| Non-current liabilities | | |
| Debt (note 5) | 2,316.0 | 2,318.2 |
| Lease liabilities | 1,570.9 | 1,657.5 |
| Defined benefit liabilities | 57.1 | 61.5 |
| Provisions | 12.8 | 13.5 |
| Deferred taxes | 940.8 | 927.7 |
| Other liabilities | 6.2 | 2.7 |
| | 6,960.5 | 7,179.3 |
| Equity | | |
| Attributable to equity holders of the parent | 6,489.4 | 6,399.9 |
| Attributable to non-controlling interest | 13.3 | 12.9 |
| | 6,502.7 | 6,412.8 |
| | 13,463.2 | 13,592.1 |

See accompanying notes



Consolidated statements of changes in equity

Periods ended March 12, 2022 and March 13, 2021

(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 25, 2021 | 1,674.3 | (20.5) | 24.2 | 4,721.9 | 6,399.9 | 12.9 | 6,412.8 | |
| Net earnings | — | — | — | 404.1 | 404.1 | 1.7 | 405.8 | |
| Other comprehensive income | — | — | — | 21.3 | 21.3 | — | 21.3 | |
| Comprehensive income | — | — | — | 425.4 | 425.4 | 1.7 | 427.1 | |
| Stock options exercised | 14.8 | — | (1.6) | — | 13.2 | — | 13.2 | |
| Shares redeemed | (23.8) | — | — | — | (23.8) | — | (23.8) | |
| Share redemption premium | — | — | — | (198.2) | (198.2) | — | (198.2) | |
| Share-based compensation cost | — | — | 3.4 | — | 3.4 | — | 3.4 | |
| Performance share units settlement | — | 4.3 | (7.0) | (1.0) | (3.7) | — | (3.7) | |
| Dividends | — | — | — | (126.8) | (126.8) | (0.5) | (127.3) | |
| Repurchase of shares in joint ventures | — | — | — | — | — | (0.8) | (0.8) | |
| | (9.0) | 4.3 | (5.2) | (326.0) | (335.9) | (1.3) | (337.2) | |
| Balance as at March 12, 2022 | 1,665.3 | (16.2) | 19.0 | 4,821.3 | 6,489.4 | 13.3 | 6,502.7 | |

| | 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 26, 2020 | 1,713.8 | (25.1) | 22.2 | 4,431.3 | 6,142.2 | 13.2 | 6,155.4 | |
| Net earnings | — | — | — | 377.8 | 377.8 | 1.5 | 379.3 | |
| Other comprehensive income | — | — | — | 105.3 | 105.3 | — | 105.3 | |
| Comprehensive income | — | — | — | 483.1 | 483.1 | 1.5 | 484.6 | |
| Stock options exercised | 1.3 | — | (0.2) | — | 1.1 | — | 1.1 | |
| Shares redeemed | (33.5) | — | — | — | (33.5) | — | (33.5) | |
| Share redemption premium | — | — | — | (246.9) | (246.9) | — | (246.9) | |
| Share-based compensation cost | — | — | 4.7 | — | 4.7 | — | 4.7 | |
| Performance share units settlement | — | 4.6 | (7.0) | (0.9) | (3.3) | — | (3.3) | |
| Dividends | — | — | — | (118.1) | (118.1) | (0.6) | (118.7) | |
| Repurchase of shares in joint ventures | — | — | — | — | — | (1.0) | (1.0) | |
| | (32.2) | 4.6 | (2.5) | (365.9) | (396.0) | (1.6) | (397.6) | |
| Balance as at March 13, 2021 | 1,681.6 | (20.5) | 19.7 | 4,548.5 | 6,229.3 | 13.1 | 6,242.4 | |

See accompanying notes



Consolidated statements of cash flows
Periods ended March 12, 2022 and March 13, 2021
(Unaudited) (Millions of dollars)

