metro

Annual Report 2024

COMPANY PROFILE

METRO INC. is a food and pharmacy leader in Québec and Ontario. As a retailer, franchisor, distributor, and manufacturer, the Corporation operates or services a network of 995 food stores under several banners including Metro, Metro Plus, Super C, Food Basics, Adonis and Première Moisson, as well as 639 pharmacies primarily under the Jean Coutu, Brunet, Metro Pharmacy and Food Basics Pharmacy banners, providing employment directly or indirectly to more than 98,000 people.

2024 HIGHLIGHTS

- 52-week Fiscal year versus 53 weeks in 2023
- Sales of $21,219.9 million, up 2.4% and up 4.4% based on 52 weeks in 2023
- Net earnings of $931.7 million, down 8.5%
- Adjusted net earnings(1) of $972.9 million, down 3.3%
- Fully diluted net earnings per share of $4.11, down 5.5%
- Adjusted fully diluted net earnings per share(1) of $4.30, unchanged versus last year
- Successful completion of supply chain modernization program
- Return on equity(1) of 13.4%
- Dividends per share increase of 10.6%, the 30th consecutive year of dividend growth

RETAIL NETWORK

		Québec	Ontario		New Brunswick		Total
Supermarkets	Metro Metro Plus	192	Metro	132			324
	Adonis	11	Adonis	4			15
Discount stores	Super C	110	Food Basics	145			255
Neighbourhood stores	Marché Richelieu	53			Marché Richelieu	1	54
	Marché Ami	315	Marché Ami	1	Marché Ami	5	321
Specialized stores	Première Moisson	25	Première Moisson	1			26
Total food		**706**		**283**		**6**	**995**

Pharmacies	Brunet Brunet Plus Brunet Clinique Clini Plus	141	Metro Pharmacy Food Basics Pharmacy	77			218
	PJC Jean Coutu PJC Health PJC Health & Beauty	384	PJC Jean Coutu PJC Health	9	PJC Jean Coutu PJC Health PJC Health & Beauty	28	421
Total pharmacies		**525**		**86**		**28**	**639**

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

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FINANCIAL HIGHLIGHTS

	2024	2023	2022	2021	2020
	(52 weeks)	*(53 weeks)*	*(52 weeks)*	*(52 weeks)*	*(52 weeks)*
OPERATING RESULTS *(Millions of dollars)*					
Sales	**21,219.9**	20,724.6	18,888.9	18,283.0	17,997.5
Operating income before depreciation, amortization and impairment of assets	**1,987.0**	1,969.6	1,844.6	1,732.5	1,683.6
Net earnings	**931.7**	1,018.8	849.5	825.7	796.4
Adjusted net earnings(1)	**972.9**	1,006.6	922.1	854.2	829.1
Cash flows from operating activities	**1,680.0**	1,563.5	1,461.4	1,583.3	1,474.1
FINANCIAL STRUCTURE *(Millions of dollars)*					
Total assets	**14,140.6**	13,865.3	13,401.3	13,592.1	13,423.9
Current and non-current debt	**2,674.3**	2,665.6	2,342.8	2,636.8	2,633.0
Current and non-current lease liabilities	**1,636.2**	1,658.7	1,779.0	1,927.2	2,069.4
Equity	**7,038.9**	6,816.3	6,618.4	6,412.8	6,155.4
PER SHARE *(Dollars)*					
Basic net earnings	**4.13**	4.36	3.53	3.34	3.15
Fully diluted net earnings	**4.11**	4.35	3.51	3.33	3.14
Adjusted fully diluted net earnings(1)	**4.30**	4.30	3.82	3.44	3.27
Dividends	**1.3075**	1.1825	1.0750	0.9750	0.8750
FINANCIAL RATIOS *(%)*					
Operating income before depreciation, amortization and impairment of assets / Sales	**9.4**	9.5	9.8	9.5	9.4
Return on equity(1)	**13.4**	15.2	13.0	13.1	13.1
SHARE PRICE *(Dollars)*					
High	**87.22**	78.90	73.54	66.25	64.61
Low	**65.43**	67.09	59.14	52.63	49.03
Closing price (At year-end)	**84.84**	70.54	69.84	60.18	64.02

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MESSAGE FROM THE CHAIR OF THE BOARD

Dear Shareholders,

The Company achieved good results in 2024 in a constantly changing market, in line with the financial guidance we communicated at the start of the 2024 fiscal year. As the Company had indicated, results were influenced by the investments and expenses required in connection with the transformation of the Company's supply chain. In fact, 2024 saw the commissioning of the new fresh produce distribution centre in Toronto, the final milestone in the Company's infrastructure modernization project, which began seven years ago. Over the past seven years, the Board has approved and closely monitored this major project, supporting the company's management in its efforts to build a modern supply chain that will enable the Company to serve its customers more effectively and efficiently(2).

In collaboration with its affiliated Metro retailers and pharmacist owners, the Company also continued to invest in its food retail and pharmacy network, opening several new stores and renovating, expanding or relocating existing ones. The Board supported the Company's management in its network development strategy and closely monitored the progress of the development plan. This plan will enable the Company to become more competitive and better serve its customers(2).

Proud of the success of the Moi loyalty program in Quebec, launched in May 2023, METRO has extended the program to Ontario under the name Moi Rewards, in partnership with RBC and its Avion Rewards program. The Board has reviewed and approved this initiative and has offered its support to the management team in the roll-out of this important project, which has been highly successful to date.

These results and projects could not have been achieved without the commitment and hard work of management, employees, retailers as well as pharmacist-owners, who have enabled the Company to achieve this good performance and meet these challenges.

Board of Directors

The Board of Directors continued to support and monitor management's implementation of the Company's strategic plan. Over the past year, the Board reviewed and discussed with the senior management team growth opportunities, competition, potential risks and key strategic enablers. The Board also approved and monitored key projects such as the roll-out of the Moi Rewards program in Ontario mentioned above.

Throughout the year, the Board of Directors, through its Governance and Corporate Responsibility Committee, continued to monitor the Company's activities relating to the priorities set out in the 2022-2026 Corporate Responsibility Plan, including the strategy and initiatives put forward in the fight against climate change. The Board also reviewed and approved the annual Corporate Responsibility Report in which the Company disclosed for the first time its results with regards to its five short-term, science-based greenhouse gas emission reduction objectives, which had been approved by the Board in 2023. The Board also reviewed and approved the first report published under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, which demonstrates the Company's approach on this issue and how it assesses supplier practices.

The Board, on the recommendation of the Human Resources Committee and with the assistance of its compensation consultant, reviewed executive compensation and approved a new Performance Share Unit Plan. This new plan will measure performance at the end of the 3-year cycle, as opposed to the sum of 3 years of annual objectives in the previous plan, and will include a corporate responsibility component. In addition, the Board has adopted new minimum shareholding requirements for senior executives which takes into account total direct compensation. These new requirements come into effect in fiscal 2025. The Board believes that these changes will further align the Company's compensation practices with its performance and, by the same token, with shareholders' interests.

As in previous years, as part of our shareholder engagement policy, the Chair of the Corporate Governance and Responsibility Committee and I met with some of the Company's major shareholders to discuss issues affecting the Board of Directors, including Board renewal and diversity, the corporate responsibility plan and strategy, including climate strategy, and corporate governance. These meetings enabled us to have a constructive dialogue with the Company's shareholders on subjects of importance to the Board, the Company and shareholders in general.

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The Board considers that its current composition is totally appropriate, allowing for a diversity of opinions, backgrounds, skills and experience, in the interests of the Company and its shareholders. I would like to thank the members of the Board of Directors for their collaboration and commitment to making METRO a successful, innovative and inclusive Company that continues to build for the future.

Finally, I would like to thank our shareholders for the trust and support you continue to show us.

Pierre Boivin

Chairman of the Board

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MESSAGE FROM THE PRESIDENT AND CEO

The main highlight of 2024 was the completion of our supply chain modernization program, a nearly billion-dollar investment over seven years. This transformation will provide capacity for future growth and enable efficiency gains, as well as strengthen our market position by offering our customers more freshness and variety[2].

We also achieved another milestone in our strategic plan with the launch of our Moi Rewards program in Ontario. The program, which celebrated its first anniversary in Quebec in May, has been extended to our Ontario Metro and Food Basics banners, providing additional savings for members in Ontario.

Although food inflation in Canada saw a noticeable decline in 2024, rising food prices continue to have an impact on consumers. Our teams continued to work tirelessly to deliver the best value possible in all our banners. With our discount, conventional and specialty banners, we strive every day to serve the needs of our customers, in store and online.

Our success this year was driven by the popularity of our food banners, particularly Food Basics and Super C, whose sales grew at a faster pace than the market. Our conventional banners performed well relative to their peers delivering value and great fresh food to their local communities. The complementarity of our banners has enabled us to grow our market share and maintain our leadership position in Quebec and Ontario.

Our pharmacy division also recorded a solid performance, driven by the strong growth of prescriptions, specialty drugs, and professional services. In Fiscal 2024, 4.3 million clinical services were performed by our affiliated pharmacists. Sales of over-the-counter medicines, cosmetics as well as health and beauty products also increased.

After years of discussions, all major food retailers voluntarily agreed to adhere to the proposed Grocery Code of conduct. METRO had committed to signing the Code as early as 2021 and our team played a leading role in its development. The Code of conduct should promote more transparency in retailer-manufacturer negotiations and ensure a more resilient supply chain[2].

2024 Financial Results

Fiscal 2024 was a 52-week year versus 53 weeks in 2023. We are satisfied with our results for Fiscal 2024, which was a transition year with the commissioning of two new automated distribution centres in the last 12 months.

While these investments position us well for continued long-term profitable growth, they created significant headwinds in Fiscal 2024 in terms of temporary duplication of costs and learning curve inefficiencies, as well as higher depreciation and lower capitalized interest. Since we would not be able to fully absorb these additional expenses, we provided the following guidance in November of 2023: operating income before depreciation and amortization and impairment of assets, were forecasted to grow by less than 2% in Fiscal 2024 versus the level reported in Fiscal 2023, and adjusted net earnings per share[1] were forecasted to be flat to down $0.10 in Fiscal 2024 versus the level reported in Fiscal 2023.

Sales reached $21.2 billion, up 2.4% and up 4.4% excluding the 53rd week in 2023. Gross margin remained stable at 19.7% of sales while operating expenses stood at 10.4% resulting in an operating income before depreciation, amortization and impairment of assets as a percentage of sales of 9.4% as compared to 9.5% last year. Adjusted net earnings[1] were $972.9 million, down 3.3% versus the previous year. Adjusted fully diluted earnings per share[1] were $4.30, the same as last year. METRO's results landed well withing the guidance provided in November 2023. We also increased the dividend per share by 10.6%, the 30th consecutive year of dividend growth.

2024 HIGHLIGHTS

Modernization of our distribution network

The inauguration of the second phase of our automated fresh distribution centre in Toronto last fall marked the final milestone in a nearly billion-dollar investment in the modernization of our supply chain.

Initiated in 2017, the distribution network modernization project included investments in the new automated fresh and frozen distribution centre in Terrebonne that opened in 2023, the expansion of the fresh produce distribution centre in Laval, and the construction of two new automated distribution centres in Toronto - a frozen facility that opened in 2022, and the first phase of the fresh facility that opened in 2021.

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The modernization of our supply chain represents a significant investment in METRO's future by improving service to our store network with greater accuracy and reduced handling time, delivering efficiencies throughout the supply chain, enhancing the customer experience through greater variety and freshness, and supporting our growth plans.

Retail investments

In collaboration with our affiliated Metro retailers as well as our Jean Coutu and Brunet pharmacist-owners, we continued to invest in our food and pharmacy networks. In Quebec, we opened seven Super C stores. We also completed major expansions or renovations at five Metro and Metro Plus stores and two Super C stores in Quebec. In Ontario, we opened one new Metro store and one new Food Basics store and carried out major renovations at three Metro stores and one Food Basics store. As for our proximity banners, we integrated three new Marché Richelieu stores into our network, including our very first in New Brunswick.

On the pharmacy side, we opened three new Jean Coutu and Jean Coutu Santé pharmacies. One expansion and 11 major renovations were carried out at Jean Coutu. One Brunet pharmacy was renovated and another converted to the Jean Coutu banner.

Loyalty

We launched the Moi Rewards program at Metro and Food Basics stores in Ontario in the fall and expanded our partnership with RBC and Avion Rewards. Our goal is to help our customers save on everyday essentials by becoming the most personalized and relevant loyalty program in Canada(2). We are building on the success of the Moi program in Quebec, which ranked third in LoyauT's ranking of all loyalty programs in Canada in 2024. The strength and complementarity of our food and pharmacy networks, as well as our strong personalization capabilities, are an integral part of its success.

The program is now available in eight banners and over 1,175 stores across Quebec, Ontario and New Brunswick, with 3.9 million active members.

eCommerce

Our online food sales grew by 46%, driven by third-party marketplaces and by the rollout of our click and collect service to our discount banners.

We introduced our click and collect service at Food Basics, and it is now available in 63 stores. At the same time, we deployed the service at Super C, bringing the total number of stores of that banner offering click and collect to 92.

A new delivery service was also introduced for Adonis, through our partnership with Instacart and we extended our partnership with Uber to the Jean Coutu and Brunet banners.

Pharmacy Division: Amendments to the Pharmacy Act

Over the past year, pharmacists in the Jean Coutu and Brunet networks performed more than 3 million consultations related to their expanded field of practice, above and beyond the advice they provide daily, helping to ease the pressure on the healthcare system. Bill 67 was adopted by the Quebec National Assembly on November 7, giving pharmacists greater agility by broadening the situations in which they can help their patients. This is an important development for the practice of pharmacy, and a significant gain for patients who will benefit from greater accessibility to care in our 525 Jean Coutu and Brunet pharmacies. These new responsibilities will officially come into effect when the government adopts the regulatory framework of Bill 67 in 2025(2).

Corporate Responsibility

We completed the third year of our 2022-2026 Corporate Responsibility Plan and published our 14th report.

To meet the requirements of new legislation, we published last April our first *Report under the Fighting Against Forced Labour and Child Labour in Supply Chains Act*, which sets out the measures we have taken to prevent and mitigate the risk of forced labour or child labour in our operations. Our continuing partnership with Sphera, formerly SupplyShift, allows us to assess our suppliers against our Supplier Code of Conduct for Responsible Procurement, an important dimension in making our business more resilient in the long term.

For the first time, we are disclosing our results against our five greenhouse gas emission reduction targets. Finally, we have significantly improved our waste diversion rate, both in our stores and in our distribution centres.

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Investing in our communities

In support of our purpose to nourish the health and well-being of our communities, we announced the creation of the *METRO Shared Kitchens* community network, in collaboration with Food Banks of Quebec. We will be investing nearly $2 million in the first phase to establish eight shared community kitchen projects across the province. These collective spaces will allow various community groups and organizations to bring together their clienteles to offer culinary education workshops or organize collective cooking groups. Our vision is to continue developing this network and, in line with local needs, add more shared kitchens in Quebec and Ontario(2).

2025 Outlook and priorities(2)

Our teams strive every day to offer the best possible value to our customers in all our food stores and pharmacies with competitive everyday prices, our extensive range of private brands, our attractive weekly promotions and our loyalty program.

To achieve our mission of meeting or exceeding our customers' expectations every day, our priorities for Fiscal 2025 are to:

1. Achieve our budgets and business plans;
2. Execute with excellence in stores and pharmacies;
3. Reduce costs and increase efficiency;
4. Engage our customers and increase their loyalty;
5. Develop the best team;
6. Achieve our corporate responsibility goals.

Now that the commissioning of our new distribution centres is behind us, we are focused on realizing efficiency gains and improving the service to our store network. These investments in our supply chain have also positioned us well for growth through the expansion of our retail network in the years ahead, and we are planning to open a dozen new stores in Fiscal 2025.

We expect to gradually resume our profit growth in Fiscal 2025 and we maintain our publicly disclosed annual growth target of between 8% and 10% of adjusted net earnings per share(1) over the medium and long term.

Acknowledgments

I would like to thank all our employees, affiliated retailers, franchisees and pharmacist-owners, as well as my management colleagues, for their commitment to serve the customers and patients every day. I would also like to thank the members of the Board of Directors for their oversight and constant support. Finally, I would like to thank you, dear shareholders, for your trust.

Eric La Flèche

President and Chief Executive Officer

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MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 28, 2024

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The following Management's Discussion and Analysis sets out the financial position and consolidated results of METRO INC. for the fiscal year ended September 28, 2024, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 28, 2024. This report is based upon information as at December 4, 2024 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for Fiscal 2024, is available on the SEDAR website at www.sedarplus.ca.

OVERVIEW

The Corporation is a leader in food and pharmaceutical industries in Québec and Ontario.

The Corporation, as a retailer, franchisor or distributor, operates under different grocery banners in the conventional supermarket and discount segments. For consumers seeking a higher level of service and a greater variety of products, we operate 324 supermarkets under the Metro and Metro Plus banners. The 255 discount stores operating under the Super C and Food Basics banners offer products at low prices to consumers who are both cost and quality-conscious. The Adonis banner, which currently has 15 stores, is specialized in fresh products as well as Mediterranean and Middle-Eastern products. The Corporation also operates Première Moisson, a banner specialized in premium quality artisan bakery, pastry, and deli products. Première Moisson sells its products to the Corporation’s stores, to restaurants and other chains as well as directly to consumers in its 26 stores. The majority of the stores are owned by the Corporation or by structured entities and their financial statements are consolidated with those of the Corporation. Independent owners bound to the Corporation by leases or affiliation agreements operate a large number of Metro and Metro Plus stores. The Corporation supplies these stores and their purchases are included in our sales. The Corporation also acts as a distributor for independent neighbourhood grocery stores. Their purchases are included in the Corporation's sales.

The Corporation also acts as franchisor and distributor for 421 PJC Jean Coutu, PJC Health and PJC Health & Beauty pharmacies as well as 141 Brunet Plus, Brunet, Brunet Clinique, and Clini Plus pharmacies, held by pharmacist owners. The Corporation supplies these pharmacies and their purchases are included in our sales. The Corporation operates 77 pharmacies in Ontario under Metro Pharmacy and Food Basics Pharmacy banners and their sales are included in the Corporation's sales. Sales also include the supply of non-franchised pharmacies. The Corporation is also active in generic drug distribution through its subsidiary Pro Doc Ltée.

PURPOSE, MISSION AND STRATEGY

For more than 75 years, METRO has made its mark, first in Québec and then in Ontario and New Brunswick, by meeting the nutrition and health needs of the communities it serves. Its organic and acquisition-led growth has positioned it today as a leader in the food and pharmacy sectors in Eastern Canada.

The 2018 acquisition of The Jean Coutu Group strengthens METRO's position in the health sector. The combination of these two leading companies creates retail leader with more than $21 billion in revenues to meet the growing needs of consumers in food, pharma, health and beauty.

METRO's purpose is a reflection of its increased presence in health and represents its current reality and aspirations. For METRO, **nourishing the health and well-being of our communities** is the work our employees undertake with excellence, day after day, to feed and serve the people of the communities where we operate.

Our purpose is based on four pillars, which are anchored in our daily practices and ways. These guide our actions and decisions, allowing us to fulfill our mission of exceeding our customers' expectations every day to earn their long-term loyalty.

Customer focus

We put the customer at the center of all our decisions in each of our banners. Offering them the best experience as well as quality products at competitive prices and professional health services to help them live healthier lives are at the heart of our actions.

Best team

We strive to attract and retain the best talent by offering them opportunities for development and advancement in a collaborative, healthy and safe environment where they can achieve their full potential. In addition, we are committed to ensure that our employees make a difference at work and in the communities where we live and work.

Operational Excellence

We set high operating standards and are results-oriented. We measure our performance systematically to be agile to our customers' needs and the competition.

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Financial Discipline

We deliver the expected results and achieve our objectives by managing our resources optimally and by exercising strict financial control.

The annualized growth targets we will strive to achieve over the medium and long term are:

- Sales growth between 2% and 4%;
- Adjusted earnings before net financial costs and income taxes[(1)] growth between 4% and 6%;
- Adjusted fully diluted net earnings per share[(1)] growth between 8% and 10%.

Our assumptions related to these performance targets include the following:

- Ability to continue to execute our business model, our strategic plan and our capital plan;
- Medium to long-term inflation rate (CPI) in line with historical levels;
- Population growth rate remains stable;
- No material change in the macro-economic or regulatory environment;
- No material shift in the competitive landscape;
- No material labour, supply chain or distribution center disruptions;
- Ability to continue to deliver merchandising and promotional strategies that resonate with our customers;
- Ability to continue to operate our distribution centers and stores efficiently and effectively.

The occurrence of certain risks could impact our ability to achieve our performance targets, notably disruptions in the supply chain, distribution centers or technological systems, a material labour shortage or conflict or an event that significantly tarnishes our brand or reputation. For further details see section "Risk management" of this report.

