



INTERIM REPORT

12-week period ended December 23, 2023

1st Quarter 2024

HIGHLIGHTS

2024 FIRST QUARTER

- Sales of \$4,974.2 million, up 6.5%
 - Food same-store sales⁽¹⁾ up 6.1%, and up 3.4% when adjusting for the Christmas week shift⁽³⁾
 - Pharmacy same-store sales⁽¹⁾ up 3.9%
 - Net earnings of \$228.5 million, down 1.1%, and adjusted net earnings⁽¹⁾ of \$235.0 million, down 1.1%
 - Fully diluted net earnings per share of \$0.99, up 2.1%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$1.02, up 2.0%
 - Declared dividend of \$0.3350 per share, up 10.7% versus last year
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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the first quarter of Fiscal 2024 ended December 23, 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⁽³⁾. Online food sales⁽¹⁾ were up 105.0% versus last year (40.0% in the first quarter of 2023), mostly driven by higher partnership sales. 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.

First quarter net earnings were \$228.5 million in Fiscal 2024 compared with \$231.1 million in 2023 and 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 after-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition.

On January 29, 2024, the Board of Directors declared a quarterly dividend of \$0.3350 per share, an increase of 10.7% versus last year's quarterly dividend.

We recorded solid results in the first quarter as our teams continued to deliver good value to customers in all our food and pharmacy banners. Our discount food stores continue to grow their sales at a faster pace, private label penetration reached new heights and our MOI loyalty program now has 2.5 million members, double the size of Metro&Moi. The opening our new 600,000 square feet automated fresh and frozen distribution center in Terrebonne in October was a success and the ramp-up of operations is on track with our plan and the guidance given in November. We are confident that our sustained investments in the modernization of our supply chain and our retail networks will continue to create long term value for our shareholders⁽²⁾.

Eric La Flèche
President and Chief Executive Officer

January 30, 2024

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on December 23, 2023 for the 12-week period then ended. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes in this interim report.

The unaudited interim condensed consolidated financial statements for the 12-week period ended December 23, 2023 have been prepared by management in accordance with IAS 34 *Interim Financial Reporting*. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes and the MD&A presented in the Corporation's 2023 Annual Report. Unless otherwise stated, the interim report is based on information as at January 19, 2024.

Additional information, including the Certification of Interim Filings for the quarter ended December 23, 2023 signed by the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Treasurer, will also be available on the SEDAR website at: www.sedarplus.ca.

OPERATING RESULTS

SALES

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⁽³⁾. Online food sales⁽¹⁾ were up 105.0% versus last year (40.0% in the first quarter of 2023), mostly driven by higher partnership sales. 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.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION

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

Operating income before depreciation and amortization for the first quarter of Fiscal 2024 totalled \$468.1 million, or 9.4% of sales, an increase of 1.3% versus the corresponding quarter of Fiscal 2023. Last year included gains on disposal of assets of \$4.4 million versus \$1.2 million this year.

Gross margin⁽¹⁾ for the first quarter of Fiscal 2024 was 19.6%, which is the same percentage as the corresponding quarter of 2023.

Operating expenses as a percentage of sales for the first quarter of Fiscal 2024 were 10.2% versus 9.8% in the corresponding quarter of 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.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the first quarter of Fiscal 2024 was \$131.1 million versus \$120.1 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.

NET FINANCIAL COSTS

Net financial costs for the first quarter of Fiscal 2024 were \$32.4 million compared with \$27.1 million for the corresponding quarter of 2023. The increase is mainly due to an increase in debt, higher interest rates and lower capitalized interest related to our distribution center automation projects.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



INCOME TAXES

The income tax expense of \$76.1 million for the first quarter of Fiscal 2024 represented an effective tax rate of 25.0% which reflected a favorable tax adjustment in respect of prior years, compared with an income tax expense of \$83.7 million and an effective tax rate of 26.6% for the first quarter of Fiscal 2023.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

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. Excluding the specific item shown in the table below, 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.