| | 12 weeks | | 24 weeks | |
|--|-------------|---------|-------------|---------|
| | Fiscal Year | | Fiscal Year | |
| | 2022 | 2021 | 2022 | 2021 |
| Operating activities | | | | |
| Earnings before income taxes | 269.9 | 254.0 | 552.8 | 514.5 |
| Non-cash items | | | | |
| Depreciation and amortization | 116.3 | 110.8 | 228.8 | 218.1 |
| Gain on disposal and write-offs of fixed and intangible assets and investment properties | (2.4) | (0.1) | (3.7) | (0.1) |
| Gain on disposal of right-of-use assets | — | — | (1.7) | — |
| Share-based compensation cost | 1.1 | 2.5 | 3.4 | 4.7 |
| Difference between amounts paid for employee benefits and current period cost | (0.8) | 0.1 | 3.1 | 1.4 |
| Financial costs, net | 27.8 | 31.3 | 56.5 | 62.7 |
| | 411.9 | 398.6 | 839.2 | 801.3 |
| Net change in non-cash working capital items | 24.0 | 64.4 | (158.1) | (25.4) |
| Income taxes paid | (51.1) | (46.1) | (119.3) | (125.6) |
| | 384.8 | 416.9 | 561.8 | 650.3 |
| Investing activities | | | | |
| Repurchase of shares in joint ventures | (0.2) | — | (0.2) | (1.0) |
| Net change in other assets | (9.8) | (0.4) | (9.1) | (2.3) |
| Additions to fixed assets and investment properties | (102.3) | (78.5) | (216.1) | (158.7) |
| Disposal of fixed assets and investment properties | 10.7 | 0.1 | 10.9 | 2.6 |
| Additions to intangible assets | (41.9) | (41.1) | (69.6) | (50.8) |
| Payments received from subleases | 23.2 | 22.2 | 46.3 | 44.0 |
| Interest received from subleases | 3.7 | 4.0 | 7.4 | 8.1 |
| | (116.6) | (93.7) | (230.4) | (158.1) |
| Financing activities | | | | |
| Net change in bank loans | (2.8) | (0.5) | 0.1 | — |
| Shares issued | 12.6 | 0.9 | 13.2 | 1.1 |
| Shares redeemed | (93.9) | (168.7) | (222.0) | (280.4) |
| Performance share units settlement | (3.7) | (3.3) | (3.7) | (3.3) |
| Increase in debt | 0.2 | 2.0 | 308.0 | 4.4 |
| Repayment of debt | (5.4) | (1.5) | (312.7) | (4.5) |
| Interest paid on debt | (7.7) | (6.9) | (54.4) | (54.1) |
| Payment of lease liabilities (principal) | (67.2) | (65.0) | (134.8) | (128.9) |
| Payment of lease liabilities (interest) | (11.3) | (12.9) | (22.8) | (24.9) |
| Net change in other liabilities | 0.9 | (1.1) | 1.3 | (0.3) |
| Dividends | (66.2) | (61.8) | (126.8) | (118.1) |
| | (244.5) | (318.8) | (554.6) | (609.0) |
| Net change in cash and cash equivalents | 23.7 | 4.4 | (223.2) | (116.8) |
| Cash and cash equivalents — beginning of period | 198.9 | 320.3 | 445.8 | 441.5 |
| Cash and cash equivalents — end of period | 222.6 | 324.7 | 222.6 | 324.7 |

see accompanying notes



Notes to interim condensed consolidated financial statements

Periods ended March 12, 2022 and March 13, 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 12 and 24-week periods ended March 12, 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 March 12, 2022 and March 13, 2021

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

2. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

| | 12 weeks | | | | 24 weeks | | | |
|--|------------------|-------------|-------------|------|------------------|-------------|-------------|------|
| | Fiscal Year | | Fiscal Year | | Fiscal Year | | Fiscal Year | |
| | 2022 | % | 2021 | % | 2022 | % | 2021 | % |
| Sales | 4,274.2 | | 4,193.0 | | 8,590.8 | | 8,471.2 | |
| Cost of sales | (3,416.8) | | (3,348.0) | | (6,872.5) | | (6,782.8) | |
| Gross margin | 857.4 | 20.1 | 845.0 | 20.2 | 1,718.3 | 20.0 | 1,688.4 | 19.9 |
| Operating expenses | | | | | | | | |
| Wages and fringe benefits | (232.7) | | (229.6) | | (451.7) | | (455.2) | |
| Employee benefits expense | (21.4) | | (24.5) | | (44.1) | | (48.1) | |
| Rent and occupancy charges | (69.4) | | (70.3) | | (134.4) | | (140.5) | |
| Other | (119.9) | | (124.5) | | (250.0) | | (249.3) | |
| | (443.4) | 10.4 | (448.9) | 10.7 | (880.2) | 10.2 | (893.1) | 10.5 |
| Operating income before depreciation and amortization | 414.0 | 9.7 | 396.1 | 9.4 | 838.1 | 9.8 | 795.3 | 9.4 |
| Depreciation and amortization | | | | | | | | |
| Fixed assets | (59.9) | | (55.8) | | (117.6) | | (109.2) | |
| Investment properties | (0.2) | | (0.2) | | (0.3) | | (0.3) | |
| Right-of-use assets | (37.8) | | (36.8) | | (74.0) | | (73.2) | |
| Intangible assets | (18.4) | | (18.0) | | (36.9) | | (35.4) | |
| | (116.3) | | (110.8) | | (228.8) | | (218.1) | |
| Financial costs, net | | | | | | | | |
| Current interest | (0.7) | | (0.6) | | (1.6) | | (1.3) | |
| Non-current interest | (22.4) | | (24.2) | | (46.3) | | (48.6) | |
| Net interest on lease liabilities | (7.2) | | (7.8) | | (14.4) | | (15.7) | |
| Interest on defined benefit obligations net of plan assets | (0.1) | | (1.0) | | (0.2) | | (2.0) | |
| Amortization of deferred financing costs | (0.3) | | (0.5) | | (0.7) | | (0.9) | |
| Interest income | 3.0 | | 2.9 | | 6.9 | | 5.9 | |
| Passage of time | (0.1) | | (0.1) | | (0.2) | | (0.1) | |
| | (27.8) | | (31.3) | | (56.5) | | (62.7) | |
| Earnings before income taxes | 269.9 | | 254.0 | | 552.8 | | 514.5 | |