The foundation of our business strategy remains corporate responsibility and the continued integration of ESG factors into our business model. We aim[(2)] to ensure that our actions bring value to METRO, and to our stakeholders - customers, employees, suppliers, shareholders and community partners.

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KEY PERFORMANCE INDICATORS

We evaluate the Corporation's overall performance using the following key indicators:

- sales:
  - sales growth;
  - same-store sales growth;
  - average customer transaction size and number of transactions;
  - average weekly sales;
  - average weekly sales per square foot;
  - sales per hour worked by store to assess productivity;
  - percentage of sales represented by customers who are loyalty program members;
  - market share;
  - customer satisfaction;
- gross margin percentage;
- operating income before depreciation, amortization and impairment of assets as a percentage of sales;
- adjusted earnings before net financial costs and income taxes[(1)] growth;
- net earnings as a percentage of sales;
- net earnings per share growth;
- adjusted fully diluted net earnings per share[(1)] growth;
- retail network investments:
  - dollar value and nature of store investments;
  - number of stores;
  - store square footage growth;
- return on equity;
- total shareholder returns.

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KEY ACHIEVEMENTS

Sales for Fiscal 2024 totalled $21,219.9 million, up 2.4% compared to $20,724.6 million for Fiscal 2023, and up 4.4% based on 52 weeks in 2023. Net earnings for Fiscal 2024 were $931.7 million compared with $1,018.8 million for Fiscal 2023, while fully diluted net earnings per share were $4.11 compared with $4.35 in 2023, down 8.5% and 5.5% respectively. Adjusted net earnings(1) for Fiscal 2024 totalled $972.9 million compared with $1,006.6 million for Fiscal 2023, down 3.3%. Adjusted fully diluted net earnings per share(1) for Fiscal 2024 amounted to $4.30 the same amount as Fiscal 2023. In 2023, the labour conflict at 27 Metro stores in the Greater Toronto Area had an unfavorable impact of approximately $27.0 million after-tax or $0.12 per share and the 53rd week had a favorable impact of $27.0 million net of tax or $0.12 per share.

We realized several achievements over the fiscal year, including the following major ones:

- With the second phase of our Fresh distribution centre in Toronto now fully operational, the final milestone of METRO's seven-year, nearly billion-dollar modernization project has been reached. Initiated in 2017, the project has included investments in a new automated fresh and frozen distribution centre in Terrebonne, Quebec that opened in 2023, the expansion of the fresh produce distribution centre in Laval, Quebec, and the construction of two new automated distribution centres in Toronto – a frozen facility that opened in 2022, and the fresh facility completed in 2024.
- Last October, we launched the Moi Rewards program in Ontario, in partnership with RBC and its Avion Rewards program. The Ontario launch is an evolution of the Moi program that follows the successful 2023 launch of METRO's Moi coalition loyalty program in Quebec. Most recently, the 2024 Leger Wow Survey ranked Moi as the most widely used loyalty program in Quebec, with 79% of METRO customers actively engaging with the program and experiencing its benefits. The number of memberships in Ontario has already reached over 1,000,000 since the launch last October, a sign that the program is well received by our customers.
- We continued to invest in our retail network. In Quebec, we opened four new Super C stores, converted three Metro stores to Super C, relocated one Metro store, and, with our affiliated retailers, carried out major renovations and expansions at seven other stores. In Ontario, we opened one Metro store, one Food Basics store, relocated one Food Basics store, and completed major renovations at four other stores. On the pharmacy side, we opened three stores, relocated three, converted two, and carried out major renovations in 13 stores.
- Over the past year, pharmacists in the Jean Coutu and Brunet networks carried out more than 3 million consultations related to their expanded field of practice. Added to this are the millions of recommendations they provide daily, helping to ease the pressure on the healthcare system. At a time when patients are turning more and more to pharmacists, the recent adoption of Bill 67, which aims to expand the professional practice of pharmacists, constitutes a recognition of their role as front-line health professionals, a role that is bound to continue to grow and become more prominent in the years to come.
- In 2024, METRO continued to grow its e-commerce services with the expansion of the click and collect service to 63 stores in the Food Basics banner in Ontario. At the end of Fiscal 2024, 231 Metro, 92 Super C stores and 311 PJC pharmacies now offer the pick-up service. Metro.ca has also expanded its delivery service through its partnership with Instacart, offering the delivery service to 46 new locations in Ontario & Quebec, as well as adding more same-day delivery capacity. METRO has also redesigned and launched one new transactional mobile application for the Super C banner. We have also expanded the delivery service to our pharmaceutical banners, Jean-Coutu and Brunet, via the Uber Eats app. Customers can place orders for same-day delivery at nearly 330 Jean Coutu and Brunet stores and receive their order in as little as two hours.
- The market research and analytics firm Léger revealed last April the ranking of the most admired companies by Quebecers. The Jean Coutu banner once again secured the top position this year in the retail sector and the second position in the overall ranking for Quebec. Jean Coutu is the only pharmacy banner to have made it into the top 10. It also ranked second in the Quebec Employer Rankings.
- METRO private labels once again stood out at the 31st Canadian Grand Prix New Product Awards, winning a total of 8 awards, the highest among all retailers, recognizing our products as the best innovations of the year in Canada. Organized by the Retail Council of Canada, this prestigious competition showcases the finest industry innovations across the country.
- We are halfway through implementing our 2022-2026 Corporate Responsibility (CR) plan. Once again this year, we have made progress on our priorities and are on track to achieve most of our objectives. Environmental, social and governance (ESG) issues are subject to increasing regulation, and we are preparing for the many impending legislative changes. The publication of our first *Report under the Fighting Against Forced Labour and*

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Child Labour in Supply Chains Act is a good example of this. We continue to assess the practices of our suppliers, thus improving transparency within our supply chain, thanks to our ongoing partnership with Sphera, formerly SupplyShift. In 2024, we also made additional efforts to reduce single-use plastic, including taking part in a pilot project in Ontario to share reusable containers. In terms of climate change, we disclosed for the first time our results against our five near-term science-based greenhouse gas emission reduction targets set for 2023. Our efforts to reduce waste have also paid off: for the first year, we have seen a significant improvement in our diversion rate, both in our stores and in our distribution centres. In addition, we continued our community investment strategy and increased our corporate donations compared with 2023.

- At METRO, community investment is deeply rooted in our values and is an integral part of our corporate responsibility approach. It represents an important lever to reflect and live our purpose: Nourishing the health and well-being of our communities. It is in this context, and with the ambition to create a legacy in the communities where we have been established for over 75 years, that we announced the creation of a community network of shared kitchens across Quebec, in collaboration with Banques Alimentaires du Québec (BAQ). Through this initiative, METRO aims to build collective gathering spaces at the heart of communities to provide better access to healthy food for those experiencing food insecurity. These shared kitchens will be multifunctional spaces that users can utilize for various purposes: offering culinary education workshops, organizing collective cooking groups, facilitating access to healthy and nutritious food through innovative programs, fostering a sense of belonging to their community, and breaking isolation, for example.
- METRO is committed to adopting short-term, science-based greenhouse gas (GHG) emissions reduction targets for its direct and indirect emissions. METRO and FLO, a leading North American electric vehicle (EV) charging company and smart charging solutions provider, announced a new partnership to provide fast charging at more than 130 Metro, Super C, Food Basics and Marché Adonis grocery store locations across Quebec and Ontario. Through this partnership, we are taking action to reduce our indirect emissions linked to the transport of our customers, while contributing to the collective effort of transition towards a more low-carbon economy. The partnership, which will install at least 500 fast charging ports, will ensure EV drivers have access to fast charging in convenient and accessible places, keeping them charged up and on the road.
- METRO was awarded the Maurice-Pollack Prize, which recognizes the exceptional efforts of a company in managing ethnocultural diversity, in the category of "Large Companies (employing 250 or more people)". This award highlights the METRO team, which includes nearly 19% of workers who are immigrants or from ethnocultural minorities. In addition to providing a healthy, respectful, and inclusive work environment for its staff from diverse backgrounds, METRO develops innovative practices in diversity and inclusion, while setting concrete goals to increase the representation of individuals from cultural diversity in its management teams.

EVENTS AFTER THE REPORTING PERIOD

On November 27, 2024, the Corporation issued through a private placement Series L unsecured senior notes in the aggregate principal amount of $500.0 million, bearing interest at a fixed nominal rate of 3.998%, maturing on November 27, 2029. On December 2, 2024, the Corporation redeemed all of the Series J notes, bearing interest at a fixed nominal rate of 1,92%, in the amount of $300.0 million that matured on the same day.

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SELECTED ANNUAL INFORMATION

	2024	2023	Change	2022	Change
(Millions of dollars, unless otherwise indicated)	***(52 weeks)***	*(53 weeks)*	*%*	*(52 weeks)*	*%*
Sales	**21,219.9**	20,724.6	2.4	18,888.9	9.7
Net earnings attributable to equity holders of the parent	**928.8**	1,014.8	(8.5)	846.1	19.9
Net earnings attributable to non-controlling interests	**2.9**	4.0	(27.5)	3.4	17.6
Net earnings	**931.7**	1,018.8	(8.5)	849.5	19.9
Basic net earnings per share	**4.13**	4.36	(5.3)	3.53	23.5
Fully diluted net earnings per share	**4.11**	4.35	(5.5)	3.51	23.9
Adjusted net earnings(1)	**972.9**	1,006.6	(3.3)	922.1	9.2
Adjusted fully diluted net earnings per share(1)	**4.30**	4.30	—	3.82	12.6
Return on equity(1) *(%)*	**13.4**	15.2	—	13.0	—
Dividends per share *(Dollars)*	**1.3075**	1.1825	10.6	1.0750	10.0
Total assets	**14,140.6**	13,865.3	2.0	13,401.3	3.5
Current and non-current portions of debt	**2,674.3**	2,665.6	0.3	2,342.8	13.8

Sales for Fiscal 2024 totalled $21,219.9 million, up 2.4% compared to $20,724.6 million for Fiscal 2023, and up 4.4% based on 52 weeks in 2023.

Net earnings for Fiscal 2024, 2023 and 2022 totalled $931.7 million, $1,018.8 million and $849.5 million, respectively, while fully diluted net earnings per share amounted to $4.11, $4.35 and $3.51. Taking into account the items relating to Fiscal 2024 and 2023 shown in the “Net earnings and fully diluted net earnings per share (EPS) adjustments(1)” table in the “Operating results” section, as well as for Fiscal 2022, loss on impairment of a loyalty program, adjusted net earnings(1) for Fiscal 2024 stood at $972.9 million compared with $1,006.6 million for Fiscal 2023 and $922.1 million for Fiscal 2022, while adjusted fully diluted net earnings per share(1) was $4.30 for 2024 and 2023 and $3.82 for 2022, flat and up 12.6% respectively.

OUTLOOK(2)

As we begin our 2025 fiscal year, the significant investments in the modernization of our supply chain are largely behind us, and we are now focused on realizing efficiency gains and improving the service to our store network. These investments have also positioned us well for growth through the expansion of our retail network in the years ahead. We expect to gradually resume our profit growth in Fiscal 2025 and we maintain our publicly disclosed annual growth target of between 8% and 10% of adjusted fully diluted net earnings per share(1) over the medium and long term.

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OPERATING RESULTS

SALES

Sales for Fiscal 2024 totalled $21,219.9 million, up 2.4% compared to $20,724.6 million for Fiscal 2023, and up 4.4% based on 52 weeks in 2023, driven by higher sales in our retail network this year and the negative impact of a labour conflict at 27 Metro stores in the Greater Toronto Area in the fourth quarter of 2023. Food same-store sales(1) were up 2.7% (up 7.6% in 2023). Online food sales(1) in 2024 increased by 45.6% compared to last year, mostly driven by higher partnership sales while online food sales(1) increased by 78.0% in 2023. Pharmacy same-store sales(1) were up 5.2% (6.5% in 2023), with a 6.4% increase in prescription drugs(1) and a 2.6% increase in front-store sales(1).

OPERATING INCOME BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF ASSETS

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

Operating income before depreciation, amortization and impairment of assets for Fiscal 2024 totalled $1,987.0 million or 9.4% of sales, up 0.9% versus Fiscal 2023. Fiscal 2024 included gains on disposal of assets of $6.8 million versus gains of $4.2 million last year.

Gross margin(1) for Fiscal 2024 was 19.7%, unchanged versus last year.

Operating expenses as a percentage of sales for Fiscal 2024 were 10.4% versus 10.2% for Fiscal 2023. The increase in operating expenses is mainly due to the commissioning of our new automated distribution centre for fresh and frozen products in Terrebonne and the launch of the final phase of our fresh distribution centre in Toronto.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for Fiscal 2024 was $570.4 million versus $525.2 million for Fiscal 2023. The increase in depreciation and amortization expense is mainly due to the commissioning of our new automated distribution centre for fresh and frozen products in Terrebonne and the final phase of our fresh distribution centre in Toronto.

IMPAIRMENT OF ASSETS

During Fiscal 2024, the Corporation recorded $20.8 million of impairment of assets resulting from the decision to have Metro stores in Ontario withdraw from the Air Miles® loyalty program in the summer of 2024. This impairment represents the entire carrying value of the loyalty program asset.

NET FINANCIAL COSTS

Net financial costs for Fiscal 2024 were $145.7 million versus 122.6 million for Fiscal 2023. The increase is mainly due to an increase in average debt and lower capitalized interest related to our distribution center automation projects.

INCOME TAXES

The income tax expense of $318.4 million for Fiscal 2024 represented an effective tax rate of 25.5% compared with an income tax expense of $303.0 million for Fiscal 2023 which represented an effective tax rate of 22.9%. The increase in the effective tax rate in 2024 is mainly attributable to a favorable $40.7 million income tax entry in respect of prior years recorded in the third quarter of Fiscal 2023.

NET EARNINGS AND ADJUSTED NET EARNINGS(1)

Net earnings for Fiscal 2024 were $931.7 million compared with $1,018.8 million for Fiscal 2023, while fully diluted net earnings per share were $4.11 compared with $4.35 in 2023, down 8.5% and 5.5% respectively. Excluding the specific items shown in the table below, adjusted net earnings(1) for Fiscal 2024 totalled $972.9 million compared with $1,006.6 million for Fiscal 2023, down 3.3%. Adjusted fully diluted net earnings per share(1) for Fiscal 2024 amounted to $4.30 the same amount as Fiscal 2023. In 2023, the labour conflict at 27 Metro stores in the Greater Toronto Area had an unfavorable impact of approximately $27.0 million after-tax or $0.12 per share and the 53rd week had a favorable impact of $27.0 million net of tax or $0.12 per share.

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

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

	2024 *(52 weeks)*		2023 *(53 weeks)*		Change (%)	
	Net earnings (Millions of dollars)	**Fully diluted EPS (Dollars)**	**Net earnings (Millions of dollars)**	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Per financial statements	**931.7**	**4.11**	1,018.8	4.35	(8.5)	(5.5)
Loss on impairment of a loyalty program, net of taxes of $2.7	**18.1**		—			
Gain on disposal of an investment in an associate, net of taxes of $1.6	**(5.4)**		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of $10.2	**28.5**		28.5			
Favorable tax adjustment in respect of prior years	**—**		(40.7)			
Adjusted measures[1]	**972.9**	**4.30**	1,006.6	4.30	(3.3)	—

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[2] See section on "Forward-looking Information"

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QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2024**	2023	Change *(%)*
Sales			
Q1[3]	**4,974.2**	4,670.9	6.5
Q2[3]	**4,655.5**	4,554.5	2.2
Q3[4]	**6,651.8**	6,427.5	3.5
Q4[5]	**4,938.4**	5,071.7	(2.6)
Fiscal	**21,219.9**	20,724.6	2.4
Net earnings			
Q1[3]	**228.5**	231.1	(1.1)
Q2[3]	**187.1**	218.8	(14.5)
Q3[4]	**296.2**	346.7	(14.6)
Q4[5]	**219.9**	222.2	(1.0)
Fiscal	**931.7**	1,018.8	(8.5)
Adjusted net earnings[1]			
Q1[3]	**235.0**	237.6	(1.1)
Q2[3]	**206.4**	225.4	(8.4)
Q3[4]	**305.0**	314.8	(3.1)
Q4[5]	**226.5**	228.8	(1.0)
Fiscal	**972.9**	1,006.6	(3.3)
Fully diluted net earnings per share ***(Dollars)***			
Q1[3]	**0.99**	0.97	2.1
Q2[3]	**0.83**	0.93	(10.8)
Q3[4]	**1.31**	1.49	(12.1)
Q4[3]	**0.98**	0.96	2.1
Fiscal	**4.11**	4.35	(5.5)
Adjusted fully diluted net earnings per share[1] ***(Dollars)***			
Q1[3]	**1.02**	1.00	2.0
Q2[3]	**0.91**	0.96	(5.2)
Q3[4]	**1.35**	1.35	—
Q4[5]	**1.02**	0.99	3.0
Fiscal	**4.30**	4.30	—

[3] 12 weeks
[4] 16 weeks
[5] 12 weeks for 2024 and 13 weeks for 2023

Sales in the first quarter of Fiscal 2024 ended on December 23, 2023 were $4,974.2 million, up 6.5% versus the first quarter of the prior year which ended on December 17, 2022. Food same-store sales[1] were up 6.1% (7.5% in the first quarter of 2023), and up 3.4% when adjusting for the Christmas shift. Our food basket inflation was about 4.0%, lower than reported CPI and down from 5.5% in the previous quarter. Pharmacy same-store sales[1] were up 3.9% (7.7% in the first quarter of 2023), with a 6.6% increase in prescription drugs[1] and a 1.2% decrease in front-store sales[1], as we cycled very high sales last year due to an exceptionally strong cough and cold season.

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Sales in the second quarter of Fiscal 2024 ended on March 16, 2024 were $4,655.5 million, up 2.2% versus the second quarter of the prior year which ended on March 11, 2023, driven by higher sales in our retail network. Our food basket inflation was about 3.0%, down from 4.0% in the previous quarter. Food same-store sales[(1)] were up 0.2% in the second quarter of Fiscal 2024 (5.8% in the second quarter of 2023), and up 2.7% when adjusting for the Christmas shift. Pharmacy same-store sales[(1)] were up 5.9% (7.3% in the second quarter of 2023), with a 6.0% increase in prescription drugs[(1)] and a 5.8% increase in front-store sales[(1)], driven by a strong cough and cold season and effective merchandising strategies.

Sales in the third quarter of Fiscal 2024 ended on July 6, 2024 were $6,651.8 million, up 3.5% versus the third quarter of the prior year which ended on July 1, 2023, driven by higher sales in our retail network. Our food basket inflation was slightly lower than the reported CPI for food purchased from stores of 1.1%. Food same-store sales[(1)] were up 2.4% in the third quarter of Fiscal 2024 (9.4% in the third quarter of 2023). Pharmacy same-store sales[(1)] were up 5.2% (5.9% in the third quarter of 2023), with a 6.3% increase in prescription drugs[(1)] and a 3.0% increase in front-store sales[(1)], primarily driven by over-the-counter products, cosmetics and health and beauty.

Sales in the fourth quarter of Fiscal 2024 ended on September 28, 2024 were $4,938.4 million, down 2.6% versus the fourth quarter of the prior year, and up 5.7% based on 12 weeks in 2023, driven by higher sales in our retail network this year and the negative impact of a labour conflict at 27 Metro stores in the Greater Toronto Area in the fourth quarter of 2023. Our food basket inflation was slightly higher than the reported CPI for food purchased from stores of 1.7%. Food Same-store sales[(1)] were up 2.2% in the fourth quarter of Fiscal 2024 (6.8% in the fourth quarter of 2023). Online food sales[(1)] were up 27.6% versus the comparable 12-week period last year (116.0% in the fourth quarter of 2023). Pharmacy same-store sales[(1)] were up 5.7% (5.5% in the fourth quarter of 2023), with a 6.8% increase in prescription drugs[(1)] and a 3.3% increase in front-store sales[(1)], primarily driven by over-the-counter products, cosmetics and health and beauty.

Net earnings for the first quarter of Fiscal 2024 were $228.5 million compared with $231.1 million for the corresponding quarter of 2023, while fully diluted net earnings per share were $0.99 compared with $0.97 in 2023, down 1.1% and up 2.1% respectively. Adjusted net earnings[(1)] for the first quarter of Fiscal 2024 totalled $235.0 million compared with $237.6 million for the corresponding quarter of 2023 and adjusted fully diluted net earnings per share[(1)] were $1.02 versus $1.00, down 1.1% and up 2.0% respectively. The first quarters of 2024 and 2023 included an adjustment for the pre-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $8.9 million as well as the income taxes relating to this item.