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

	12 weeks / Fiscal Year					
	2024		2023		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	228.5	0.99	231.1	0.97	(1.1)	2.1
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$2.4	6.5		6.5			
Adjusted measures ⁽¹⁾	235.0	1.02	237.6	1.00	(1.1)	2.0

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2024	2023	2022	Change (%)
Sales				
Q1 ⁽³⁾	4,974.2	4,670.9	—	6.5
Q4 ⁽⁴⁾	—	5,071.7	4,432.6	14.4
Q3 ⁽⁵⁾	—	6,427.5	5,865.5	9.6
Q2 ⁽³⁾	—	4,554.5	4,274.2	6.6
Net earnings				
Q1 ⁽³⁾	228.5	231.1	—	(1.1)
Q4 ⁽⁴⁾	—	222.2	168.7	31.7
Q3 ⁽⁵⁾	—	346.7	275.0	26.1
Q2 ⁽³⁾	—	218.8	198.1	10.4
Adjusted net earnings⁽¹⁾				
Q1 ⁽³⁾	235.0	237.6	—	(1.1)
Q4 ⁽⁴⁾	—	228.8	219.4	4.3
Q3 ⁽⁵⁾	—	314.8	283.8	10.9
Q2 ⁽³⁾	—	225.4	204.7	10.1
Fully diluted net earnings per share (Dollars)				
Q1 ⁽³⁾	0.99	0.97	—	2.1
Q4 ⁽⁴⁾	—	0.96	0.70	37.1
Q3 ⁽⁵⁾	—	1.49	1.14	30.7
Q2 ⁽³⁾	—	0.93	0.82	13.4
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)				
Q1 ⁽³⁾	1.02	1.00	—	2.0
Q4 ⁽⁴⁾	—	0.99	0.92	7.6
Q3 ⁽⁵⁾	—	1.35	1.18	14.4
Q2 ⁽³⁾	—	0.96	0.84	14.3

⁽³⁾ 12 weeks

⁽⁴⁾ 13 weeks in 2023, 12 weeks in 2022

⁽⁵⁾ 16 weeks

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⁽³⁾. Online food sales⁽¹⁾ were up 105.0% versus last year (40.0% in the first quarter of 2023), mostly driven by higher partnership sales. 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.

Sales in the fourth quarter of Fiscal 2023 remained strong, reaching \$5,071.7 million, and up 14.4% versus the fourth quarter of the prior year. Excluding the 13th week in 2023, fourth quarter sales were up 5.4%. Food same-store sales⁽¹⁾ were up 6.8% (8.0% in the fourth quarter of 2022) driven mostly by our discount banners. Online food sales⁽¹⁾ were up 116.0% versus last year (33.0% in the fourth quarter of 2022), mostly driven by higher partnership sales. Our food basket inflation was about 5.5%, lower than reported CPI and down from 8.0% in the third quarter. Pharmacy same-store sales⁽¹⁾ were up 5.5% (7.4% in the fourth quarter of 2022), with a 6.7% increase in prescription drugs⁽¹⁾ and a 3.1% increase in front-store sales⁽¹⁾, with increases across most categories except over-the-counter products as we cycled very high sales last year due to a strong cough and cold season.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



Sales in the third quarter of Fiscal 2023 remained strong, reaching \$6,427.5 million, and up 9.6%. Food same-store sales⁽¹⁾ were up 9.4% (1.1% in the third quarter of 2022) driven by the continuing shift to discount and high inflation. Online food sales⁽¹⁾ were up 99.0% versus last year (flat in the third quarter of 2022), mostly driven by higher partnership sales. Our food basket inflation was about 8.0%, lower than reported food CPI and lower than the previous quarter. Pharmacy same-store sales⁽¹⁾ were up 5.9% (7.2% in the third quarter of 2022), with a 6.7% increase in prescription drugs⁽¹⁾ and a 4.1% increase in front-store sales⁽¹⁾, with increases across most categories except over-the-counter products.