Notes to interim condensed consolidated financial statements

Periods ended March 12, 2022 and March 13, 2021

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

3. INCOME TAXES

The effective income tax rates were as follows:

| (Percentage) | 12 weeks | | 24 weeks | |
|------------------------------------|-------------|-------|-------------|-------|
| | Fiscal Year | | Fiscal Year | |
| | 2022 | 2021 | 2022 | 2021 |
| Combined statutory income tax rate | 26.5 | 26.5 | 26.5 | 26.5 |
| Changes | | | | |
| Other | 0.1 | (0.6) | 0.1 | (0.2) |
| | 26.6 | 25.9 | 26.6 | 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) | 12 weeks | | 24 weeks | |
|---|--------------|-------|--------------|-------|
| | Fiscal Year | | Fiscal Year | |
| | 2022 | 2021 | 2022 | 2021 |
| Weighted average number of shares outstanding – Basic | 240.6 | 247.1 | 241.2 | 248.4 |
| Dilutive effect under: | | | | |
| Stock option plan | 0.6 | 0.6 | 0.6 | 0.6 |
| Performance share unit plan | 0.4 | 0.5 | 0.4 | 0.5 |
| Weighted average number of shares outstanding – Fully diluted | 241.6 | 248.2 | 242.2 | 249.5 |

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 March 12, 2022, the balance of the Series J unsecured senior notes was \$297.5, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$2.5.

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

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



Notes to interim condensed consolidated financial statements

Periods ended March 12, 2022 and March 13, 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 | 243,391 | 1,674.3 |
| Shares redeemed for cash, excluding premium of \$198.2 | (3,450) | (23.8) |
| Stock options exercised | 346 | 14.8 |
| Balance as at March 12, 2022 | 240,287 | 1,665.3 |

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 | 442 | (20.5) |
| Release | (107) | 4.3 |
| Balance as at March 12, 2022 | 335 | (16.2) |

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 239,952,000 outstanding Common Shares issued as at March 12, 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 | 2,318 | 46.69 |
| Granted | 431 | 62.82 |
| Exercised | (346) | 38.08 |
| Cancelled | (38) | 52.86 |
| Balance as at March 12, 2022 | 2,365 | 50.79 |



Notes to interim condensed consolidated financial statements

Periods ended March 12, 2022 and March 13, 2021

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

The exercise prices of the outstanding options ranged from \$35.42 to \$62.82 as at March 12, 2022 with expiration dates up to 2028. Of these options, 812,560 could be exercised at a weighted average exercise price of \$42.84.

The compensation expense for these options amounted to \$0.7 and \$1.2 for the 12 and 24-week periods ended March 12, 2022 (\$0.6 and \$1.1 in 2021).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

| | Number <i>(Thousands)</i> |
|----------------------------------|------------------------------|
| Balance as at September 26, 2020 | 618 |
| Granted | 231 |
| Exercised | (171) |
| Cancelled | (63) |
| Balance as at September 25, 2021 | 615 |
| Granted | 200 |
| Exercised | (162) |
| Cancelled | (52) |
| Balance as at March 12, 2022 | 601 |

The compensation expense for the PSU plan amounted to \$0.4 and \$2.2 for the 12 and 24-week periods ended March 12, 2022 (\$1.9 and \$3.6 in 2021).



Notes to interim condensed consolidated financial statements

Periods ended March 12, 2022 and March 13, 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 March 12, 2022 | | As at September 25, 2021 | |
|--|----------------------|----------------|--------------------------|------------|
| | Book value | Fair value | Book value | Fair value |
| Other assets | | | | |
| Assets measured at amortized cost | | | | |
| Loans to certain customers | 50.5 | 50.5 | 50.3 | 50.3 |
| Debt | | | | |
| Liabilities measured at amortized cost | | | | |
| Series C Notes (note 5) | — | — | 300.0 | 303.8 |
| Series F Notes (note 5) | 300.0 | 301.4 | 300.0 | 308.9 |
| Series J Notes (note 5) | 297.5 | 297.5 | — | — |
| Series G Notes | 450.0 | 451.7 | 450.0 | 488.1 |
| Series B Notes | 400.0 | 464.0 | 400.0 | 519.9 |
| Series D Notes | 300.0 | 318.5 | 300.0 | 363.4 |
| Series H Notes | 450.0 | 428.1 | 450.0 | 494.7 |
| Series I Notes | 400.0 | 326.0 | 400.0 | 377.3 |
| Loans | 48.9 | 48.9 | 49.7 | 49.7 |
| | 2,646.4 | 2,636.1 | 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 \$62.6 and \$74.5 recorded in the consolidated statements of comprehensive income during the 12 and 24-week periods ending March 12, 2022 are primarily due to the increase in discount rates from 3.33% as at September 25, 2021 to 4.32% as at March 12, 2022, net of changes in fair value of assets.



Notes to interim condensed consolidated financial statements

Periods ended March 12, 2022 and March 13, 2021

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

9. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12 and 24-week periods ended March 12, 2022 (including comparative figures) were approved for issue by the Board of Directors on April 20, 2022.

INFORMATION

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

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