Net earnings for the second quarter of Fiscal 2024 were $187.1 million compared with $218.8 million for the corresponding quarter of 2023, while fully diluted net earnings per share were $0.83 compared with $0.93 in 2023, down 14.5% and 10.8% respectively. Adjusted net earnings[(1)] for the second quarter of Fiscal 2024 totalled $206.4 million compared with $225.4 million for the corresponding quarter of 2023 and adjusted fully diluted net earnings per share[(1)] were $0.91 versus $0.96, down 8.4% and 5.2% respectively. The second quarters of 2024 and 2023 included an adjustment for the pre-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $8.9 million and the second quarter of 2024 also included a loss on the impairment of a loyalty program of $20.8 million and a gain on disposal of an investment in an associate of $7.0 million, as well as the income taxes relating to these items.

Net earnings for the third quarter of Fiscal 2024 were $296.2 million compared with $346.7 million for the corresponding quarter of 2023, while fully diluted net earnings per share were $1.31 compared with $1.49 in 2023, down 14.6% and 12.1% respectively. Adjusted net earnings[(1)] for the third quarter of Fiscal 2024 totalled $305.0 million compared with $314.8 million for the corresponding quarter of 2023, down 3.1% and adjusted fully diluted net earnings per share[(1)] were $1.35, the same amount as the corresponding quarter of 2023. The third quarters of 2024 and 2023 included an adjustment for the pre-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $11.9 million, as well as the income taxes relating to this item and the third quarter of 2023 also included an adjustment for a favorable $40.7 million income tax entry in respect of prior years.

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Net earnings for the fourth quarter of Fiscal 2024 were $219.9 million compared with $222.2 million for the corresponding quarter of 2023, while fully diluted net earnings per share were $0.98 compared with $0.96 in 2023, down 1.0% and up 2.1% respectively. Adjusted net earnings[(1)] for the fourth quarter of Fiscal 2024 totalled $226.5 million compared with $228.8 million for the corresponding quarter of 2023, down 1.0%. Adjusted fully diluted net earnings per share[(1)] for the fourth quarter of Fiscal 2024 were $1.02, versus $0.99 in 2023, up 3.0%. In the fourth quarter of 2023, the labour conflict at 27 Metro stores in the Greater Toronto Area had an unfavorable impact of approximately $27.0 million after-tax or $0.12 per share and the 13th week had a favorable impact of $27.0 million net of tax or $0.12 per share. The fourth quarters of 2024 and 2023 included an adjustment for the pre-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $9.0 million, as well as the income taxes relating to this item.

	2024				2023			
(Millions of dollars)	**Q1**	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Net earnings	**228.5**	**187.1**	**296.2**	**219.9**	231.1	218.8	346.7	222.2
Loss on impairment of a loyalty program, net of taxes	**—**	**18.1**	**—**	**—**	—	—	—	—
Gain on disposal of an investment in an associate, net of taxes	**—**	**(5.4)**	**—**	**—**	—	—	—	—
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes	**6.5**	**6.6**	**8.8**	**6.6**	6.5	6.6	8.8	6.6
Favorable tax adjustment in respect of prior years	**—**	**—**	**—**	**—**	—	—	(40.7)	—
Adjusted net earnings[(1)]	**235.0**	**206.4**	**305.0**	**226.5**	237.6	225.4	314.8	228.8

	2024				2023			
(Dollars)	**Q1**	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Fully diluted net earnings per share	**0.99**	**0.83**	**1.31**	**0.98**	0.97	0.93	1.49	0.96
Adjustments impact	**0.03**	**0.08**	**0.04**	**0.04**	0.03	0.03	(0.14)	0.03
Adjusted fully diluted net earnings per share[(1)]	**1.02**	**0.91**	**1.35**	**1.02**	1.00	0.96	1.35	0.99

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash inflows of $1,680.0 million in Fiscal 2024 compared with $1,563.5 million in Fiscal 2023. The increase is mainly due to changes in non-cash working capital items during the year compared to last year.

INVESTING ACTIVITIES

In Fiscal 2024, investing activities required cash outflows of $456.4 million compared with $572.5 million for Fiscal 2023. This difference stemmed mainly from lower investments in tangible and intangible assets and goodwill of $100.2 million in 2024 notably due to our investment in our automated distribution center in Terrebonne in Fiscal 2023.

During 2024, we and our retailers opened 9 stores, carried out major expansions and renovations of 11 stores, 2 stores were relocated and 5 stores were closed for a net increase of 318,100 square feet or 1.5% of our food retail network.

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FINANCING ACTIVITIES

Financing activities required cash outflows of $1,223.7 million in Fiscal 2024 compared with $974.9 million in Fiscal 2023. This difference is mainly due to lower debt increase of $173.4 million and higher debt repayments of $148.2 million in 2024 compared to 2023, partially offset by lower share repurchases in 2024.

FINANCIAL POSITION

We do not anticipate[2] any liquidity risk and consider our financial position at the end of Fiscal 2024 as very solid. We had an unused authorized revolving credit facility of $564.6 million.

At the end of Fiscal 2024, the main elements of our debt were as follows:

	Interest Rate	Maturity	Notional *(Millions of dollars)*
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	October 27, 2028	35.4
Series J Notes	1.92% fixed nominal rate	December 2, 2024	300.0
Series G Notes	3.39% fixed nominal rate	December 6, 2027	450.0
Series K Notes	4.66% fixed nominal rate	February 7, 2033	300.0
Series B Notes	5.97% fixed nominal rate	October 15, 2035	400.0
Series D Notes	5.03% fixed nominal rate	December 1, 2044	300.0
Series H Notes	4.27% fixed nominal rate	December 4, 2047	450.0
Series I Notes	3.41% fixed nominal rate	February 28, 2050	400.0

On November 27, 2024, the Corporation issued through a private placement Series L unsecured senior notes in the aggregate principal amount of $500.0 million, bearing interest at a fixed nominal rate of 3.998%, maturing on November 27, 2029. On December 2, 2024, the Corporation redeemed all of the Series J notes, bearing interest at a fixed nominal rate of 1,92%, in the amount of $300.0 million that matured on the same day. For more details, see the Events after the reporting period section.

On February 6, 2023, the Corporation issued through a private placement Series K unsecured senior notes in the aggregate principal amount of $300.0 million, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033. In anticipation of this issuance, on November 14, 2022, the Corporation entered into a bond forward contract designated as cash flow hedge on a component of a highly probable future debt issuance in the amount of $250.0 million that effectively locked-in a 10-year fixed interest rate of 2.996%. The effective part of the loss on the hedging instrument was recognized in Other Comprehensive Income. Following the Series K Notes issuance, the amounts accumulated in equity were reclassified to net financial costs on a linear basis over the life of the debt.

During Fiscal 2022, the Corporation entered into a $300.0 million interest rate swap effectively locking in a floating rate of interest of 11 basis points (0.11%) over the 3-month bankers' acceptance rate (CDOR) over the life of the Series J Notes. As at September 28, 2024, the balance of the Series J unsecured senior notes was $298.8 million ($288.9 million as at September 30, 2023), reflecting an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of $9.9 million in 2024 (increase of $3.8 million in 2023).

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

CAPITAL STOCK

(Thousands)	Common Shares issued 2024	2023
Balance – beginning of year	**228,949**	236,929
Share redemption	**(6,680)**	(8,170)
Stock options exercised	**433**	190
Balance – end of year	**222,702**	228,949
Balance as at December 4, 2024 and December 1st, 2023	**222,115**	228,236

(Thousands)	Treasury shares 2024	2023
Balance – beginning of year	**296**	335
Acquisition	**105**	99
Release	**(113)**	(138)
Balance – end of year	**288**	296
Balance as at December 4, 2024 and December 1st, 2023	**288**	296

STOCK OPTIONS PLAN

	As at December 4, 2024	**As at September 28, 2024**	As at September 30, 2023
Stock options *(Thousands)*	**1,996**	**2,179**	2,226
Exercise prices *(Dollars)*	**41.16 to 77.75**	**41.16 to 77.75**	40.23 to 77.75
Weighted average exercise price *(Dollars)*	**62.61**	**61.15**	56.42

PERFORMANCE SHARE UNIT PLAN

	As at December 4, 2024	**As at September 28, 2024**	As at September 30, 2023
Performance share units *(Thousands)*	**564**	**571**	572

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between November 27, 2023 and November 26, 2024, the Corporation repurchased 7,000,000 Common Shares at an average price of $72.90, for a total consideration of $510.3 million.

The Corporation decided to renew the issuer bid program as an additional option for using excess funds. Thus, the Corporation will be able to repurchase, in the normal course of business, between November 27, 2024 and November 26, 2025, up to 10,000,000 of its Common Shares representing approximately 4.5% of its issued and outstanding shares on November 14, 2024. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, or through the facilities of alternative trading systems as well as by other means as may be permitted by a securities regulatory authority, including by private agreements. Between November 27, 2024 and December 4, 2024, the Corporation has repurchased 50,000 Common Shares at an average price of $92.22 for a total consideration of $4.6 million.

DIVIDEND

For the 30th consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 10.6%, to $1.3075 per share compared to $1.1825 in 2023, for total dividends of $294.6 million in 2024 compared to $275.0 million in 2023.

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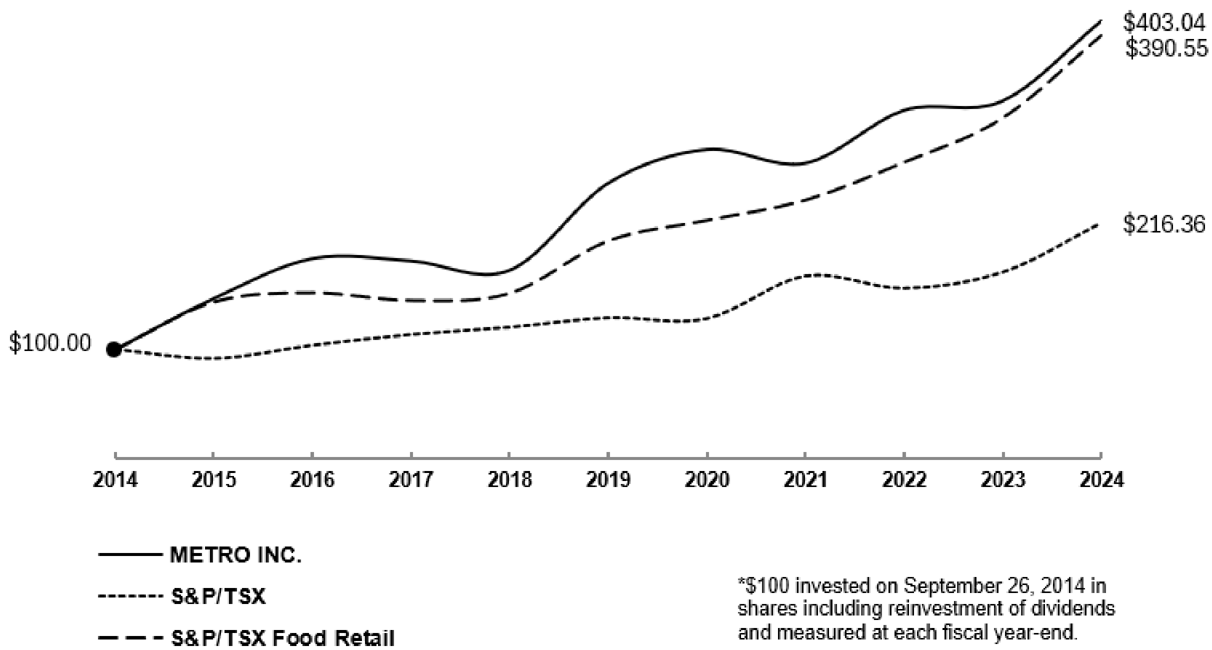
(2) See section on "Forward-looking Information"

SHARE TRADING

The value of METRO shares remained in the $65.43 to $87.22 range throughout Fiscal 2024 ($67.09 to $78.90 in 2023). A total of 113.0 million shares traded on the TSX during this fiscal year (118.6 million in 2023). The closing price on Friday, September 27, 2024 was $84.84, compared to $70.54 at the end of Fiscal 2023. Since fiscal year-end, the value of METRO shares has remained in the $81.01 to $93.19 range. The closing price on December 4, 2024 was $92.78. METRO shares have maintained sustained growth over the last 10 years.

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



CONTINGENCIES

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe[(2)] that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these claims or the amount of potential losses. No accruals or provisions for contingent losses have been recognized in the Corporation’s annual consolidated financial statements.

In May 2019, two (2) proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including, in Québec, a subsidiary of the Corporation, Pro Doc, and, in Ontario, Pro Doc and Jean Coutu Group. In December 2023, the Ontario Superior Court of Justice dismissed the class action against Pro Doc, Jean Coutu Group and the distributor defendants. As plaintiff did not appeal the decision, this decision is therefore final. In April 2024, the Quebec Superior Court authorized the class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits.

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 and Jean Coutu Group. In April 2021, a proposed class action relating to opioids was filed in Alberta by the City of Grande Prairie (Alberta) and the City of Brantford (Ontario). That proposed class action, amended in late November 2024, is made against multiple

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defendants, including the Corporation, Pro Doc and Jean Coutu Group. In September 2021, multiple defendants, including Pro Doc and Jean Coutu Group, 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 and Jean Coutu Group. All 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 Québec claim and the British Columbia proposed claim 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, First Nations, Inuit and Metis communities and governments in Canada. The Corporation believes[2] these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provisions for contingent losses have been recognized in the Corporation's annual financial statements.

In 2017, the Canadian Competition Bureau began an investigation into the supply and sale of commercial bread which involves certain Canadian suppliers and retailers, including the Corporation. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the *Competition Act*. Proposed class-action lawsuits have also been filed against the Corporation, suppliers and other retailers. On December 19, 2019, the Québec Superior Court granted the application for authorization to institute one of these class actions, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. On December 31, 2021, the Ontario Superior Court of Justice partially certified another of these class actions. The Corporation is contesting all these actions at the certification and on the merits. No provisions for contingent losses have been recognized in the Corporation's annual consolidated financial statements.

During the 2016 fiscal year, an application for authorization to institute a class action was served on Jean Coutu Group by Sopropharm, an association incorporated under the *Professional Syndicates Act* of which certain franchised drugstore owners of the Jean Coutu Group are members. The application seeks to have the class action authorized in the form of a declaratory action seeking amongst others (i) to set aside certain contractual provisions of the Jean Coutu Group's standard franchise agreements, including the clause providing for the payment of royalties on sales of medication by franchised establishments; (ii) to restore certain benefits; and (iii) to reduce certain contractual obligations. On November 1, 2018, the Québec Superior Court granted the application for authorization to institute a class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation contests this action on the merits. No provisions for contingent losses have been recognized in the Corporation's annual consolidated financial statements.

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[2] *See section on "Forward-looking Information"*

SOURCES OF FINANCING

Our operating activities generated in 2024 cash flows in the amount of $1,680.0 million. These cash flows were used to finance our investing activities, including $579.7 million in fixed asset and intangible asset and goodwill acquisitions, to redeem shares for an amount of $478.2 million, to pay dividends of $294.6 million, to reimburse interest on debt of $132.0 million and to pay lease liabilities (principal and interest), net of payments and interest received from subleases totalling $209.9 million, as well as to carry out other investing and financing activities.

At the end of Fiscal 2024, our financial position mainly consisted of cash and cash equivalents in the amount of $29.4 million, an unused authorized Revolving Credit Facility of $564.6 million maturing in 2028, Series J Notes in the amount of $300.0 million maturing in 2024, Series G Notes in the amount of $450.0 million maturing in 2027, Series K Notes in the amount of $300.0 million maturing in 2033, Series B Notes in the amount of $400.0 million maturing in 2035, Series D Notes in the amount of $300.0 million maturing in 2044, Series H Notes in the amount of $450.0 million maturing in 2047 and Series I Notes in the amount of $400.0 million maturing in 2050.

We believe(2) that cash flows from next year's operating activities will be sufficient to finance the Corporation's current investing activities.

CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

(Millions of dollars)	Facility and loans	Notes	Lease liabilities	Service contract commitments	Total
2025	20.0	402.0	326.8	136.5	885.3
2026	41.8	101.1	297.9	122.5	563.3
2027	4.1	101.1	258.7	106.3	470.2
2028	2.4	538.4	221.2	26.8	788.8
2029	2.0	85.8	180.3	5.7	273.8
2030 and thereafter	47.7	2,897.4	579.6	1.0	3,525.7
	118.0	4,125.8	1,864.5	398.8	6,507.1

RELATED PARTY TRANSACTIONS

During Fiscal 2024, we supplied pharmacies held by a member of the Board of Directors and by an officer of the corporation. These transactions were carried out in the normal course of business and recorded at exchange value. They are itemized in note 23 to the consolidated financial statements.

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

FOURTH QUARTER

(Millions of dollars, except for net earnings per share)	**2024** (12 weeks)	2023 (13 weeks)	Change (%)
Sales	**4,938.4**	5,071.7	(2.6)
Operating income before depreciation, amortization and impairment of assets	**459.6**	448.0	2.6
Net earnings	**219.9**	222.2	(1.0)
Adjusted net earnings[1]	**226.5**	228.8	(1.0)
Fully diluted net earnings per share	**0.98**	0.96	2.1
Adjusted fully diluted net earnings per share[1]	**1.02**	0.99	3.0
Cash flows from:			
Operating activities	**456.7**	387.1	—
Investing activities	**(150.1)**	(207.6)	—
Financing activities	**(282.5)**	(174.7)	—

OPERATING RESULTS

SALES

Sales in the fourth quarter of Fiscal 2024 ended on September 28, 2024 were $4,938.4 million, down 2.6% versus the fourth quarter of the prior year, and up 5.7% based on 12 weeks in 2023, driven by higher sales in our retail network this year and the negative impact of a labour conflict at 27 Metro stores in the Greater Toronto Area in the fourth quarter of 2023. Our food basket inflation was slightly higher than the reported CPI for food purchased from stores of 1.7%.

Food same-store sales[1] were up 2.2% in the fourth quarter of Fiscal 2024 (6.8% in the fourth quarter of 2023). Online food sales[1] were up 27.6% versus the comparable 12-week period last year (116.0% in the fourth quarter of 2023). Pharmacy same-store sales[1] were up 5.7% (5.5% in the fourth quarter of 2023), with a 6.8% increase in prescription drugs[1] and a 3.3% increase in front-store sales[1], primarily driven by over-the-counter products, cosmetics and health and beauty.

OPERATING INCOME BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF ASSETS

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

Operating income before depreciation and amortization and impairment of assets for the fourth quarter of Fiscal 2024 totalled $459.6 million, or 9.3% of sales, an increase of 2.6% versus the corresponding quarter of Fiscal 2023.

Gross margin[1] for the fourth quarter of Fiscal 2024 was 19.7% versus 19.5% for the corresponding quarter of 2023.

Operating expenses as a percentage of sales for the fourth quarter Fiscal 2024 were 10.4% versus 10.7% in the corresponding quarter of 2023. Excluding the impact of the labour conflict last year, our operating expense as a percentage of sales for the fourth quarter of Fiscal 2023 would have been similar to this year.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the fourth quarter of 2024 was $135.8 million versus $125.0 million for the corresponding quarter of 2023. The increase in depreciation and amortization expense is mainly due to the commissioning of our new automated distribution centre for fresh and frozen products in Terrebonne and the final phase of our fresh distribution centre in Toronto.

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metro

NET FINANCIAL COSTS

Net financial costs for the fourth quarter of Fiscal 2024 were $32.6 million compared with $30.1 million for the corresponding quarter of 2023. The increase is mainly due to an increase in average debt and lower capitalized interest related to our distribution center automation projects.

INCOME TAXES

The income tax expense of $71.3 million for the fourth quarter of Fiscal 2024 represented an effective tax rate of 24.5% compared with an income tax expense of $70.7 million and an effective tax rate of 24.1% for the fourth quarter of Fiscal 2023.

NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for the fourth quarter of Fiscal 2024 were $219.9 million compared with $222.2 million for the corresponding quarter of 2023, while fully diluted net earnings per share were $0.98 compared with $0.96 in 2023, down 1.0% and up 2.1% respectively. Excluding the specific item shown in the table below, adjusted net earnings[1] for the fourth quarter of Fiscal 2024 totalled $226.5 million compared with $228.8 million for the corresponding quarter of 2023, down 1.0%. Adjusted fully diluted net earnings per share[1] for the fourth quarter of Fiscal 2024 were $1.02, versus $0.99 in 2023, up 3.0%. In the fourth quarter of 2023, the labour conflict at 27 Metro stores in the Greater Toronto Area had an unfavorable impact of approximately $27.0 million after-tax or $0.12 per share and the 13th week had a favorable impact of $27.0 million net of tax or $0.12 per share.

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

	2024 *(12 weeks)*		2023 *(13 weeks)*		Change (%)	
	Net earnings (Millions of dollars)	**Fully diluted EPS (Dollars)**	Net earnings (Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Per financial statements	**219.9**	**0.98**	222.2	0.96	(1.0)	2.1
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of $2.4	**6.6**		6.6			
Adjusted measures[1]	**226.5**	**1.02**	228.8	0.99	(1.0)	3.0

CASH POSITION

Operating activities

Operating activities generated cash inflows of $456.7 million in the fourth quarter of Fiscal 2024 compared with $387.1 million for the corresponding quarter of Fiscal 2023. The increase is mainly due to changes in non-cash working capital items during the quarter compared to last year.