Sales in the second quarter of Fiscal 2023 remained strong, reaching \$4,554.5 million, up 6.6% compared to elevated sales last year due to COVID-related restrictions in both provinces. Food same-store sales⁽¹⁾ were up 5.8% versus the same quarter last year mainly due to higher inflation this quarter (0.8% in the second quarter of 2022). Online food sales⁽¹⁾ were up 41.0% versus last year (6.0% in the second quarter of 2022), mostly driven by new partnership sales. Our food basket inflation was 9.0%, down slightly from the previous quarter. Pharmacy same-store sales⁽¹⁾ were up 7.3% (9.4% in the second quarter of 2022), with a 5.0% increase in prescription drugs⁽¹⁾ and a 12.2% 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 fourth quarter of Fiscal 2023 were \$222.2 million compared with \$168.7 million for the fourth quarter of 2022, while fully diluted net earnings per share were \$0.96 compared with \$0.70 in 2022, up 31.7% and 37.1%, respectively. Adjusted net earnings⁽¹⁾ for the fourth quarter of Fiscal 2023 totalled \$228.8 million compared with \$219.4 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.99 versus \$0.92, up 4.3% and 7.6% respectively. The fourth quarters of 2023 and 2022 included adjustments for the pre-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$9.0 million, the impairment of a loyalty program of \$60.0 million in the fourth quarter of 2022 as well as the income taxes relating to these items. 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. The 13th week had a favorable impact of \$27.0 million net of tax or \$0.12 per share.

Net earnings for the third quarter of Fiscal 2023 were \$346.7 million compared with \$275.0 million for the third quarter of 2022, while fully diluted net earnings per share were \$1.49 compared with \$1.14 in 2022, up 26.1% and 30.7%, respectively. Adjusted net earnings⁽¹⁾ for the third quarter of Fiscal 2023 totalled \$314.8 million compared with \$283.8 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.35 versus \$1.18, up 10.9% and 14.4% respectively. The third quarters of 2023 and 2022 included adjustments 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 these items and the third quarter of 2023 also included an adjustment for a favorable \$40.7 million income tax entry in respect of prior years.

Net earnings for the second quarter of Fiscal 2023 were \$218.8 million compared with \$198.1 million for the second quarter of 2022, while fully diluted net earnings per share were \$0.93 compared with \$0.82 in 2022, up 10.4% and 13.4%, respectively. Excluding from the second quarters of Fiscal 2023 and 2022, the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$8.9 million as well as income taxes relating to these items, adjusted net earnings⁽¹⁾ for the second quarter of Fiscal 2023 totalled \$225.4 million compared with \$204.7 million for the corresponding quarter of 2022 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.96 compared with \$0.84, up 10.1% and 14.3% respectively.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(Millions of dollars)</i>								
Net earnings	228.5	222.2	346.7	218.8	231.1	168.7	275.0	198.1
Impairment of a loyalty program, after taxes	—	—	—	—	—	44.1	—	—
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.5	6.6	8.8	6.6	6.5	6.6	8.8	6.6
Favorable tax adjustment in respect of prior years	—	—	(40.7)	—	—	—	—	—
Adjusted net earnings ⁽¹⁾	235.0	228.8	314.8	225.4	237.6	219.4	283.8	204.7

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(Dollars)</i>								
Fully diluted net earnings per share	0.99	0.96	1.49	0.93	0.97	0.70	1.14	0.82
Adjustments impact	0.03	0.03	(0.14)	0.03	0.03	0.22	0.04	0.02
Adjusted fully diluted net earnings per share ⁽¹⁾	1.02	0.99	1.35	0.96	1.00	0.92	1.18	0.84

CASH POSITION

OPERATING ACTIVITIES

In the first quarter of Fiscal 2024, operating activities generated cash inflows of \$172.3 million compared with \$210.2 million in the corresponding quarter of 2023. The decline is mainly due to changes in non-cash working capital items.

INVESTING ACTIVITIES

Investing activities required cash outflows of \$87.2 million for the first quarter of Fiscal 2024 compared with \$94.1 million for the corresponding quarter of 2023. This difference stemmed mainly from lower investments in tangible and intangible assets of \$12.0 million in 2024.

During the first quarter of 2024, we and our retailers opened 3 stores, and carried out major expansions and renovations of 4 stores for a net increase of 88,400 square feet or 0.4% of our food retail network.