Investing activities

Investing activities required cash outflows of $150.1 million in the fourth quarter of Fiscal 2024 compared with $207.6 million for the corresponding quarter of Fiscal 2023. This difference stemmed mainly from lower investments in tangible and intangible assets and goodwill of $58.5 million in 2024.

Financing activities

In the fourth quarter of 2024, financing activities required cash outflows of $282.5 million compared with $174.7 million in the corresponding quarter of 2023. The variation is mainly due to higher debt repayments in 2024.

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[2] *See section on "Forward-looking Information"*

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Corporation adopted a financial risk management policy, approved by the Board of Directors in April 2010 and amended in 2019, setting forth guidelines relating to its use of derivative financial instruments. These guidelines prohibit the use of derivatives for speculative purposes. During Fiscal 2024, the Corporation used derivative financial instruments as described in notes 2 and 25 to the consolidated financial statements.

NEW ACCOUNTING STANDARD

ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*, and consequential amendments to several other standards. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, with prescribed subtotals for each new category. It also requires disclosure of management-defined performance measures which will now form part of the audited financial statements.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Corporation is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

FORWARD-LOOKING INFORMATION

We have used, throughout this annual 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 in this report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "continue", “anticipate”, "believe", "aim", "expect", "estimate" and other similar expressions as well as the use of the future or conditional tense are generally indicative of forward-looking statements. The forward-looking statements contained in this report are based upon certain assumptions Canadian food and pharmaceutical industries, the general economy, our annual budget, as well as our 2025 action plan.

The forward-looking statements contained in these presents do not provide any guarantee as to the future performance of the Corporation and are subject to potential known and unknown risks, as well as uncertainties that could cause our financial position, financial performance, cash flows, business or reputation to differ significantly. Additional risks and uncertainties that we currently deem to be immaterial may also prove to have a material adverse effect. A description of the risks can be found under the “Risk Management” section of this annual report that could have an impact on these statements. We believe these statements to be reasonable and relevant 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-GAAP AND OTHER FINANCIAL MEASUREMENTS

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

National Instrument 52-112 Non-GAAP and Other Financial Measures Disclosure sets out specific disclosure requirements for non-GAAP financial measures, non-GAAP ratios, and other financial measures, which are capital management measures, supplementary financial measures, and total of segments measures, as defined in the Instrument (together the “specified financial measures”).

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The specified financial measures we disclose in our documents made available to the public are presented by measurement categories below.

NON-GAAP FINANCIAL MEASURES

Adjusted earnings before net financial costs and income taxes is a non-GAAP financial measurement that, with respect to its composition, is adjusted to exclude net financial costs and special items from the composition of the most directly comparable financial measure disclosed in our consolidated financial statements, which is earnings before income taxes. Special items may include acquisition and restructuring charges, gains or losses on the disposal of investments, and amortization and impairment losses of intangible assets resulting from a business acquisition.

Adjusted net earnings is a non-GAAP financial measurement that, with respect to its composition, is adjusted to exclude special items from the composition of the most directly comparable financial measure disclosed in our consolidated financial statements, which is net earnings. Special items may include acquisition and restructuring charges, gains or losses on the disposal of investments, amortization and impairment losses of intangible assets resulting from a business acquisition, and significant prior-year tax adjustments.

For measurements depicting financial performance, we believe that presenting earnings adjusted for these items, which are not necessarily reflective of the Corporation's performance, leaves readers of financial statements better informed thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and assess its future outlook. Adjusting for these items does not imply that they are non-recurring.

NON-GAAP RATIOS

Adjusted fully diluted net earnings per share is a non-GAAP ratio by where a non-GAAP financial measure is used as one or more of its components. The non-GAAP component used is adjusted net earnings(1). Adjusted fully diluted net earnings per share is calculated by dividing the adjusted net earnings(1) attributable to equity holders of the parent by the weighted average number of Common Shares outstanding during the year, adjusted to reflect all potential dilutive shares.

We believe that presenting this ratio, in which a non-GAAP financial measurement is used as one or more of its components, leaves readers of financial statements better informed as to the current period and corresponding prior year's period's performance, thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and assess its future outlook. Adjusting for these items does not imply that they are non-recurring.

SUPPLEMENTARY FINANCIAL MEASURES

The supplementary financial measures listed below are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of the Corporation.

Food same-store sales are defined as comparable retail sales of stores with more than 52 consecutive weeks of operations, including relocated, expanded and renovated locations. Food same-store sales is a measure based on all stores in our network, including those whose sales are not included in the Corporation's consolidated financial statements.

Online food sales are the sum of sales made from all our online channels.

Pharmacy same-store sales (including total, front-store and prescription drugs) are defined as comparable retail sales of stores with more than 52 consecutive weeks of operations, including relocated, expanded and renovated locations. Pharmacy same-store sales do not form part of the Corporation’s consolidated financial statements because the pharmacies are held by pharmacist owners.

Gross margin ratio is calculated by dividing gross profit by sales.

Return on equity ratio is calculated by dividing net earnings by the average equity.

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

CONTROLS AND PROCEDURES

The President and Chief Executive Officer, and the Executive Vice President, Chief Financial Officer and Treasurer of the Corporation, are responsible for the implementation and maintenance of disclosure controls and procedures (DC&P), and of the internal control over financial reporting (ICFR), as provided for in National Instrument 52-109 regarding the Certification of Disclosure in Issuers' Annual and Interim Filings. They are assisted in this task by the Disclosure Committee, which is comprised of members of the Corporation's senior management.

An evaluation was completed under their supervision in order to measure the effectiveness of DC&P and ICFR. Based on this evaluation, the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Treasurer of the Corporation concluded that the DC&P and the ICFR were effective as at the end of the fiscal year ended September 28, 2024.

Therefore, the design of the DC&P provides reasonable assurance that material information relating to the Corporation is made known to it by others, particularly during the period in which the annual filings are being prepared, and that the information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Furthermore, the design of the ICFR provides reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of its financial statements for external purposes in accordance with IFRS.

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SIGNIFICANT JUDGMENTS AND ESTIMATES

Our Management's Discussion and Analysis is based upon our annual consolidated financial statements, prepared in accordance with IFRS, and it is presented in Canadian dollars, our unit of measure. The preparation of the consolidated financial statements and other financial information contained in this Management's Discussion and Analysis requires management to make judgments, estimates and assumptions that affect the recognition and valuation of assets, liabilities, sales, other income and expenses. These estimates and assumptions are based on historical experience and other factors deemed relevant and reasonable and are reviewed at every closing date. The use of different estimates could produce different amounts in the consolidated financial statements. Actual results may differ from these estimates.

JUDGMENTS

In applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Consolidation of structured entities

The Corporation has no voting rights in certain food stores. However, the franchise contract gives it the ability to control these stores' main activities. Its decisions are not limited to protecting its trademarks. The Corporation retains the majority of stores' profits and losses. For these reasons, the Corporation consolidates these food stores in its financial statements.

The Corporation has no voting rights in the trust created for performance share unit plan participants. However, under the trust agreement, it instructs the trustee as to the sale and purchase of Corporation shares and payments to beneficiaries, gives the trustee money to buy Corporation shares, assumes vesting variability, and ensures that the trust holds a sufficient number of shares to meet its obligations to the beneficiaries. For these reasons, the Corporation consolidates this trust in its financial statements.

The Corporation also has an agreement with a third party that operates a plant exclusively for the needs and according to the specifications of the Corporation, which assumes all costs and control the plant's main activities. For these reasons, the Corporation consolidates it in the Corporation's financial statements.

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

ESTIMATES

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the value of assets and liabilities within the next period, are discussed below:

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flow estimates, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 12 and 13 to the annual consolidated financial statements.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 20 to the annual consolidated financial statements.

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RISK MANAGEMENT

Management identifies the main risks to which the Corporation is exposed as well as the appropriate measures for proactively managing these risks and presents both the risks and risk reduction measures to the Audit Committee and the Board of Directors on an ongoing basis. Internal Audit has the mandate to audit all business risks triennially. Hence, each segment is audited every three years to ensure that controls have been implemented to deal with the business risks related to its business area.

In the normal course of business, we are exposed to various risks, which are described below, that could have a material impact on our earnings, financial position and cash flows. In order to counteract the principal risk factors, we have implemented strategies specifically adapted to them.

CLIMATE CHANGE

METRO takes risks related to climate change seriously as it may pose risks to our operations and supply chain in short, medium and long terms. We also recognize that nature loss and climate change are intrinsically interlinked, and that a failure in one sphere will cascade into the other. As a food and pharmaceutical retailer and distributor, our reliance on a sustainable natural environment is fundamental to ensuring the continuity of our business.

As such, in 2023 we conducted our first climate scenario analysis. In alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we categorized climate-related risks into physical and transition risks.

Physical risks are associated with the physical impacts from a changing climate which can either be event-driven (acute) or longer-term (chronic) shifts in climate patterns. The climate scenario analysis confirms that some physical risks – comprising sea level rise, tropical cyclone, extreme cold and water stress – do not currently pose significant threats to the corporate operations. The analysis revealed that some risks heighten in 2050 and may impact our operations if no mitigation measures are implemented. Inadequate mitigation of these risks could adversely affect our business. These physical risks are flooding, wildfire and extreme heat.

According to our evaluation, the extent of physical risks in our supply chain hinges on the geographical locations of our suppliers and the nature of the products they cultivate or manufacture. Based on our evaluation, sea level rise and flooding pose minimal risks for our suppliers. In contrast, the vulnerability to risks like wildfires, tropical cyclones, extreme heat, and water stress fluctuates from low to high based on specific regions and operational characteristics.

Transition risks are associated with a transition to a lower-carbon economy, which may include extensive regulatory, technology and market changes to address mitigation and adaptation requirements related to climate change. Macroeconomic conditions, with related effects on consumer spending and confidence, investor expectations, transition to lower emissions technology and new regulatory requirements, may result in compliance risk and higher operational costs. Furthermore, the climate scenario analysis concludes that carbon price and price/supply shocks in the energy markets represent the most significant risks to the Corporation in the long term.

The Corporation has put in place mitigation measures to address these specific climate risks. For over 20 years, METRO has maintained a business continuity management program to ensure a state of readiness for coordinated and effective emergency responses and to sustain operations during incidents that could impact them. Additionally, METRO is developing strategies to enhance supply chain resilience, allowing access to a diverse range of products throughout the year despite climate-related challenges. These efforts collectively support METRO's ability to seek to respond effectively to climate-related disruptions and maintain uninterrupted operations.

In order to increase the resilience of our business to address climate-related risks and continue to integrate climate risks and opportunities, the Corporation has published its first TCFD report aligned with TCFD's 11 recommendations. For more details on climate governance, strategy, risk management, metrics and targets, please consult the Corporation's 2023 TCFD Report on climate-related risks and opportunities.

(1) This measurement is presented for information purpose only. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measurements presented by other public companies. See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

BRAND, REPUTATION, AND TRUST

Product safety

Metro has exposure to potential liabilities and costs regarding food and pharmaceutical safety through risks associated with product contamination, improper handling, and defective or improperly labelled products. Such liabilities may arise from loss of effective controls during product manufacturing, packaging and labelling, in-store preparation, warehousing, and distribution. Food products represent the highest proportion of our sales, and we could be at risk in the event of a major outbreak of a food-borne illness or an increase in public health concerns regarding certain food products.

To mitigate these risks, Metro has implemented various food safety standards, procedures and controls throughout the supply and distribution chain. All Metro suppliers must take measures to ensure supply of safe and compliant food products and are required to maintain registration with Canadian Food Inspection Agency (CFIA) or equivalent regulatory oversight from their jurisdiction. Distribution Centres and Stores have comprehensive food safety programs in place to comply with all applicable standards and regulations while being audited by the relevant Public Health, including the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ), or CFIA authorities. Employees receive task relevant food safety training and food safety standards are integrated in job task procedures. Compliance with food safety standards within our Private Label, Distribution and Store programs is monitored and maintained by a dedicated team of Quality Assurance and Food Safety professionals. In the event of a product recall Metro has comprehensive traceability and recall communication systems to effectively isolate and remove affected products from inventory.

We are also exposed to potential product safety issues regarding the sale of pharmaceutical products. Our distribution activities are subject to regulatory oversight by Health Canada and our pharmacists must meet professional standards as they carry out their work across the pharmacy network.

Brand reputation

The Corporation benefits from well-recognized brands. Failure to act with integrity or to maintain ethical and socially responsible activities could damage our reputation and have a material impact on our financial position. To mitigate these risks, we have implemented internal policies, controls and governance processes including a code of conduct, a confidential whistle blower program and a Corporate Responsibility approach.

TECHNOLOGY RISKS

Technology systems

We depend on extensive information technology systems to manage virtually all aspects of our business. A system breakdown or any disruption to these systems or the data collected by them could have a significant adverse impact on our operations and our financial results.

In order to mitigate these risks, management has deployed various technological security measures, which include a high availability environment for all of its critical systems, and has set up processes, procedures and controls related to the various systems concerned.

Cybersecurity and data protection

Various computer systems are necessary for our business activities and we could have to deal with certain security risks, notably cyberattacks, which could harm the availability and integrity of the systems or compromise data privacy.

In the normal course of business, we gather information that is confidential in nature concerning our customers, suppliers, employees, partners, and loyalty program participants. Personal and confidential data is also gathered from customers who do business with the pharmacies in our network. Furthermore, the online shopping sites represent an additional risk with respect to the security of our systems. As a result, we are even more exposed to the risk of cyberattacks aimed at stealing information or interrupting our computer systems.

A cyberattack or an intrusion into our systems could result in unauthorized persons altering our systems or gaining access to sensitive and confidential information and then using or damaging it. Such situations could also affect third parties who provide essential services to our operations or who store confidential information. These events could have a negative impact on our customers and partners that could result in financial losses, reducing our competitive advantage or tarnishing our reputation.

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

In order to respond to these risks, a committee comprised of executives from the Corporation oversees cybersecurity activities, including Information Security Service activities. Meetings are held regularly to monitor the progress of various cybersecurity projects, review significant incidents and review various security-related performance indicators. This committee reports on its work to the members of the Board of Directors on a biannual basis. The Information Security Service sets up and coordinates prevention, detection, and remediation measures in the area of cybersecurity. Cybersecurity measures include, among others, setting up strong controls with respect to systems access and hiring specialized firms to carry out intrusion tests. We have also implemented an information security awareness and training program for our employees.

No significant incident attributable to the Corporation's technology occurred over the past fiscal year. Considering the rapid evolution of risks with respect to cybersecurity as well as the complexity of threats, we cannot guarantee that the measures taken, by the Corporation and third parties it deals with, will be sufficient to prevent or detect a cyberattack. In that regard, we stay current with the latest information security trends and practices in order to take proactive action.

HUMAN RESOURCE RISKS

Labour relations

The majority of our store and distribution centre employees are unionized. Collective bargaining may give rise to work stoppages or slowdowns that could negatively impact the Corporation. We negotiate collective agreements with different maturity dates and conditions that ensure our competitiveness, and terms that promote a positive work environment in all our business segments. We develop contingency plans to minimize the impact of possible labour conflicts. We have experienced some labour conflicts over the last few years, and we expect[(2)] to maintain good labour relations in the future.

Occupational health and safety

Workplace accidents may occur at any of our sites. To minimize this risk, we have developed a worked-related accident prevention policy and programs. Furthermore, at all of our sites, we have workplace health and safety committees responsible for setting-up action and accident prevention plans.

Hiring, employee retention and organization structure

Our recruitment program, salary structure, performance evaluation programs, succession plan, development and training plan all entail risks which could negatively impact our capacity to execute our strategic plan as well as our ability to attract and retain necessary qualified resources to sustain the Corporation's growth and success. We have proven practices to attract the professionals necessary for our operations. Our performance evaluation practices are supervised by our human resources department. Our compensation structure is regularly reviewed in order to ensure that we remain competitive on the market. We have a succession plan in place to ensure we have well-identified resources for the Corporation's key positions and we invest in the development and training of our employees.

LEGAL, REGULATORY AND CORPORATE RESPONSIBILITY RISKS

Legal Proceedings

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these litigations or the amount of potential losses. A more detailed description of certain proceedings affecting the Corporation or its subsidiaries can be found in the “Contingencies” Section of this Management Discussion & Analysis.

Regulatory environment

Changes are regularly made to accounting policies, laws, regulations, rules or policies impacting our operations. We monitor these changes closely.

The Corporation relies on prescription drug sales for a portion of its sales and operating income. The pharmacy activities are exposed to risks related to the regulated nature of some of our activities and the activities of our pharmacist/owner franchisees.

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

Any changes to laws and regulations or policies regarding the Corporation's activities could have a material adverse effect on its performance and on the sales growth. Processes are in place to ensure our compliance as well as to monitor any and all changes to the laws and regulations in effect and any new laws and regulations.

Corporate responsibility

Over the past decade, through our corporate responsibility plans, we have implemented structuring programs and we disclose our progress and challenges in a report published annually. To anticipate and manage risks related to ESG issues, we stay abreast of emerging issues, new practices and legislative changes, and work to continuously improve our processes. We aim to ensure that our actions bring value to METRO, and to our stakeholders - customers, employees, suppliers, shareholders and community partners. Any failure or perceived failure to advance the corporate responsibility priorities and objectives of the Corporation or those of its stakeholders may negatively affect the Corporation’s reputation, operations or financial performance.

MARKET RISKS

Competition and prices

Intensifying competition, the possible arrival of new competitors, higher-than-normal levels of cost inflation, and changing consumer needs are constant concerns for us.

To cope with competition and maintain our leadership position in the Québec and Ontario markets, we are on the alert for new ways of doing things and new sites. We have an ongoing investment program for all our stores to ensure that our retail network remains one of the most modern in Canada.

Increased competition could lead to pressure on retail prices and margins. As a result, we adopt innovative marketing strategies to better meet the evolving needs of consumers and protect our market shares.

Higher-than-normal levels of cost inflation could also lead to pressure on retail prices, margins and operating costs. As a result, we implement robust merchandising programs, have developed a strong private label offer and work with our supply chain partners to mitigate the impacts.

We have also developed a successful market segmentation strategy. Our grocery banners: the conventional Metro supermarkets, Super C and Food Basics discount banners, and the Mediterranean product stores Adonis, target three different market segments. The Première Moisson banner is specialized in bakery, pastry, deli products and other food offerings prepared on an artisanal basis and respectful of great traditions.

In the pharmacy market, we have a network of large, medium, and small pharmacies under the Jean Coutu, Brunet, Metro Pharmacy, and Food Basics Pharmacy banners.

With the proprietary Moi loyalty program in our Metro, Super C, Food Basics, and Première Moisson banners and our Jean Coutu and Brunet pharmacy network, we are able to know the buying habits of loyal customers, offer them personalized promotions so as to increase their purchases at our stores.

Consumer behaviour and digital shift

Consumer buying habits are evolving and if we are unable to adapt our offering it could have a negative impact on our financial results.

Our online grocery service, websites and various mobile applications are part of the Corporation's overall digital strategy, which aims to position METRO as the retailer that offers the food experience most suited to the needs and behaviors of consumers.

SUPPLY CHAIN

Suppliers

Negative events such as disruptions related to climate change or other catastrophic or public health events or labour disputes could affect a supplier and lead to service breakdowns and store delivery delays. To remediate this situation, we deal with several suppliers. In the event of a supplier's service breakdown, we can turn to another supplier reasonably quickly.

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

Distribution centre business interruption

A prolonged interruption at one of our distribution centres could impact our ability to supply our stores and have an unfavorable impact on our financial results. We have measures in place to prevent business disruptions and have developed contingency plans aiming to respond in the event an interruption occurs.

FINANCIAL RISKS

Exchange rates and financial instruments

We make some foreign-denominated purchases of goods and services and we have, depending on market conditions, US borrowings, exposing ourselves to exchange rate risks. According to our financial risk management policy, we may use derivative financial instruments, such as foreign exchange forward contracts and cross currency interest rate swaps. The policy's guidelines prohibit us from using derivative financial instruments for speculative purposes, but they do not guarantee that we will not sustain losses as a result of our derivative financial instruments.

Credit

We hold receivables generated mainly from sales to customers. To guard against credit losses, we have adopted a credit policy that defines mandatory credit requirements to be maintained and guarantees to be provided. Affiliate and franchised customer assets guarantee the majority of our receivables.

Liquidity

We are also exposed to liquidity risk mainly through our non-current debt and creditors. We evaluate our cash position regularly and estimate[(2)] that cash flows generated by our operating activities will be sufficient to provide for all outflows required by our financing activities.

Price of fuel, energy and utilities

We are a big consumer of utilities, electricity, natural gas, and fuel. Increases in the price of these items may affect us.

Montréal, Canada, December 11, 2024

[(1)] This measurement is presented for information purpose only. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measurements presented by other public companies. See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements of METRO INC. and the other financial information contained in this Annual Report are the responsibility of management. This responsibility is based on a judicious choice of appropriate accounting principles and policies, the application of which requires making estimates and informed judgments. It also includes ensuring that the financial information in the Annual Report is consistent with the consolidated financial statements. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards and were approved by the Board of Directors.

METRO INC. maintains accounting systems and internal controls over the financial reporting process which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's affairs.

The Board of Directors fulfills its duty to oversee management in the performance of its financial reporting responsibilities and to review the consolidated financial statements and Annual Report, principally through its Audit Committee. This Committee is comprised solely of directors who are independent of the Corporation and is also responsible for making recommendations for the nomination of external auditors. Also, it holds periodic meetings with members of management as well as internal and external auditors to discuss internal controls, auditing matters and financial reporting issues. The external and internal auditors have access to the Committee without management. The Audit Committee has reviewed the consolidated financial statements and Annual Report of METRO INC. and recommended their approval to the Board of Directors.

The enclosed consolidated financial statements were audited by Ernst & Young LLP and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

Eric La Flèche
President and Chief Executive Officer

François Thibault
Executive Vice President,
Chief Financial Officer and Treasurer

December 11, 2024

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INDEPENDENT AUDITORS' REPORT

To the shareholders of **METRO INC.**

Opinion

We have audited the consolidated financial statements of METRO Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 28, 2024 and September 30, 2023, and the consolidated statements of net income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 28, 2024 and September 30, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment test of the goodwill of the pharmaceutical operating segment Impairment testing of goodwill is to be done at least annually, or at any time an indicator of impairment exists. As disclosed in note 13, goodwill with a carrying amount of $1,307.2 million was attributed to the operating segment related to pharmaceutical operations. For the purpose of the impairment test, the recoverable amount was determined based on its value in use, which was calculated using discounted pre-tax cash flow forecast for the next fiscal year from management-approved budget.	To test the estimated recoverable amount of the pharmaceutical operating segment, we performed, among others, the following procedures: • Recalculated the value in use of the pharmaceutical operating segment using the Corporation's discounted cash flow model. • Compared Management's underlying assumptions used in the recoverable amount, specifically EBITDA in the cash flow forecast for the next fiscal year to budget. We assessed management's ability to forecast by comparing previous forecasts to actual results. • Evaluated, with the assistance of our valuation specialists, the Corporation's valuation methodology and the discount rate by referencing current industry, economic and comparable company information.

Auditing management's annual goodwill impairment test required significant auditor attention given the significance of the goodwill on the consolidated statement of financial position as well as the degree of judgment and subjectivity in evaluating management's estimates and assumptions used in determining the recoverable amount of the pharmaceutical operating segment as at September 28, 2024. The assumptions that required significant auditor attention and audit effort included earnings before interest, tax, depreciation and amortization (EBITDA) in the cash flow forecast for the next fiscal year and the discount rate, which are affected by expectations about future market and economic conditions.

- Performed sensitivity analyses of the significant assumptions to evaluate changes in the recoverable amount that would result from changes in the underlying inputs.
- Assessed the adequacy of the disclosures in respect of the significant judgments made by management as described above.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Monica Rusu.

Ernst & Young LLP [1]

Montréal, Canada
December 11, 2024

[1] CPA auditor, Public accountancy permit no. A136576

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Consolidated Financial Statements

METRO INC.

September 28, 2024

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Consolidated statements of net income

Years ended September 28, 2024 and September 30, 2023

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

	2024 *(52 weeks)*	2023 *(53 weeks)*
Sales *(notes 5 and 23)*	**21,219.9**	20,724.6
Cost of sales	**(17,040.6)**	(16,642.4)
Gross Profit	**4,179.3**	4,082.2
Operating expenses	**(2,199.1)**	(2,116.8)
Gain on disposal of assets *(notes 10, 11 and 12)*	**6.8**	4.2
Operating income before depreciation, amortization and impairment of assets	**1,987.0**	1,969.6
Depreciation and amortization *(notes 10, 11 and 12)*	**(570.4)**	(525.2)
Impairment of assets *(note 12)*	**(20.8)**	—
Net financial costs *(note 6)*	**(145.7)**	(122.6)
Earnings before income taxes	**1,250.1**	1,321.8
Income taxes *(note 7)*	**(318.4)**	(303.0)
Net earnings	**931.7**	1,018.8
Attributable to:		
Equity holders of the parent	**928.8**	1,014.8
Non-controlling interests	**2.9**	4.0
	931.7	1,018.8
Net earnings per share *(Dollars) (notes 8 and 18)*		
Basic	**4.13**	4.36
Fully diluted	**4.11**	4.35

See accompanying notes

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Consolidated statements of comprehensive income

Years ended September 28, 2024 and September 30, 2023

(Millions of dollars)

	2024 *(52 weeks)*	2023 *(53 weeks)*
Net earnings	**931.7**	1,018.8
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains *(note 20)*	**45.0**	73.0
Asset ceiling effect *(note 20)*	**22.9**	(21.8)
Corresponding income taxes *(note 7)*	**(18.0)**	(13.6)
	49.9	37.6
Items that will be reclassified later to net earnings		
Change in fair value of derivatives designated as cash flow hedges *(note 25)*	**—**	(3.0)
Reclassification of the change in fair value of derivatives designated as cash flow hedges to net earnings *(note 25)*	**0.1**	0.1
Corresponding income taxes *(note 7)*	**—**	0.8
	0.1	(2.1)
	50.0	35.5
Comprehensive income	**981.7**	1,054.3
Attributable to:		
Equity holders of the parent	**978.8**	1,050.3
Non-controlling interests	**2.9**	4.0
	981.7	1,054.3

See accompanying notes

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Consolidated statements of financial position

Years ended September 28, 2024 and September 30, 2023

(Millions of dollars)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	**29.4**	29.5
Accounts receivable *(notes 14 and 23)*	**749.7**	728.3
Accounts receivable on subleases *(note 11)*	**96.1**	96.1
Inventories *(note 9)*	**1,508.3**	1,451.0
Prepaid expenses	**73.2**	65.9
Current taxes	**17.3**	32.8
	2,474.0	2,403.6
Non-current assets		
Fixed assets *(note 10)*	**3,951.3**	3,768.3
Right-of-use assets *(note 11)*	**953.9**	942.8
Intangible assets *(note 12)*	**2,698.9**	2,733.0
Goodwill *(note 13)*	**3,314.2**	3,307.4
Deferred taxes *(note 7)*	**35.9**	37.9
Defined benefit assets *(note 20)*	**225.9**	160.5
Accounts receivable on subleases *(note 11)*	**404.7**	426.5
Other assets *(note 14)*	**81.8**	85.3
	14,140.6	13,865.3
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable *(note 15)*	**1,645.9**	1,619.4
Deferred revenues	**42.7**	36.8
Current taxes	**16.2**	6.9
Current portion of debt *(note 16)*	**317.2**	19.3
Current portion of lease liabilities *(note 11)*	**263.6**	278.4
	2,285.6	1,960.8
Non-current liabilities		
Debt *(note 16)*	**2,357.1**	2,646.3
Lease liabilities *(note 11)*	**1,372.6**	1,380.3
Defined benefit liabilities *(note 20)*	**37.5**	29.4
Deferred taxes *(note 7)*	**1,042.2**	1,001.6
Other liabilities *(note 17)*	**6.7**	30.6
	7,101.7	7,049.0
Equity		
Attributable to equity holders of the parent	**7,021.7**	6,801.2
Attributable to non-controlling interests	**17.2**	15.1
	7,038.9	6,816.3
	14,140.6	13,865.3

Commitments and contingencies *(notes 10, 11, 21 and 22)*
Events after the reporting period *(note 26)*

See accompanying notes

On behalf of the Board

ERIC LA FLÈCHE
Director

BRIAN MCMANUS
Director

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Consolidated statements of changes in equity

Years ended September 28, 2024 and September 30, 2023

(Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 18)*	Treasury shares *(note 18)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 30, 2023	**1,601.1**	**(17.9)**	**23.6**	**5,195.6**	**(1.2)**	**6,801.2**	**15.1**	**6,816.3**
Net earnings	**—**	**—**	**—**	**928.8**	**—**	**928.8**	**2.9**	**931.7**
Other comprehensive income	**—**	**—**	**—**	**49.9**	**0.1**	**50.0**	**—**	**50.0**
Comprehensive income	**—**	**—**	**—**	**978.7**	**0.1**	**978.8**	**2.9**	**981.7**
Stock options exercised	**21.4**	**—**	**(2.5)**	**—**	**—**	**18.9**	**—**	**18.9**
Shares redeemed	**(47.0)**	**—**	**—**	**—**	**—**	**(47.0)**	**—**	**(47.0)**
Share redemption premium *(note 18)*	**—**	**—**	**—**	**(431.2)**	**—**	**(431.2)**	**—**	**(431.2)**
Tax on share redemption	**—**	**—**	**—**	**(7.1)**	**—**	**(7.1)**	**—**	**(7.1)**
Acquisition of treasury shares	**—**	**(7.5)**	**—**	**—**	**—**	**(7.5)**	**—**	**(7.5)**
Share-based compensation cost	**—**	**—**	**9.6**	**—**	**—**	**9.6**	**—**	**9.6**
Performance share units settlement	**—**	**5.8**	**(5.2)**	**—**	**—**	**0.6**	**—**	**0.6**
Dividends *(note 19)*	**—**	**—**	**—**	**(294.6)**	**—**	**(294.6)**	**(0.8)**	**(295.4)**
	(25.6)	**(1.7)**	**1.9**	**(732.9)**	**—**	**(758.3)**	**(0.8)**	**(759.1)**
Balance as at September 28, 2024	**1,575.5**	**(19.6)**	**25.5**	**5,441.4**	**(1.1)**	**7,021.7**	**17.2**	**7,038.9**

	Attributable to the equity holders of the parent							
	Capital stock *(note 18)*	Treasury shares *(note 18)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 24, 2022	1,649.3	(16.2)	23.3	4,947.2	0.9	6,604.5	13.9	6,618.4
Net earnings	—	—	—	1,014.8	—	1,014.8	4.0	1,018.8
Other comprehensive income	—	—	—	37.6	(2.1)	35.5	—	35.5
Comprehensive income	—	—	—	1,052.4	(2.1)	1,050.3	4.0	1,054.3
Stock options exercised	8.8	—	(1.0)	—	—	7.8	—	7.8
Shares redeemed	(57.0)	—	—	—	—	(57.0)	—	(57.0)
Share redemption premium *(note 18)*	—	—	—	(529.0)	—	(529.0)	—	(529.0)
Acquisition of treasury shares	—	(7.6)	—	—	—	(7.6)	—	(7.6)
Share-based compensation cost	—	—	7.2	—	—	7.2	—	7.2
Performance share units settlement	—	5.9	(5.9)	—	—	—	—	—
Dividends *(note 19)*	—	—	—	(275.0)	—	(275.0)	(1.4)	(276.4)
Buyout of minority interests	—	—	—	—	—	—	(1.4)	(1.4)
	(48.2)	(1.7)	0.3	(804.0)	—	(853.6)	(2.8)	(856.4)
Balance as at September 30, 2023	1,601.1	(17.9)	23.6	5,195.6	(1.2)	6,801.2	15.1	6,816.3

See accompanying notes

metro

Consolidated statements of cash flows

Years ended September 28, 2024 and September 30, 2023
(Millions of dollars)

	2024 *(52 weeks)*	2023 *(53 weeks)*
Operating activities		
Earnings before income taxes	**1,250.1**	1,321.8
Non-cash items		
Depreciation and amortization	**570.4**	525.2
Gains on disposal of assets	**(6.8)**	(4.2)
Impairment losses of assets	**20.8**	—
Share-based compensation cost	**13.1**	12.0
Difference between amounts paid for employee benefits and current year cost	**17.1**	21.0
Net financial costs	**145.7**	122.6
	2,010.4	1,998.4
Net change in non-cash working capital items	**(54.3)**	(125.5)
Income taxes paid	**(276.1)**	(309.4)
	1,680.0	1,563.5
Investing activities		
Proceeds on disposal of an investment in an associate	**13.3**	—
Buyout of minority interests	**—**	(1.4)
Net change in other assets	**0.7**	0.3
Additions to fixed assets *(note 10)*	**(499.0)**	(597.2)
Disposals of fixed assets *(note 10)*	**0.8**	1.2
Additions to intangible assets and goodwill *(notes 12 and 13)*	**(80.7)**	(82.7)
Payments received from subleases	**93.4**	92.9
Interests received from subleases	**15.1**	14.4
	(456.4)	(572.5)
Financing activities		
Shares issued *(note 18)*	**18.9**	7.8
Shares redeemed *(note 18)*	**(478.2)**	(586.0)
Acquisition of treasury shares *(note 18)*	**(7.5)**	(7.6)
Performance share units settlement	**(2.1)**	—
Increase in debt	**327.5**	500.9
Repayment of debt	**(336.4)**	(188.2)
Interest paid on debt	**(132.0)**	(113.1)
Payment of lease liabilities (principal)	**(267.8)**	(269.1)
Payment of lease liabilities (interest)	**(50.6)**	(44.8)
Net change in other liabilities	**(0.9)**	0.2
Dividends *(note 19)*	**(294.6)**	(275.0)
	(1,223.7)	(974.9)
Net change in cash and cash equivalents	**(0.1)**	16.1
Cash and cash equivalents – beginning of year	**29.5**	13.4
Cash and cash equivalents – end of year	**29.4**	29.5

See accompanying notes

1. DESCRIPTION OF BUSINESS

METRO INC. (the Corporation), is incorporated under the laws of Québec. The Corporation is one of Canada's leading food and pharmacy retailers and distributors. It operates a network of supermarkets, discount stores and pharmacies. Its head office is located at 11011 Maurice-Duplessis Blvd., Montréal, Québec, Canada, H1C 1V6. Its business segments, food operations and pharmaceutical operations, are combined into a single reportable operating segment due to the similar nature of their operations (note 4).

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements, in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared within the reasonable limits of materiality, on a historical cost basis, except for certain financial instruments and defined benefit plan assets, measured at fair value, and defined benefit obligations, measured using an actuarial valuation method. The significant accounting policies are summarized below:

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as those of structured entities (notes 4 and 23). All intercompany transactions and balances were eliminated on consolidation.

Revenue from contracts with customers

Revenue from contracts with customers are accounted for when control of goods or services is transferred to the customer. Retail sales of corporate stores and stores that qualify as structured entities are recorded at the time of sale to the consumer. Sales to unconsolidated affiliated or franchised stores and other customers are recorded when the goods are delivered to them. Discounts granted by the Corporation are recorded as a reduction in revenue.

Recognition of considerations from vendors

Cash considerations from vendors are considered as an adjustment to the vendor's product pricing and are therefore characterized as a reduction of cost of sales and related inventories when recognized in the consolidated financial statements.

Loyalty programs

The Corporation has one active loyalty program and has withdrawn from a second loyalty program.

The active loyalty program belongs to the Corporation. At the time of a sale to the customer, part of the sale is recorded as deferred revenue equal to the fair value of the points issued under the Corporation's loyalty program. This fair value is determined based on the exchange value of the points awarded. There is no estimate of expected redemption included in the calculation of deferred revenue. The deferred revenue is recognized as sales when the points are redeemed.

The second program, for which the Corporation acted as an agent, belongs to a third party and its cost was recorded as a reduction in sales at the time of sale to the customer. The Corporation withdrew from this program in the summer of 2024.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, the Corporation's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. At each closing, monetary items denominated in foreign currency are translated using the exchange rate at the closing date. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rate at the date of the transaction. Gains or losses resulting from currency translations are recognized in net earnings.

Income taxes

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to determine these amounts are those that are enacted or substantively enacted by tax authorities by the closing date.

The Corporation follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are accounted for based on estimated taxes recoverable or payable that would result from the recovery or settlement of the carrying amount of assets and liabilities. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to be in effect when the temporary differences are expected to reverse. Changes in these amounts are included in current net earnings in the period in which they occur. The carrying amount of deferred tax assets is reviewed at every closing date and reduced to the extent that it is no longer probable that sufficient earnings will be available to allow all or part of the deferred tax assets to be utilized.

Income tax relating to items recognized directly in equity is recognized in equity.

Share-based payment

A share-based compensation expense is recognized for the stock option and performance share unit (PSU) plans offered to certain employees as well as a deferred share unit (DSU) plan offered to directors.

Stock option awards vest gradually over the vesting term and each tranche is considered as a separate award. The value of the remuneration expense is calculated based on the fair value of the stock options at the option grant date and using the Black-Scholes valuation model. The compensation expense is recognized over the vesting term of each tranche.

The compensation expense for the equity-settled PSU plan is determined based on the fair value of the Corporation's Common Shares at grant date. Compensation expense is recognized on a straight-line basis over the vesting period. The impact of any changes in the number of PSUs is recorded in the period where the estimate is revised.

The compensation expense and corresponding liability for the cash-settled PSU plan are recognized on the grant date and determined based on the grant date market value of the Corporation’s Common Shares. The PSU liability is included in accounts payable and other liabilities and is periodically adjusted to reflect any changes in the stock market valuation of the Corporation’s Common Shares.

The compensation expense and corresponding liability for the DSU plan are recognized on the grant date and determined based on the grant date market value of the Corporation’s Common Shares. The DSU liability is included in accounts payable and is periodically adjusted to reflect any changes in the stock market valuation of the Corporation’s Common Shares.

Net earnings per share

Basic net earnings per share is calculated by dividing the net earnings attributable to equity holders of the parent by the weighted average number of Common Shares outstanding during the year. For the fully diluted net earnings per share, the net earnings attributable to equity holders of the parent and the weighted average number of Common Shares outstanding are adjusted to reflect all potential dilutive shares.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, highly liquid investments (with an initial term of three months or less) and outstanding deposits. They are classified and measured at amortized cost.

Accounts receivable

Accounts receivable, accounts receivable on subleases and loans to certain customers are classified as “Loans and receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method. For the Corporation, the measured amount generally corresponds to cost.

Inventories

Inventories are valued at the lower of cost and net realizable value. Warehouse inventories cost is determined using the average cost method net of certain considerations received from vendors. Retail inventories cost is valued at the retail price less the gross margin and certain considerations received from vendors. All costs incurred in bringing the inventories to their present location and condition are included in the cost of warehouse and retail inventories.

Fixed assets

Fixed assets are initially recorded at cost. Principal components of a fixed asset with different useful lives are depreciated separately. Buildings and equipment are depreciated on a straight-line basis over their useful lives. Leasehold improvements are depreciated on a straight-line basis over the shorter of their estimated useful lives or the remaining lease term. The depreciation method and estimate of useful lives are reviewed annually.

Buildings	20 to 50 years
Equipment	3 to 20 years
Leasehold improvements	5 to 20 years

Leases

The Corporation as lessee
The Corporation recognizes right-of-use assets and the corresponding lease liabilities at the lease inception date, the date at which the lessor makes available the leased asset to the Corporation. Rental payments under short-term leases or leases with low-value underlying assets and variable payments that are not based on an index or rate are recorded in operating expenses on a straight line basis over the duration of the lease.

Lease liabilities represent the present value of fixed and variable lease payments that are based on an index or rate, net of lease incentives receivable. Subsequent to the initial measurement, the Corporation measures the lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when a change is made to the lease agreement. Lease payments are discounted at the lessee’s incremental borrowing rate at lease inception. The interest expense is recognized in net financial costs. The lease term includes renewal options that the Corporation is reasonably certain to exercise.

Right-of-use assets are measured at the initial value of the lease liabilities, less lease incentives received and restoration costs. Subsequent to initial measurement, the Corporation applies the cost model to right-of-use assets. Right-of-use assets are measured at cost less accumulated amortization, accumulated impairment losses and any remeasurement of lease liabilities. Assets are depreciated from the lease inception date on a straight-line basis over the shorter of the asset’s useful life and the lease term.

The Corporation as lessor
For subleases, for which the Corporation acts as an intermediate lessor, it evaluates the classification in relation to the right-of-use assets arising from the main lease. The Corporation accounts for the main lease and the sublease as two separate leases. A sublease contract is classified as a finance lease if substantially all risks and rewards incidental to the underlying asset are transferred to the lessee. Otherwise, leases are classified as operating leases and rental income is recognized on a straight-line basis over the lease term.

For subleases that are classified as finance leases, the Corporation derecognizes the corresponding right-of-use assets and records a net investment in the subleases. Interest income is recorded in net financial costs. The net investment is presented in current and non-current accounts receivable on subleases.

Investment properties

Investment properties are held for capital appreciation and to earn rentals. They are not occupied by the owner for its ordinary activities. They are recognized at cost. Principal components, except for land which is not depreciated, are depreciated on a straight-line basis over their respective useful lives which vary from 20 to 50 years. The depreciation method and estimates of useful lives are reviewed annually. Investment properties are presented in other assets in the consolidated statements of financial position.