FINANCING ACTIVITIES

In the first quarter of 2024, financing activities required cash outflows of \$114.1 million compared with \$128.0 million in the corresponding quarter of 2023. This difference is mainly due to an increase in debt, partly offset by higher share repurchases in 2024.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



FINANCIAL POSITION

We do not anticipate⁽²⁾ any liquidity risk and consider our financial position at the end of the first quarter of 2024 as very solid. We had an unused authorized revolving credit facility of \$364.3 million.

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

	Interest Rate	Maturity	Notional (Millions of dollars)
	Rates fluctuate with changes in bankers' acceptance rates		
Revolving Credit Facility		October 27, 2028	235.7
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

As at December 23, 2023, the revolving credit facility included loans of \$125.0 million (US \$93.5 million) (nil as at September 30, 2023) and the Corporation entered into cross currency interest rate swaps to hedge against the effect of interest rate fluctuations on the USD borrowings. As at December 17, 2022, the revolving credit facility included loans of \$100.0 million (US \$74.0 million) and the Corporation entered into cross currency interest rate swaps to hedge against the effect of interest rate fluctuations on the USD borrowings. During the period ended March 11, 2023 the Corporation repaid all our revolving credit facility drawn in US currency and the cross-currency interest rate swaps entered into during the period ended December 17, 2022 came to maturity.

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 December 23, 2023, the balance of the Series J unsecured senior notes was \$292.7 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 \$3.8 million in 2024 (increase of \$3.8 million in 2023).

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at December 23, 2023	As at September 30, 2023
Number of Common Shares outstanding (<i>Thousands</i>)	227,031	228,653
Stock options:		
Number outstanding (<i>Thousands</i>)	2,537	2,226
Exercise prices (<i>Dollars</i>)	40.23 to 77.75	40.23 to 77.75
Weighted average exercise price (<i>Dollars</i>)	58.83	56.42
Performance share units:		
Number outstanding (<i>Thousands</i>)	569	572

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



NORMAL COURSE ISSUER BID PROGRAM

Under the current normal course issuer bid program, the Corporation may repurchase up to 7,000,000 of its Common Shares between November 25, 2023 and November 24, 2024. Between November 25, 2023 and January 19, 2024, the Corporation has repurchased 1,675,000 Common Shares at an average price of \$67.89, for a total consideration of \$113.7 million.

DIVIDENDS

On January 29, 2024, the Board of Directors declared a quarterly dividend of \$0.3350 per share, an increase of 10.7% versus last year's quarterly dividend.

SHARE TRADING

The value of METRO shares remained in the \$65.43 to \$76.15 range over first quarter of Fiscal 2024. During this period, a total of 30.5 million shares were traded on the Toronto Stock Exchange. The closing price on January 19, 2024 was \$69.76 compared with \$70.54 at the end of Fiscal 2023.

FORWARD-LOOKING INFORMATION

We have used, throughout this report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained herein that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "anticipate", "continue", "expect" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food and pharmaceutical industries, the general economy, our annual budget, as well as our 2024 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. Risk factors that could cause actual results or events to differ materially from our expectations as expressed in, or implied by, our forward-looking statements are described and discussed under the "Risk Management" section in our Annual Report 2023.

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

NON-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").

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 net earnings is a non-GAAP financial measurement that with respect to its composition is adjusted to exclude an amount that is included in, or include an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in our consolidated financial statements.

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



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.

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 and 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.

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

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

OUTLOOK⁽²⁾

With the launch of our new state-of-the-art automated distribution centre in Terrebonne, and the launch of the final phase of our automated fresh produce plant in Toronto next spring, we are facing significant headwinds in Fiscal 2024 as we incur some temporary duplication of costs and learning curve inefficiencies, as well as higher depreciation and lower capitalized interest. While these investments position us well for continued long-term profitable growth, we will not fully absorb these additional expenses in the current fiscal year and are forecasting operating income before depreciation and amortization to grow by less than 2% and adjusted net earnings per share to be flat to down \$0.10 in Fiscal 2024 versus the level reported in Fiscal 2023. We expect to resume our profit growth post Fiscal 2024 and are maintaining our publicly disclosed annual growth target of between 8% and 10% for net earnings per share over the medium and long term.