Intangible assets

Intangible assets with finite useful lives are recorded at cost and amortized on a straight-line basis over their useful lives. The amortization method and estimates of useful lives are reviewed annually.

Software	3 to 7 years
Retail network retention premiums	5 to 30 years
Customer relationships	10 to 27 years

The banners that the Corporation intends to keep and operate, the private labels for which it continues to develop new products and the loyalty programs it intends to maintain qualify as intangible assets with indefinite useful lives. They are recorded at cost and not amortized.

Goodwill

Goodwill, which represents the excess of purchase price over the fair value of the acquired enterprise's identifiable net assets at the date of acquisition, is recognized at cost and is not amortized.

Impairment of non financial assets

At each reporting date, the Corporation must determine if there is any indication of depreciation of its fixed assets, intangible assets with finite and indefinite useful lives, investment properties, right-of-use assets and goodwill. If any indication exists, the Corporation has to test the assets for impairment. Impairment testing of intangible assets with indefinite useful lives and goodwill is to be done at least annually, regardless of any indication of depreciation.

Impairment testing is conducted at the level of the asset itself, a cash generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each store is a separate CGU. Impairment testing of warehouses is conducted at the level of the different groups of CGUs. Impairment testing of common assets is conducted at the level of the smallest CGU to which assets have been allocated. Impairment testing of goodwill is conducted at the level of the smallest CGU to which the goodwill relates. Impairment testing of investment properties, banners, private labels and loyalty programs is conducted at the level of the asset itself.

To test for impairment, the carrying amount of an asset, CGU or group of CGUs is compared with its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The value in use corresponds generally to the pre-tax cash flow projections from the management-approved budgets for the next fiscal year. These projections reflect past experience and are discounted at a pre-tax rate corresponding to the expected market rate for this type of investment. Fair value represents the price that would be obtained for the sale of an asset in an arm's length transaction. If the carrying amount exceeds the recoverable amount, an impairment loss in the amount of the excess is recognized in net earnings. CGU or group of CGUs' impairment losses are allocated first to goodwill, if applicable then pro rata to the assets of the CGU or group of CGUs, without however reducing the carrying amount of the assets below the highest of their fair value less costs of disposal, their value in use or zero.

Except for goodwill, any reversal of an impairment loss is recognized immediately in net earnings. A reversal of an impairment loss for a CGU or group of CGUs is allocated pro rata to the assets of the CGU or group of CGUs. The recoverable amount of an asset increased by a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized for the asset in prior years.

Employee benefits

Employee benefits include short-term employee benefits which correspond to wages and fringe benefits and are recognized immediately in net earnings as are termination benefits which are also recorded as a liability when the Corporation cannot withdraw the offer of termination.

Employee benefits also include post-employment benefits which comprise pension benefits (both defined benefit and defined contribution plans) and ancillary benefits such as post-employment life and medical insurance. Employee benefits also comprise other long-term benefits, namely long-term disability benefits not covered by insurance plans and ancillary benefits provided to employees on long-term disability. Assets and obligations related to employee defined benefit plans, ancillary retirement benefits and other long-term benefits plan are accounted for using the following accounting policies:

- Defined benefit obligations and the cost of pension, ancillary retirement benefits and other long-term benefits earned by participants are determined from actuarial calculations according to the projected credit unit method. The calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation and expected health care costs.
- Defined benefit obligations are discounted using high-quality corporate bond yield rates with cash flows that match the timing and amount of expected benefit payments.
- Defined benefit plan assets or liabilities recognized in the consolidated statement of financial position correspond to the difference between the present value of defined benefit obligations and the fair value of plan assets. In the case of a surplus funded plan, these assets are limited at the lesser of the actuarial value determined for accounting purposes or the value of the future economic benefit by way of surplus refunds or contribution holidays. Furthermore, an additional liability could be recorded when minimum funding requirements for past services exceed economic benefits available.
- The interest expense on defined benefit obligations, on the asset ceiling and on the minimum funding requirement is net of interest income on plan assets, which is calculated by applying the same rate used to evaluate the obligations, and is recognized as financing costs.
- Actuarial gains or losses on pension plans and ancillary post-employment benefits arise from changes to current year end actuarial assumptions used to determine the defined benefit obligations. They also arise from variances between the experience adjustments of the plans for the current year and the assumptions defined at the end of the previous fiscal year to determine the employee benefit expense for the current fiscal year and the defined benefit obligations at the previous fiscal year end.
- Remeasurements of defined benefit net liabilities include actuarial gains or losses, the yield on plan assets, and asset ceiling and minimum funding requirement changes, excluding the amount already recorded in net interest. Remeasurements are recognized under other comprehensive income during the period in which they occur and reclassified from accumulated other comprehensive income to retained earnings at the end of each period.
- Actuarial gains or losses related to other long-term employee benefits are recognized in full immediately in net earnings.
- Past service amendment costs are recognized immediately in net earnings.
- Defined contribution plan costs, including those of multi-employer plans, are recorded when the contributions are due. As sufficient information to reliably determine multi-employer defined benefit plan obligations and assets is not available and as there is no actuarial valuation according to IFRS, these plans are accounted for as defined contribution plans and the Corporation participation is limited to the negotiated contributions. The vast majority of the Corporation's contributions to multi-employer plans are paid into the Canadian Commercial Workers Industry Pension Plan (CCWIPP). The Corporation and its franchisees represent approximately 25% of the Plan's total number of participants.

Deferred revenues

Deferred revenues include loyalty points issued as part of the Corporation's loyalty programs and gift cards outstanding as at year end for which revenue is recognized upon redemption.

Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) resulting from a past event, when it will likely have to settle the obligation and the amount of which can be reliably estimated. The amount recognized as provision is the best estimate of the expense required to settle the present obligation at the closing date. When a provision is measured based on estimated cash flows required to settle the present obligation, its carrying amount is the discounted value of these cash flows. Provisions are included in other liabilities.

Other financial liabilities

Bank loans, accounts payable, the revolving credit facility, notes and loans payable are classified as "Liabilities measured at amortized cost" and initially measured at fair value less financing costs. They are subsequently measured at amortized cost using the effective interest method.

Financing costs related to debt are deferred and amortized using the effective interest method over the term of the corresponding loans. When one of these loans is repaid, the corresponding financing costs are charged to net earnings.

Non-controlling interests

Non-controlling interests are recognized in equity.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability will be offset and the net amount presented in the consolidated statements of financial position when we currently have a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of a financial instrument. Upon initial recognition, financial instruments are measured at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss (FVTPL). Subsequently, financial assets are measured on the basis of their classification, which is included in one of the following categories: at amortized cost, at fair value through other comprehensive income (FVOCI), and at FVTPL.

Financial assets that are not designated as FVTPL upon initial recognition, are classified and measured at amortized cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and the contractual terms give rise, on specified dates, to cash flows that correspond only to payments of principal and interest. Otherwise, they are classified and measured at FVOCI, as long as the asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, and the contractual terms, on specified dates, give rise to cash flows that correspond only to payments of principal and interest. Classification and measurement of financial liabilities are based on amortized cost or FVTPL.

In summary, the Corporation's assets and liabilities are classified and measured valued as follows:
- Cash, cash equivalents, accounts receivable, accounts receivable on subleases and loans to certain customers are classified and measured at amortized cost;
- Bank loans, accounts payable, the revolving credit facility, notes and loans are classified and measured at amortized cost;
- Non-controlling interests are measured at their acquisition-date fair values. Gains and losses from the remeasurement at the end of each period are recorded through retained earnings;
- Derivative and hybrid financial instruments that are not designated as hedges are classified and measured at FVTPL and presented in the consolidated statements of net income.

Impairment of financial assets

At the end of each reporting period, the Corporation estimates expected credit losses (ECL) based on lifetime credit losses. ECLs are adjusted for factors specific to receivables, receivables on subleases and loans to certain customers, the general economic condition and an assessment of the current and expected economic conditions at the reporting date, including the time value of the money, if applicable. The measurement is carried out using the simplified method for cash equivalents, other assets and accounts receivable on subleases and the general method for loans. The net change in ECLs on cash equivalents, receivables, receivables on subleases and loans to certain customers is recorded in net income.

Derivative financial instruments and hedge accounting

In accordance with its risk management strategy, the Corporation uses derivative financial instruments for hedging purposes of reducing volatility so as to minimize interest rate risk, foreign exchange rate risk and commodity price risk that impact our ability to optimize its financial results to meet its financial objectives. On inception of a hedging relationship, the Corporation indicates whether it will apply hedge accounting to the relationship. Should there be any, the Corporation formally documents several factors, such as the election to apply hedge accounting, the hedged item, the hedging item, the risks being hedged and the term over which the relationship is expected to be effective, as well as risk management objectives and strategy.

The effectiveness of a hedging relationship is measured at its inception to determine whether it will be highly effective over the term of the relationship and assessed periodically to ensure that hedge accounting is still appropriate. The results of these assessments are formally documented.

The Corporation could use foreign exchange forward contracts, cross currency interest rate swaps and equity forward transaction. Given their short-term maturity or low dollar value amount, the Corporation elected not to apply hedge accounting. These derivative financial instruments are classified as "Financial assets or liabilities measured at FVTPL" and measured at fair value with revaluation at the end of each period. Resulting gains or losses are recorded in net earnings. Depending on the maturity date of the contracts or if they are in a gain or loss position we record their balance on the consolidated statements of financial position in accounts receivable, other assets, accounts payable and other liabilities. We record the change in fair value of these derivatives in the consolidated statements of net income.

The changes in the fair value of the interest rate swaps are recognized in the consolidated statements of net income. The changes in the fair value of the hedged items attributable to the risk hedged are accounted for as an adjustment to the carrying amount of the hedged items and are also recognized in the consolidated statements of net income.

For bond forwards designated as cash flow hedges the changes in the fair value of the hedging instrument will be recognized as follows. The effective part of the gain or loss on the hedging instrument will be recognized in OCI. Following the debt issuance, the amounts accumulated in equity will be reclassified to profit or loss, on a linear basis, in the same period during which the hedged expected future cash flows affect profit or loss, adjusting finance costs, net. The ineffective part of the gain or loss on the hedging instrument will be recognized in the consolidated statements of net income.

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal year ended September 28, 2024 included 52 weeks of operations and the fiscal year ended September 30, 2023 included 53 weeks of operations. An additional week is included in the fourth quarter every five or six years to realign the Corporation’s fiscal year with calendar. This inclusion occurred in the fourth quarter of Fiscal 2023.

3. NEW ACCOUNTING STANDARD

ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Presentation and Disclosures in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*, and consequential amendments to several other standards. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, with prescribed subtotals for each new category. It also requires disclosure of management-defined performance measures which will now form part of the audited financial statements.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after January 1 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Corporation is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

4. SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the recognition and valuation of assets, liabilities, sales, other income and expenses. These estimates and assumptions are based on historical experience and other factors deemed relevant and reasonable and are reviewed at every closing date. The use of different estimates could produce different amounts in the consolidated financial statements. Actual results may differ from these estimates.

JUDGMENTS

In applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Consolidation of structured entities

The Corporation has no voting rights in certain food stores. However, the franchise contract gives it the ability to control these stores' main activities. Its decisions are not limited to protecting its trademarks. The Corporation retains the majority of stores' profits and losses. For these reasons, the Corporation consolidates these food stores in its financial statements.

The Corporation has no voting rights in the trust created for PSU plan participants. However, under the trust agreement, it instructs the trustee as to the sale and purchase of Corporation shares and payments to beneficiaries, gives the trustee money to buy Corporation shares, assumes vesting variability, and ensures that the trust holds a sufficient number of shares to meet its obligations to the beneficiaries. For these reasons, the Corporation consolidates this trust in its financial statements.

The Corporation also has an agreement with a third party that operates a plant exclusively for the needs and according to the specifications of the Corporation, which assumes all costs and control the plant's main activities. For these reasons, the Corporation consolidates it in the Corporation's financial statements.

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

ESTIMATES

The assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the value of assets and liabilities within the next period, are discussed below:

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flow estimates, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 12 and 13.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 20.

(Millions of dollars, unless otherwise indicated)

5. SALES

The following table disaggregates the Corporation's sales based upon where the ultimate sales to consumers occur in our network of stores:

	2024 *(52 weeks)*	2023 *(53 weeks)*
Food	**16,577.4**	16,214.8
Pharmacy	**4,642.5**	4,509.8
	21,219.9	20,724.6

6. NET FINANCIAL COSTS

The net financial costs were as follows:

	2024 *(52 weeks)*	2023 *(53 weeks)*
Current interest	**12.4**	5.6
Non-current interest	**118.6**	113.6
Net interest on lease liabilities *(note 11)*	**35.5**	30.8
Interest on defined benefit obligations net of plan assets *(note 20)*	**(6.2)**	(3.2)
Amortization of deferred financing costs	**1.4**	1.4
Interest income and capitalized interest	**(16.2)**	(25.9)
Passage of time	**0.2**	0.3
	145.7	122.6

(Millions of dollars, unless otherwise indicated)

7. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	**2024** *(52 weeks)*	2023 *(53 weeks)*
Combined statutory income tax rate	**26.5**	26.5
Changes		
Favorable tax adjustment in respect of prior years	**(1.3)**	(3.5)
Other	**0.3**	(0.1)
	25.5	22.9

The Corporation recorded tax assets of $40.7 in the third quarter of Fiscal 2023 ($8.2 of current tax assets and $32.5 of deferred tax assets) with an equivalent reduction of the tax expense following a favorable judgement at the Tax Court of Canada. Capital losses previously disallowed by the Canada Revenue Agency ("CRA") on the disposition of shares of a subsidiary in the years 2012 to 2014, have now been granted. The CRA subsequently accepted that the Corporation amend a rollover form filed for the tax year ended March 3, 2018, resulting in an increase in the tax base of intangible assets.

The main components of the income tax expense were as follows:

Consolidated income statements

	2024 *(52 weeks)*	2023 *(53 weeks)*
Current		
Current tax expense	**293.8**	249.5
Deferred		
Adjustment related to temporary differences	**24.6**	53.5
	318.4	303.0

Consolidated comprehensive income statements

	2024 *(52 weeks)*	2023 *(53 weeks)*
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial gains	**11.9**	19.4
Asset ceiling effect	**6.1**	(5.8)
Change in fair value of derivatives designated as cash flow hedges	**—**	(0.8)
	18.0	12.8

Deferred income taxes reflect the net tax impact of temporary differences between the value of assets and liabilities for accounting and tax purposes. The main components of the deferred tax expense and deferred tax assets and liabilities were as follows:

	Consolidated statements of financial position		Consolidated statements of income	
	As at September 28, 2024	As at September 30, 2023	**2024** *(52 weeks)*	2023 *(53 weeks)*
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	**9.7**	11.0	**(1.3)**	(7.4)
Lease liabilities	**433.6**	439.5	**(5.9)**	(31.9)
Deferred tax losses	**2.1**	6.8	**(4.7)**	(0.2)
Inventories	**(11.6)**	(10.3)	**(1.3)**	(0.7)
Employee benefits	**(52.9)**	(36.7)	**1.8**	4.6
Accounts receivable on subleases	**(132.7)**	(138.5)	**5.8**	13.4
Difference between net carrying value and tax value				
Fixed assets	**(395.1)**	(364.2)	**(30.9)**	(73.3)
Right-of-use assets	**(252.8)**	(249.9)	**(2.9)**	13.8
Intangible assets	**(546.2)**	(564.6)	**18.4**	28.1
Goodwill	**(60.1)**	(57.5)	**(2.6)**	0.2
Others	**(0.3)**	0.7	**(1.0)**	(0.1)
	(1,006.3)	(963.7)	**(24.6)**	(53.5)

Deferred tax assets	**35.9**	37.9
Deferred tax liabilities	**(1,042.2)**	(1,001.6)
	(1,006.3)	(963.7)

8. 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)	**2024** *(52 weeks)*	2023 *(53 weeks)*
Weighted average number of shares outstanding – Basic	**225.1**	232.5
Dilutive effect under:		
Stock option plan	**0.4**	0.5
Performance share unit plan	**0.3**	0.3
Weighted average number of shares outstanding – Fully diluted	**225.8**	233.3

(Millions of dollars, unless otherwise indicated)

9. INVENTORIES

	2024	2023
Wholesale inventories	**897.9**	864.8
Retail inventories	**610.4**	586.2
	1,508.3	1,451.0

10. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost					
Balance as at September 24, 2022	557.9	1,759.3	2,143.7	1,014.0	5,474.9
Acquisitions	16.5	166.4	346.8	67.5	597.2
Transfer to Investment properties	(8.3)	—	—	—	(8.3)
Disposals and write-offs	(0.1)	(0.6)	(68.9)	(25.7)	(95.3)
Balance as at September 30, 2023	**566.0**	**1,925.1**	**2,421.6**	**1,055.8**	**5,968.5**
Acquisitions	**16.6**	**122.1**	**273.9**	**86.4**	**499.0**
Disposals and write-offs	**—**	**(3.1)**	**(48.2)**	**(34.0)**	**(85.3)**
Balance as at September 28, 2024	**582.6**	**2,044.1**	**2,647.3**	**1,108.2**	**6,382.2**
Accumulated depreciation and impairment					
Balance as at September 24, 2022	—	(388.7)	(1,092.0)	(536.5)	(2,017.2)
Depreciation	—	(47.8)	(158.5)	(71.5)	(277.8)
Disposals and write-offs	—	0.2	68.9	25.7	94.8
Balance as at September 30, 2023	**—**	**(436.3)**	**(1,181.6)**	**(582.3)**	**(2,200.2)**
Depreciation	**—**	**(55.1)**	**(185.4)**	**(72.8)**	**(313.3)**
Disposals and write-offs	**—**	**2.7**	**47.6**	**32.3**	**82.6**
Balance as at September 28, 2024	**—**	**(488.7)**	**(1,319.4)**	**(622.8)**	**(2,430.9)**
Net carrying value					
Balance as at September 30, 2023	566.0	1,488.8	1,240.0	473.5	3,768.3
Balance as at September 28, 2024	**582.6**	**1,555.4**	**1,327.9**	**485.4**	**3,951.3**

During the fiscal year, the Corporation invested $579.7 ($679.9 in 2023) in capital spending consisting of $499.0 in fixed assets and $80.7 in intangible assets ($597.2 and $82.7 in 2023). Additions of intangible assets accrued at year-end amounted to $6.3 in 2024 ($5.0 in 2023).

As at September 28, 2024, work in progress not yet amortized included in buildings, equipment and leasehold improvements totalled $57.5, $18.8 and $7.0 ($104.8, $87.0 and $1.3 in 2023), respectively.

As at September 28, 2024, the Corporation had contractual commitments to purchase fixed assets totalling $182.1 in 2024, consisting mainly of buildings and equipment.

(Millions of dollars, unless otherwise indicated)

11. LEASES

The Corporation as lessee

The main right-of-use assets held under the Corporation's leases are real estate, vehicles and equipment.

As at September 28, 2024, changes in right-of-use assets were as follows:

	Buildings	Rolling stock and other	Total
Balance as at September 24, 2022	966.2	28.9	995.1
New leases	32.6	0.6	33.2
Terminations and adjustments	75.5	—	75.5
Depreciation	(151.1)	(9.9)	(161.0)
Balance as at September 30, 2023	**923.2**	**19.6**	**942.8**
New leases	**49.9**	**1.0**	**50.9**
Terminations and adjustments	**124.5**	**—**	**124.5**
Depreciation	**(155.9)**	**(8.4)**	**(164.3)**
Balance as at September 28, 2024	**941.7**	**12.2**	**953.9**

The Corporation has variable lease payments for property taxes, common operating costs and insurance costs for leased properties. The Corporation also has variable lease payments that vary according to a percentage of retail sales. These expenses are recorded in operating expenses and totalled $129.7 in 2024 ($126.3 in 2023).

As at September 28, 2024, changes in lease liabilities were as follows:

Balance as at September 24, 2022	1,779.0
Additions	61.6
Terminations and adjustments	87.2
Lease payments	(314.3)
Interest expense on lease liabilities	45.2
Balance as at September 30, 2023	1,658.7
Current portion	278.4
Non-current portion	1,380.3
Balance as at September 30, 2023	**1,658.7**
Additions	**86.5**
Terminations and adjustments	**158.8**
Lease payments	**(318.4)**
Interest expense on lease liabilities	**50.6**
Balance as at September 28, 2024	**1,636.2**
Current portion	**263.6**
Non-current portion	**1,372.6**

(Millions of dollars, unless otherwise indicated)

The weighted average incremental borrowing rate was 3.16% as at September 28, 2024 (2.80% in 2023). The weighted average remaining contractual life as at September 28, 2024 was 5 years (5 years in 2023).

Contractual undiscounted payments under leases defined above will be as follows:

2025	326.8
2026	297.9
2027	258.7
2028	221.2
2029	180.3
2030 and thereafter	579.6
	1,864.5

The Corporation has also entered into short-term leases or leases with underlying low-value asset, specifically for the rental of machinery and equipment, as well as vehicles and trailers. These leases were recorded in operating expenses for a total of $5.4 in 2024 ($6.5 in 2023).

The Corporation as lessor

The Corporation acted as intermediate lessor for real estate subleases.

Finance leases

Finance income for the year ended in 2024 was $15.1 ($14.4 in 2023). Future minimum lease payments receivable by the Corporation relating to subleased properties to third parties will be as follows:

2025	110.8
2026	98.7
2027	83.7
2028	68.3
2029	54.5
2030 and thereafter	151.5
Total undiscounted lease payments receivable	567.5
Unearned finance income	(66.7)
Accounts receivable on subleases	500.8
Current portion	96.1
Non-current portion	404.7

(Millions of dollars, unless otherwise indicated)

Operating leases

The Corporation leases buildings under operating leases. The Corporation recorded rental income of $52.8 in 2024 ($53.1 in 2023).

The lease payments expected to be received over the next five fiscal years for owned properties will be as follows:

2025	48.8
2026	41.6
2027	33.3
2028	21.3
2029	11.8
2030 and thereafter	57.5
	214.3

(Millions of dollars, unless otherwise indicated)

12. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Software	Retail network retention premiums	Customer relationships	Total
Cost				
Balance as at September 24, 2022	352.7	284.4	1,067.4	1,704.5
Acquisitions	64.3	17.2	—	81.5
Disposals and write-offs	(0.1)	(7.0)	—	(7.1)
Balance as at September 30, 2023	**416.9**	**294.6**	**1,067.4**	**1,778.9**
Acquisitions	**55.1**	**25.1**	**—**	**80.2**
Disposals and write-offs	**(1.7)**	**(5.9)**	**—**	**(7.6)**
Balance as at September 28, 2024	**470.3**	**313.8**	**1,067.4**	**1,851.5**
Accumulated amortization and impairment				
Balance as at September 24, 2022	(242.0)	(147.6)	(195.4)	(585.0)
Amortization	(26.9)	(19.6)	(39.7)	(86.2)
Disposals and write-offs	0.1	5.7	—	5.8
Balance as at September 30, 2023	**(268.8)**	**(161.5)**	**(235.1)**	**(665.4)**
Amortization	**(31.9)**	**(21.1)**	**(39.7)**	**(92.7)**
Disposals and write-offs	**1.7**	**5.1**	**—**	**6.8**
Balance as at September 28, 2024	**(299.0)**	**(177.5)**	**(274.8)**	**(751.3)**
Net carrying value				
Balance as at September 30, 2023	148.1	133.1	832.3	1,113.5
Balance as at September 28, 2024	**171.3**	**136.3**	**792.6**	**1,100.2**

During the fiscal year, the Corporation invested $579.7 ($679.9 in 2023) in capital spending consisting of $499.0 in fixed assets and $80.7 in intangible assets ($597.2 and $82.7 in 2023). Additions of intangible assets accrued at year-end amounted to $6.3 in 2024 ($5.0 in 2023).

As at September 28, 2024, there was $22.6 of work in progress for software not yet amortized (nil in 2023).

Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balances as at September 24, 2022 and September 30, 2023	1,473.3	122.7	23.5	1,619.5
Impairment losses	—	—	(20.8)	(20.8)
Balance as at September 28, 2024	**1,473.3**	**122.7**	**2.7**	**1,598.7**

Impairment testing of the loyalty program and exclusive private labels was conducted at the individual asset level. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the capitalized excess EBIT method. The estimated EBIT directly allocated to the programs and private labels, after deduction of the return on contributory assets, was based on historical data reflecting past experience. For the loyalty program, the earnings multiple used was 16.0 (16.0 in 2023) considering a growth rate of 2.0% (2.0% in 2023) corresponding to the consumer price index. For the private labels, the earnings multiples used ranged between 15.4 and 17.4 (14.3 and 15.4 in 2023) considering a growth rate of 2.0% (2.0% in 2023) corresponding to the consumer price index.

(Millions of dollars, unless otherwise indicated)

During the second quarter of Fiscal 2024, the Corporation recorded $20.8 of impairment of assets resulting from the decision to have Metro stores in Ontario withdraw from the Air Miles® loyalty program in the summer of 2024. The loss represents the excess in the carrying value of the indefinite-lived intangible over the recoverable amount. The recoverable amount is based on fair value less costs of disposal over the remaining duration of the program. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. The key assumption is the discount rate use of 8.3%.

Impairment testing of banners and private labels were conducted at the level of the asset itself. The recoverable amount was determined based on its fair value calculated using the royalty-free license method for banners and the capitalized excess EBIT method for other private labels. The estimated royalty rate was based on information from external sources and historical data reflecting past experience. For the banners and these private labels, the royalty rate used was 1.0% to 3.0% (1.0% to 3.0% in 2023) and the multiples used were between 15.4 and 17.4 (14.3 and 15.4 in 2023) considering growth rate of 2.0% (2.0% in 2023) corresponding to the consumer price index.

13. GOODWILL

	2024	2023
Balance – beginning of year	**3,307.4**	3,301.2
Acquisitions through business combinations	**6.8**	6.2
Balance – end of year	**3,314.2**	3,307.4

For impairment testing, goodwill with a carrying amount of $2,007.0 ($1,984.1 as at September 30, 2023) was allocated to the operating segment related to food operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. Cash flows for subsequent years are based on a 2.0% growth in line with the consumer price index. A pre-tax discount rate of 8.6% (9.6% in 2023) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

For impairment testing, goodwill with a carrying amount of $1,307.2 ($1,323.3 as at September 30, 2023) was allocated to the operating segment related to pharmaceutical operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. Cash flows for subsequent years are based on a 2.0% growth in line with the consumer price index. A pre-tax discount rate of 9.2% (10.1% in 2023) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

(Millions of dollars, unless otherwise indicated)

14. OTHER ASSETS

	2024	2023
Loans to certain customers, bearing weighted average floating interest rates of 3.63%, maturing through 2041	**47.1**	43.9
Investment in a joint venture	**0.5**	10.0
Investment properties	**19.5**	21.1
Derivative financial instruments	**22.5**	18.4
Other assets	**1.7**	1.5
	91.3	94.9
Current portion included in accounts receivable	**9.5**	9.6
	81.8	85.3

The fair value of investment properties was $24.1 as at September 28, 2024 ($23.2 as at September 30, 2023). The Corporation classified the fair value measurement in Level 2, as it is derived from observable market inputs, i.e., recent transactions on these assets or similar assets.

15. ACCOUNTS PAYABLE

	2024	2023
Accounts payable (gross amount)	**1,720.1**	1,685.5
Vendor rebate receivables	**(74.2)**	(66.1)
Accounts payable (net amount)	**1,645.9**	1,619.4

(Millions of dollars, unless otherwise indicated)

16. DEBT

	2024	2023
Revolving Credit Facility, bearing interest at a weighted average rate of 7.37% (6.71% in 2023), repayable on October 27, 2028	**35.4**	39.9
Series J Notes, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024	**298.8**	288.9
Series G Notes, bearing interest at a fixed nominal rate of 3.39%, maturing on December 6, 2027	**450.0**	450.0
Series K Notes, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033	**300.0**	300.0
Series B Notes, bearing interest at a fixed nominal rate of 5.97%, maturing on October 15, 2035	**400.0**	400.0
Series D Notes, bearing interest at a fixed nominal rate of 5.03%, maturing on December 1, 2044	**300.0**	300.0
Series H Notes, bearing interest at a fixed nominal rate of 4.27%, maturing on December 4, 2047	**450.0**	450.0
Series I Notes, bearing interest at a fixed nominal rate of 3.41%, maturing on February 28, 2050	**400.0**	400.0
Loans, maturing on various dates through 2060, bearing interest at an average rate of 3.95% (4.18% in 2023)	**51.5**	49.6
Deferred financing costs	**(11.4)**	(12.8)
	2,674.3	2,665.6
Current portion	**317.2**	19.3
	2,357.1	2,646.3

The Notes of the Corporation are redeemable at the issuer's option prior to maturity at the prices, terms and conditions specified for each series.

The Corporation has access to an unsecured revolving credit facility with a maximum of $600.0 bearing interest at rates that fluctuate with changes in bankers' acceptance rates. As at September 28, 2024, the unused authorized revolving credit facility was $564.6 ($560.1 as at September 30, 2023).

The debt related to the acquisition of intangible assets, excluded from debt changes presented at the consolidated statements of cash flows, totaled $6.3 in 2024 ($5.0 in 2023).

On February 6, 2023, the Corporation issued through a private placement Series K unsecured senior notes in the aggregate principal amount of $300.0, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033. In anticipation of this issuance, on November 14, 2022, the Corporation entered into a bond forward contract designated as cash flow hedge on a component of a highly probable future debt issuance in the amount of $250.0 that effectively locked-in a 10-year fixed interest rate of 2.996%. The effective part of the loss on the hedging instrument was recognized in Other Comprehensive Income. Following the Series K Notes issuance, the amounts accumulated in equity are reclassified to net financial costs on a linear basis over the life of the debt.

(Millions of dollars, unless otherwise indicated)

Repayments of debt in the upcoming fiscal years will be as follows:

	Facility and loans	Notes	Total
2025	17.2	300.0	317.2
2026	37.7	—	37.7
2027	2.6	—	2.6
2028	1.1	450.0	451.1
2029	0.7	—	0.7
2030 and thereafter	26.4	1,850.0	1,876.4
	85.7	2,600.0	2,685.7

17. OTHER LIABILITIES

	2024	2023
Provisions	**1.7**	12.4
Deferred revenues	**—**	3.0
Derivative financial instruments	**1.3**	12.8
Share-based compensation	**3.7**	2.4
	6.7	30.6

18. CAPITAL STOCK

The authorized capital stock of the Corporation was summarized as follows:

- unlimited number of Common Shares, bearing one voting right per share, participating, without par value;
- unlimited number of Preferred Shares, non-voting, without par value, issuable in series.

Common Shares issued

The Common Shares issued and the changes during the year were summarized as follows:

	Number *(Thousands)*	
Balance as at September 24, 2022	236,929	1,649.3
Shares redeemed for cash, excluding premium of $529.0	(8,170)	(57.0)
Stock options exercised	190	8.8
Balance as at September 30, 2023	**228,949**	**1,601.1**
Shares redeemed for cash, excluding premium of $431.2	**(6,680)**	**(47.0)**
Stock options exercised	**433**	**21.4**
Balance as at September 28, 2024	**222,702**	**1,575.5**

Treasury shares

The treasury shares changes during the year are summarized as follows:

	Number *(Thousands)*	
Balance as at September 24, 2022	335	(16.2)
Acquisitions	99	(7.6)
Released	(138)	5.9
Balance as at September 30, 2023	**296**	**(17.9)**
Acquisitions	**105**	**(7.5)**
Released	**(113)**	**5.8**
Balance as at September 28, 2024	**288**	**(19.6)**

Treasury shares are held in trust for the PSU plan. They will be released into circulation when the PSUs settle. The trust, considered a structured entity, is consolidated in the Corporation's financial statements.

Stock option plan

The Corporation has a stock option plan for certain Corporation employees providing for the grant of options to purchase up to 30,000,000 Common Shares. As at September 28, 2024, a balance of 4,816,922 shares could be issued following the exercise of stock options (5,250,342 as at September 30, 2023). The subscription price of each Common Share under an option granted pursuant to the plan is equal to the market price of the shares on the day prior to the option grant date and must be paid in full at the time the option is exercised. While the Board of Directors determines other terms and conditions for the exercise of options, in general no options may have a term of more than five years from the date the option may initially be exercised, in whole or in part, and the total term may in no circumstances exceed ten years from the option grant date. Options may generally be exercised two years after their grant date and vest at the rate of 20% per year.

The outstanding options and the changes during the year were summarized as follows:

	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 24, 2022	2,092	51.47
Granted	363	77.62
Exercised	(190)	42.23
Cancelled	(39)	58.03
Balance as at September 30, 2023	**2,226**	**56.42**
Granted	**407**	**68.86**
Exercised	**(433)**	**43.62**
Cancelled	**(21)**	**70.47**
Balance as at September 28, 2024	**2,179**	**61.15**

The information regarding the stock options outstanding and exercisable as at September 28, 2024 is summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices *(Dollars)*	Number *(Thousands)*	Weighted average remaining period *(Months)*	Weighted average exercise price *(Dollars)*	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
41.16 to 57.81	1,037	25.3	51.95	633	50.04
62.82 to 77.75	1,142	62.3	69.51	76	62.82
	2,179	44.7	61.15	709	51.40

The weighted average fair value of $12.07 per option ($13.17 in 2023) for stock options granted during Fiscal 2024 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 3.4% (3.0% in 2023), expected life of 5.6 years (5.6 years in 2023), expected volatility of 16.2% (15.4% in 2023) and expected dividend yield of 1.8% (1.4% in 2023). The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

Compensation expense for these options amounted to $3.7 for Fiscal 2024 ($3.1 in 2023).

Performance share unit plan

The Corporation has a PSU plan. Under this program, senior executives and other key employees (participants) periodically receive a given number of PSUs. The PSUs entitle the participant to Common Shares of the Corporation, or at the latter's discretion, the cash equivalent, if the Corporation meets certain financial performance indicators. PSUs vest at the end of a period of three years.

PSUs outstanding and changes during the year are summarized as follows:

	Number *(Thousands)*
Balance as at September 24, 2022	557
Granted	209
Settled	(138)
Cancelled	(56)
Balance as at September 30, 2023	**572**
Granted	**210**
Settled	**(151)**
Cancelled	**(60)**
Balance as at September 28, 2024	**571**

The weighted average fair value of $70.61 per PSU ($74.16 in 2023) for PSUs granted during Fiscal 2024 was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all PSUs amounted to $9.4 for Fiscal 2024 ($8.8 in 2023).

In Fiscal 2023, the liability for cash-settled PSU awards was reclassified from contributed surplus to other liabilities. As at September 28, 2024, the cash-settled PSU liability amounted to $6.9 ($5.5 as at September 30, 2023). During the third quarter of Fiscal 2023, the Corporation entered into a prepaid equity forward contract to economically hedge a portion of the price risk driven by fluctuations in the fair value of our cash-settled PSU awards (note 25).

Deferred Share Unit Plan

The Corporation has a DSU plan designed to encourage stock ownership by directors who are not Corporation officers. Under this program, directors may choose to receive all or part of their compensation in DSUs. DSUs vest when granted. On leaving, a director receives a lump-sum cash payout from the Corporation.

The DSU expense totalled $4.9 for Fiscal 2024 ($1.8 in 2023). During the third quarter of Fiscal 2023 and the second quarter of Fiscal 2022, the Corporation entered into prepaid equity forward contracts to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards (note 25).

As at September 28, 2024, the DSU liability amounted to $18.3 ($14.7 as at September 30, 2023).

19. DIVIDENDS

In Fiscal 2024, the Corporation paid $294.6 in dividends to holders of Common Shares ($275.0 in 2023), or $1.3075 per share ($1.1825 in 2023). On September 30, 2024, the Corporation's Board of Directors declared a quarterly dividend of $0.3350 per Common Share payable on November 12, 2024.

(Millions of dollars, unless otherwise indicated)

20. EMPLOYEE BENEFITS

The Corporation maintains several defined benefit and defined contribution plans for eligible employees, which provide most participants with pension, ancillary retirement benefits, and other long-term employee benefits which in certain cases are based on the number of years of service or final average salary. The defined benefit plans are funded by the Corporation's contributions, with some plans also funded by participants' contributions. The Corporation also provides eligible employees and retirees with health care, life insurance and other long-term benefits. Ancillary retirement benefits plans and other long-term employee benefits are not funded and are presented in other plans. Pension committees made up of employer and employee representatives are responsible for all administrative decisions concerning certain plans.

Defined benefit pension plans and ancillary retirement benefit plans expose the Corporation to actuarial risks such as interest rate risk, longevity risk, investment risk and inflation risk. Consequently, the Corporation’s investment policy provides for a diversified portfolio whose bond component matches the expected timing and payments of benefits.

The changes in present value of the defined benefit obligation were as follows:

	2024		2023	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance – beginning of year	**1,236.6**	**23.5**	1,286.3	25.4
Participant contributions	**11.4**	**—**	10.5	—
Benefits paid	**(54.7)**	**(3.2)**	(61.1)	(3.2)
Annuity buy-out contracts settlement	**(335.9)**	**—**	—	—
Amounts paid under a settlement	**—**	**(0.1)**	—	(2.2)
Items in net earnings				
Current service cost	**37.4**	**2.0**	41.0	2.0
Past service cost	**—**	**—**	0.6	0.1
Loss from a settlement	**—**	**—**	—	0.4
Interest cost	**65.8**	**1.3**	64.7	1.2
Actuarial losses	**—**	**0.9**	—	0.1
	103.2	**4.2**	106.3	3.8
Items in other comprehensive income				
Actuarial losses (gains) from demographic assumptions	**(9.5)**	**0.1**	—	0.3
Actuarial losses (gains) from financial assumptions	**137.4**	**1.2**	(109.6)	(0.9)
Adjustments due to experience	**7.5**	**—**	4.2	0.3
	135.4	**1.3**	(105.4)	(0.3)
Balance – end of year	**1,096.0**	**25.7**	1,236.6	23.5

The present value of the defined benefit obligation may be reflected as follows:

	2024		2023	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Active plan participants	**69**	**71**	51	70
Deferred plan participants	**9**	**—**	5	—
Retirees	**22**	**29**	44	30

(Millions of dollars, unless otherwise indicated)

The changes in the fair value of plan assets were as follows:

	2024		2023	
	Pension plans	**Other plans**	Pension plans	Other plans
Fair value – beginning of year	**1,451.9**	**—**	1,446.7	—
Employer contributions	**22.9**	**3.3**	20.6	5.4
Participant contributions	**11.4**	**—**	10.5	—
Benefits paid	**(54.7)**	**(3.2)**	(61.1)	(3.2)
Annuity buy-out contracts settlement	**(335.9)**	**—**	—	—
Amounts paid under a settlement	**—**	**(0.1)**	—	(2.2)
Items in net earnings				
Interest income	**76.7**	**—**	70.9	—
Administration costs	**(2.7)**	**—**	(3.0)	—
	74.0	**—**	67.9	—
Item in other comprehensive income				
Return on plan assets, excluding the amounts included in interest income	**181.7**	**—**	(32.7)	—
Fair value – end of year	**1,351.3**	**—**	1,451.9	—

The changes in the asset ceiling and the minimum funding requirement for pension plans were as follows:

	2024		2023	
	Asset ceiling	**Minimum funding requirement**	Asset ceiling	Minimum funding requirement
Balance - beginning of year	**(60.7)**	**—**	(37.1)	—
Interest	**(3.4)**	**—**	(1.8)	—
Change in defined benefit assets	**22.9**	**—**	(21.8)	—
Balance - end of year	**(41.2)**	**—**	(60.7)	—

The value of the economic benefit that determined the asset ceiling represents the amount of surplus that the entity has an unconditional legal right to obtain as a refund, less any associated costs, plus the present value of future contribution holidays. The minimum funding requirement represents the present value of required contributions under the law, which do not result, once made, in an economic benefit for the Corporation.

(Millions of dollars, unless otherwise indicated)

The changes in the defined benefit plans' funding status were as follows:

	2024		2023	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance of defined benefit obligation – end of year	**(1,096.0)**	**(25.7)**	(1,236.6)	(23.5)
Fair value of plan assets – end of year	**1,351.3**	**—**	1,451.9	—
Funded status	**255.3**	**(25.7)**	215.3	(23.5)
Asset ceiling effect	**(41.2)**	**—**	(60.7)	—
	214.1	**(25.7)**	154.6	(23.5)
Defined benefit assets	**225.9**	**—**	160.5	—
Defined benefit liabilities	**(11.8)**	**(25.7)**	(5.9)	(23.5)
	214.1	**(25.7)**	154.6	(23.5)

The defined contribution and defined benefit plans expense recorded in net earnings was as follows:

	2024		2023	
	Pension plans	**Other plans**	Pension plans	Other plans
Defined contribution plans, including multi-employer plans	**33.7**	**—**	34.3	—
Defined benefit plans				
Current service cost	**37.4**	**2.0**	41.0	2.0
Past service cost	**—**	**—**	0.6	0.1
Loss from a settlement	**—**	**—**	—	0.4
Actuarial losses	**—**	**0.9**	—	0.1
Administration costs	**2.7**	**—**	3.0	—
	40.1	**2.9**	44.6	2.6
Employee benefits expense	**73.8**	**2.9**	78.9	2.6
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in net financial costs	**(7.5)**	**1.3**	(4.4)	1.2
Net total expense	**66.3**	**4.2**	74.5	3.8

The remeasurements recognized as other comprehensive income were as follows:

	2024		2023	
	Pension plans	**Other plans**	Pension plans	Other plans
Losses (gains) on accrued obligation	**135.4**	**1.3**	(105.4)	(0.3)
Return on plan assets	**(181.7)**	**—**	32.7	—
Change in the effect of the asset ceiling	**(22.9)**	**—**	21.8	—
	(69.2)	**1.3**	(50.9)	(0.3)

Total cash payments for employee benefits, consisting of cash contributed by the Corporation to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to $26.2 in 2024 ($26.0 in 2023). The Corporation plans to contribute $3.3 to the defined benefit plans and $32.5 to multi-employer plans during the next fiscal year.

(Millions of dollars, unless otherwise indicated)

Weighted average duration of defined benefit obligations was 15 years as at September 28, 2024 and was 13 years as at September 30, 2023.

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2022 and September 2024. The next valuations will be performed in December 2024.

Included in the plan assets are shares, evaluated at Level 1 based on quoted market prices in an active market, bonds and other, evaluated at Level 2 derived from observable market inputs, and annuity buy-in contracts, evaluated at Level 3 derived from unobservable market inputs. The plan assets are held in trust and their weighted average allocation as at the measurement dates were as follows:

Asset categories *(Percentage)*	**2024**	2023
Annuity buy-in contracts	**—**	24
Shares in Canadian corporations	**19**	16
Shares in foreign corporations	**28**	24
Government and corporation bonds	**37**	22
Other	**16**	14

In the third quarter of Fiscal 2024, the Corporation converted $335.9 of qualifying annuity buy-in contracts purchased in Fiscal 2022 for six of the seven defined benefit pension plans to qualifying annuity buy-out contracts to complete the full transfer of these obligations. The contracts were effective on June 30, 2024. These annuity buy-out contracts eliminated all further legal or constructive obligations to the Corporation. Accordingly, the Corporation derecognized the buy-in annuity assets and corresponding defined benefit obligations previously recognized on a net basis. The transactions did not result in a settlement charge as the defined benefit obligations being settled and the qualifying annuity buy-in contracts were of equal value.

Pension plan assets included shares issued by the Corporation with a fair value of $3.9 as at September 28, 2024 ($4.0 as at September 30, 2023).

The principal actuarial assumptions used in determining the defined benefit obligation and service costs were as follows:

	2024		2023	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Discount rate on defined benefit obligation	**4.75**	**4.75**	5.60	5.60
Discount rate on service costs	**5.51**	**5.51**	4.93	4.93
Rate of compensation increase	**3.00**	**3.00**	3.00	3.00
Mortality table	**CPM2014Priv**	**CPM2014Priv**	CPM2014Priv	CPM2014Priv

To determine the most suitable discount rate, management considers the interest rates for high-quality bonds issued by entities operating in Canada with cash flows that match the timing and amount of expected benefit payments. The mortality rate is based on available mortality tables. Projected inflation rates are taken into account in establishing future wage and pension increases.

A 1% change in the discount rate, without taking into consideration any modifications to other assumptions, would have the following effects:

	Pension plans		Other plans	
	1% increase	1% decrease	1% increase	1% decrease
Effect on defined benefit obligation	(147.0)	187.0	(1.9)	2.2

(Millions of dollars, unless otherwise indicated)

The assumed annual health care cost trend rate per participant was set at 5.1% (5.2% in 2023). Under the assumption used, this rate should gradually decline to 4.0% in 2040 and remain at that level thereafter. A 1% change in this rate would have the following effects:

	1% increase	1% decrease
Effect on defined benefit obligation	(1.2)	1.1

The wage and fringe benefits and the employee benefits expenses recorded in net earnings were as follows:

	2024	2023
Wages and fringe benefits	**2,038.9**	1,962.4
Employee benefits expense	**76.7**	81.5
	2,115.6	2,043.9

21. COMMITMENTS

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2033 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2024	2023
Under 1 year	**136.5**	140.5
Between 1 and 5 years	**261.3**	268.0
Over 5 years	**1.0**	1.4
	398.8	409.9

22. CONTINGENCIES

Guarantees

The Corporation has guaranteed loans granted to certain stores by financial institutions, with varying terms through 2029. The balance of these loans amounted to $0.3 as at September 28, 2024 ($0.5 as at September 30, 2023). No liability has been recorded in respect of these guarantees for the years ended September 28, 2024 and September 30, 2023.

Buyback agreements

Under inventory repurchase agreements, the Corporation has undertaken with respect to financial institutions to repurchase at cost the inventories of certain stores, when they are in default, up to the amount drawn on lines of credit granted to these same stores by the financial institutions. As at September 28, 2024, inventory financing amounted to $189.4 ($169.7 as at September 30, 2023). However, under these agreements, the Corporation has not undertaken to make up for any deficit created if the value of inventories falls below the amount of the advances.

Under buyback agreements, the Corporation is committed to financial institutions to purchase equipment held by certain stores and financed by finance leases not exceeding five years and loans not exceeding eight years. For finance leases, the buyback value is linked to the net balance of the lease at the date of the buyback. For equipment financed by bank loans, the minimum buyback value is either set by contract with financial institutions or linked to the loan balance at the buyback date. As at September 28, 2024, financing related to the equipment amounted to $45.2 ($14.2 as at September 30, 2023).

No liability has been recorded in respect of these guarantees for the years ended September 28, 2024 and September 30, 2023 and historically, the Corporation has not made any indemnification payments under such agreements.

Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these claims or the amount of potential losses. No accruals or provisions for contingent losses have been recognized in the Corporation’s annual consolidated financial statements.

In May 2019, two (2) proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including, in Québec, a subsidiary of the Corporation, Pro Doc, and, in Ontario, Pro Doc and Jean Coutu Group. In December 2023, the Ontario Superior Court of Justice dismissed the class action against Pro Doc, Jean Coutu Group and the distributor defendants. As plaintiff did not appeal the decision, this decision is therefore final. In April 2024, the Quebec Superior Court authorized the class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits.

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 and Jean Coutu Group. In April 2021, a proposed class action relating to opioids was filed in Alberta by the City of Grande Prairie (Alberta) and the City of Brantford (Ontario). That proposed class action, amended in late November 2024, is made against multiple defendants, including the Corporation, Pro Doc and Jean Coutu Group. In September 2021, multiple defendants, including Pro Doc and Jean Coutu Group, 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 and Jean Coutu Group. All 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 Québec claim and the British Columbia proposed claim 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, First Nations, Inuit and Metis communities and governments in Canada. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provisions for contingent losses have been recognized in the Corporation’s annual financial statements.

In 2017, the Canadian Competition Bureau began an investigation into the supply and sale of commercial bread which involves certain Canadian suppliers and retailers, including the Corporation. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the *Competition Act*. Proposed class-action lawsuits have also been filed against the Corporation, suppliers and other retailers. On December 19, 2019, the Québec Superior Court granted the application for authorization to institute one of these class actions, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. On December 31, 2021, the Ontario Superior Court of Justice partially certified another of these class actions. The Corporation is contesting all these actions at the certification and on the merits. No provisions for contingent losses have been recognized in the Corporation’s annual consolidated financial statements.

During the 2016 fiscal year, an application for authorization to institute a class action was served on Jean Coutu Group by Sopropharm, an association incorporated under the *Professional Syndicates Act* of which certain franchised drugstore owners of the Jean Coutu Group are members. The application seeks to have the class action authorized in the form of a declaratory action seeking amongst others (i) to set aside certain contractual provisions of the Jean Coutu Group’s standard franchise agreements, including the clause providing for the payment of royalties on sales of medication by franchised establishments; (ii) to restore certain benefits; and (iii) to reduce certain contractual obligations. On November 1, 2018, the Québec Superior Court granted the application for authorization to institute a class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation contests this action on the merits. No provisions for contingent losses have been recognized in the Corporation's annual consolidated financial statements.

(Millions of dollars, unless otherwise indicated)

23. RELATED PARTY TRANSACTIONS

The Corporation has significant interest in the following subsidiaries:

Names	Country of incorporation	Percentage of interest in the capital	Percentage of voting rights
Subsidiaries			
Metro Richelieu Inc.	Canada	100.0	100.0
Metro Ontario Inc.	Canada	100.0	100.0
The Jean Coutu Group (PJC) Inc.	Canada	100.0	100.0
McMahon Distributeur pharmaceutique Inc.	Canada	100.0	100.0
Pro Doc Ltée	Canada	100.0	100.0
RX Information Centre Ltd.	Canada	100.0	100.0
Metro Québec Immobilier Inc.	Canada	100.0	100.0
Metro Ontario Real Estate Limited	Canada	100.0	100.0
Metro Ontario Pharmacies Limited	Canada	100.0	100.0
Adonis Group Inc.	Canada	100.0	100.0
Phoenicia Group Inc.	Canada	100.0	100.0
Première Moisson Group Inc.	Canada	100.0	100.0
Metro Manufacturing Group Inc.	Canada	100.0	100.0

In the normal course of business, the following transactions have been entered into with related parties:

	2024		2023	
	Sales	**Accounts receivable**	Sales	Accounts receivable
Companies controlled by an executive or a member of the Board of Directors	**44.0**	**3.4**	41.7	3.1
	44.0	**3.4**	41.7	3.1

Compensation for the principal officers and directors was as follows:

	2024	2023
Compensation and current benefits	**7.5**	7.3
Post-employment benefits	**1.0**	1.5
Share-based payment	**7.8**	8.9
	16.3	17.7

(Millions of dollars, unless otherwise indicated)

24. MANAGEMENT OF CAPITAL

The Corporation aims to maintain a capital level that enables it to meet several objectives, namely:

- Maintaining an adequate credit rating to obtain an investment grade rating for its term notes.
- Paying total annual dividends representing a target range of 30% to 40% of the prior fiscal year's net earnings, excluding non-recurring items.

In its capital structure, the Corporation considers its stock option and PSU plans for key employees and officers. In addition, the Corporation's stock redemption plan is one of the tools it uses to achieve its objectives.

The Corporation is not subject to any capital requirements imposed by a regulator.

The Corporation's Fiscal 2024 annual results regarding its capital management objectives were as follows:

- a BBB credit rating confirmed by S&P and BBB High/Stable by DBRS (BBB/positive in 2023);
- a dividend representing 29.3% of the previous year net earnings, excluding non-recurring items (29.8% in 2023).

25. FINANCIAL INSTRUMENTS

FAIR VALUE

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:

	2024		2023	
	Book value	**Fair value**	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers *(note 14)*	**47.1**	**47.1**	43.9	43.9
Debt *(note 16)*				
Liabilities measured at amortized cost				
Revolving Credit Facility	**35.4**	**35.4**	39.9	39.9
Series J Notes	**298.8**	**298.8**	288.9	288.9
Series G Notes	**450.0**	**453.1**	450.0	421.0
Series K Notes	**300.0**	**314.5**	300.0	281.0
Series B Notes	**400.0**	**462.7**	400.0	418.7
Series D Notes	**300.0**	**310.6**	300.0	276.4
Series H Notes	**450.0**	**418.9**	450.0	366.9
Series I Notes	**400.0**	**317.8**	400.0	273.4
Loans, nets of deferred financing costs	**40.1**	**40.1**	36.8	36.8
	2,674.3	**2,651.9**	2,665.6	2,403.0

Fair value measurements hierarchy

Fair value measurements of those assets and liabilities recognized at fair value in the consolidated statements of financial position or whose fair value is presented in the notes to the consolidated financial statements are classified in accordance with the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of foreign exchange forward contracts and prepaid equity forward contracts are classified as fair value measurement in Level 1, as they are valued using quoted prices in active markets for identical instruments.

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 classified 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 classified the fair value measurement in Level 2, as it is derived from observable market inputs.

The fair value of bond forwards and interest rate swaps are classified the fair value measurement in Level 2, as they are valued using industry standard models and observable market information.

INTEREST RATE RISK

In the normal course of business, the Corporation is exposed primarily to interest rate risk as a result of loans and receivables that it grants, as well as the revolving credit facility and loans payable that it contracts at variable interest rates.

The Corporation keeps a close watch on interest rate fluctuations and, if warranted, uses derivative financial instruments such as interest rate swap contracts.

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 over the life of the Series J Notes. As at September 28, 2024, the balance of the Series J unsecured senior notes was $298.8 ($288.9 as at September 30, 2023), reflecting an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of $9.9 ($3.8 increase in 2023). The balance of the interest rate swap, recorded in other liabilities, was $1.3 ($12.8 as at September 30, 2023). The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the Series J notes (i.e., notional amount, maturity, payment and reset dates).

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

For the year ended September 28, 2024, a $1.6 decrease ($1.2 increase in 2023) was recorded in operating expenses related to hedge ineffectiveness.

On February 6, 2023, the Corporation issued through a private placement Series K unsecured senior notes in the aggregate principal amount of $300.0, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033. In anticipation of this issuance, on November 14, 2022, the Corporation entered into a bond forward contract designated as cash flow hedge on a component of a highly probable future debt issuance in the amount of $250.0 that effectively locked-in a 10-year fixed interest rate of 2.996%. As at September 28, 2024, the carrying amount of the hedging instrument's cash flow reserve was a debit balance of $1.6 ($1.8 debit balance as at September 30, 2023) and there was no change in the fair value of the derivative for the current year as it matured in 2023 ($3.0 decrease in 2023). In Fiscal 2024, $0.1 ($0.1 in 2023) has been reclassified from Consolidated Statements of Comprehensive income to our Consolidated Statements of Net Income. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the bond forward is identical to the hedged risk component.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the bond lock match the terms of the fixed rate loan (i.e., notional amount, maturity, and payment dates).

The hedge ineffectiveness can arise from:
- Different interest rate curve applied to discount the hedged item and hedging instrument;
- Differences in timing of cash flows of the hedged item and hedging instrument;
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

As at September 28, 2024, there was no hedge ineffectiveness.

CREDIT RISK

Loans and receivables / Guarantees

The Corporation sells products to consumers and retailers in Canada. When it sells products, it gives retailers credit. In addition, to help certain retailers finance business acquisitions, the Corporation grants them long-term loans or guarantees loans obtained by them from financial institutions. Hence, the Corporation is subject to credit risk.

To mitigate such risk, the Corporation performs ongoing credit evaluations of its customers and has adopted a credit policy that defines the credit terms to be met and the required guarantees. As at September 28, 2024 and September 30, 2023, no customer accounted for over 10% of total loans and receivables.

To cover its credit risk, the Corporation holds guarantees over its clients' assets in the form of deposits, movable hypothecs on the Corporation stock and/or second hypothecs on their inventories, movable property, intangible assets and receivables.

In recent years, the Corporation has not recognized any material losses related to credit risk.

As at September 28, 2024, the maximum potential liability under guarantees provided amounted to $0.3 ($0.5 as at September 30, 2023) and no liability had been recognized as at that date.

Financial assets at fair value through profit and loss

With regard to its financial assets at fair value through profit and loss, consisting of foreign exchange forward contracts and a prepaid equity forward contract, the Corporation is subject to credit risk when these contracts result in receivables from financial institutions.

In accordance with its financial risk management policy, the Corporation entered into these agreements with major Canadian financial institutions to reduce its credit risk.

As at September 28, 2024 and September 30, 2023, the maximum exposure to credit risk for the foreign exchange forward contracts and the prepaid equity forward contracts was equal to their carrying amounts.

(Millions of dollars, unless otherwise indicated)

LIQUIDITY RISK

The Corporation is exposed to liquidity risk primarily as a result of its debt, lease liabilities and trade accounts payable.

The Corporation regularly assesses its cash position and feels that its cash flows from operating activities are sufficient to fully cover its cash requirements as regards its financing activities. Its revolving credit facility and its Series J, G, K, B, D, H and I Notes mature only in 2024, 2027, 2033, 2035, 2044, 2047 and 2050, respectively. The Corporation also has an unused authorized balance of $564.6 on its revolving credit facility.

	Undiscounted cash flows (capital and interest)				
	Accounts payable	Facility and loans	Notes	Lease liabilities	Total
Maturing under 1 year	1,645.9	20.0	402.0	326.8	2,394.7
Maturing in 1 to 10 years	—	58.7	1,533.2	1,374.6	2,966.5
Maturing in 11 to 20 years	—	12.0	904.4	149.4	1,065.8
Maturing over 20 years	—	27.3	1,286.2	13.7	1,327.2
	1,645.9	118.0	4,125.8	1,864.5	7,754.2

FOREIGN EXCHANGE RISK

Given that some of its purchases are denominated in foreign currencies and that it has, depending on market conditions, US borrowings on its revolving credit facility, the Corporation is exposed to foreign exchange risk.

In accordance with its financial risk management policy, the Corporation could use derivative financial instruments, consisting of foreign exchange forward contracts and cross currency interest rate swaps, to hedge against the effect of foreign exchange rate fluctuations on its future foreign-denominated purchases of goods and services and on its US borrowings. As at September 28, 2024 and September 30, 2023, the fair value of foreign exchange forward contracts was insignificant and there were no cross-currency interest rate swaps outstanding.

OTHER PRICE RISK

During the third quarter of Fiscal 2023, the Corporation entered into prepaid equity forward contracts to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards and cash-settled PSU awards. These contracts are not designated as hedging instruments for accounting purposes. The prepaid equity forward contracts are hybrid instruments containing an embedded derivative component and a non-derivative financial asset host component. These instruments are recorded at fair value in other assets in our Consolidated Statements of Financial Position and changes in fair value are recorded as operating expenses in our Consolidated Statements of Net Income.

26. EVENTS AFTER THE REPORTING PERIOD

On November 27, 2024, the Corporation issued through a private placement Series L unsecured senior notes in the aggregate principal amount of $500.0, bearing interest at a fixed nominal rate of 3.998%, maturing on November 27, 2029. On December 2, 2024, the Corporation redeemed all of the Series J notes, bearing interest at a fixed nominal rate of 1,92%, in the amount of $300.0 that matured on the same day.

27. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the fiscal year ended September 28, 2024 (including comparative figures) were approved for issue by the Board of Directors on December 11, 2024.

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DIRECTORS AND OFFICERS

Board of Directors

Pierre Boivin[3]
Montréal, Québec
Chair of the Board

Michel Coutu
Montréal, Québec

Marc Guay[1][2]
Oakville, Ontario

Brian McManus[1][2]
Beaconsfield, Québec

Lori-Ann Beausoleil[1][3]
Mississauga, Ontario

Stephanie Coyles[1][3]
Mississauga, Ontario

Eric La Flèche
Town of Mount-Royal, Québec
President and Chief Executive Officer

Pietro Satriano[1]
Winnetka, Illinois

Maryse Bertrand[2][3]
Westmount, Québec

Geneviève Fortier[2]
Blainville, Québec

Christine Magee[2][3]
Oakville, Ontario

François J. Coutu
Montréal, Québec

(1) Member of the Audit Committee
(2) Member of the Human Resources Committee
(3) Member of the Governance and Corporate Responsibility Committee

Management Team of METRO INC.

Eric La Flèche
President and Chief Executive Officer

Carmen Fortino
Executive Vice President, National Supply Chain and Procurement

Christina Bédard
Vice President, Continuous Improvement

Karin Jonsson
Vice President, Corporate Controller

François Thibault
Executive Vice President, Chief Financial Officer and Treasurer

Richard Pruneau
Executive Vice President, Québec

Genevieve Bich
Vice President, Human Resources

Frédéric Legault
Vice President and Chief Information Officer

Marc Giroux
Executive Vice President and Chief Operating Officer - METRO

Lyne Jetté
Senior Vice President, National Procurement

Guillaume Duchesne
Vice President, Application Systems

Simon Rivet
Vice President, General Counsel and Corporate Secretary

Jean-Michel Coutu
President, Pharmacy Division

Michel Avigliano
Vice President, Real Estate and Engineering

Dan Gabbard
Vice President, Logistics and Distribution

Alain Tadros
Vice President and Chief Marketing Officer and Digital Strategy

Paul Bravi
Executive Vice President, Ontario

Marie-Claude Bacon
Vice-President, Public Affairs and Communications

SHAREHOLDER INFORMATION

The corporate information, annual and quarterly reports, the annual information form, and press releases are available on our website: **www.corpo.metro.ca**

*Les renseignements sur la Société, les rapports annuels et trimestriels, la notice annuelle et les communiqués de presse sont disponibles sur Internet à l'adresse suivante : **www.corpo.metro.ca***

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11011 Maurice-Duplessis Blvd.
Montréal, Québec H1C 1V6
Tel: (514) 643-1000

Transfer agent and registrar
TSX Trust Company

Auditors
Ernst & Young LLP

Annual meeting
The Annual General Meeting of Shareholders will be held in hybrid mode on January 28, 2025 at 10:00 a.m.

Stock listing
Toronto Stock Exchange
Ticker Symbol: MRU

DIVIDENDS*

2024 FISCAL YEAR

Declaration date	Record date	Payment date
January 27, 2025	February 13, 2025	March 11, 2025
April 15, 2025	May 7, 2025	May 27, 2025
August 12, 2025	September 4, 2025	September 23, 2025
September 29, 2025	October 23, 2025	November 11, 2025

** Subject to approval by the Board of Directors*

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