Montréal, January 30, 2024

⁽¹⁾ See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"

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

⁽³⁾ This measure compares same-store-sales⁽¹⁾ for the 12-week period ending December 23, 2023 with that ending December 22, 2022.



Interim Condensed Consolidated Financial Statements
(*Unaudited*)

METRO INC.

December 23, 2023

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Consolidated statements of net income

Periods ended December 23, 2023 and December 17, 2022

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

	12 weeks	
	Fiscal Year	
	2024	2023
Sales	4,974.2	4,670.9
Cost of sales	(4,000.9)	(3,755.1)
Gross profit	973.3	915.8
Operating expenses	(506.4)	(458.2)
Gains on disposal of assets	1.2	4.4
Operating income before depreciation and amortization	468.1	462.0
Depreciation and amortization	(131.1)	(120.1)
Net financial costs	(32.4)	(27.1)
Earnings before income taxes	304.6	314.8
Income taxes (note 2)	(76.1)	(83.7)
Net earnings	228.5	231.1
Attributable to:		
Equity holders of the parent	227.0	229.8
Non-controlling interest	1.5	1.3
	228.5	231.1
Net earnings per share (Dollars) (note 3)		
Basic	0.99	0.97
Fully diluted	0.99	0.97

See accompanying notes



Consolidated statements of comprehensive income

Periods ended December 23, 2023 and December 17, 2022

(Unaudited) (Millions of dollars)

	12 weeks	
	Fiscal Year	
	2024	2023
Net earnings	228.5	231.1
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (losses) (note 7)	(24.3)	57.0
Asset ceiling effect	1.3	(24.3)
Corresponding income taxes	6.1	(8.7)
	(16.9)	24.0
Items that will be reclassified later to net earnings		
Change in fair value of derivatives designated as cash flow hedges	—	(5.6)
Corresponding income taxes	—	1.5
	—	(4.1)
	(16.9)	19.9
Comprehensive income	211.6	251.0
Attributable to:		
Equity holders of the parent	210.1	249.7
Non-controlling interest	1.5	1.3
	211.6	251.0

See accompanying notes



Consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at December 23, 2023	As at September 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	0.5	29.5
Accounts receivable	840.1	728.3
Accounts receivable on subleases	95.4	96.1
Inventories	1,628.2	1,451.0
Prepaid expenses	66.2	65.9
Current taxes	23.2	32.8
	2,653.6	2,403.6
Non-current assets		
Fixed assets	3,795.1	3,768.3
Right-of-use assets	937.5	942.8
Intangible assets	2,725.7	2,733.0
Goodwill	3,312.9	3,307.4
Deferred taxes	37.9	37.9
Defined benefit assets	139.9	160.5
Accounts receivable on subleases	412.9	426.5
Other assets (note 8)	83.1	85.3
	14,098.6	13,865.3
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (note 8)	1,625.9	1,619.4
Deferred revenues	58.7	36.8
Current taxes	12.3	6.9
Current portion of debt (notes 4 and 8)	318.4	19.3
Current portion of lease liabilities	274.4	278.4
	2,289.7	1,960.8
Non-current liabilities		
Debt (note 4)	2,548.2	2,646.3
Lease liabilities	1,358.3	1,380.3
Defined benefit liabilities	30.7	29.4
Deferred taxes	999.4	1,001.6
Other liabilities (note 8)	24.8	30.6
	7,251.1	7,049.0
Equity		
Attributable to equity holders of the parent	6,831.2	6,801.2
Attributable to non-controlling interest	16.3	15.1
	6,847.5	6,816.3
	14,098.6	13,865.3

See accompanying notes



Consolidated statements of changes in equity
Periods ended December 23, 2023 and December 17, 2022
(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent						Total	Non-controlling interest	Total equity
	Capital stock <i>(note 5)</i>	Treasury shares <i>(note 5)</i>	Contributed surplus	Retained earnings	Accumulated other comprehensive income				
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	—	—	—	227.0	—	227.0	1.5	228.5	
Other comprehensive income	—	—	—	(16.9)	—	(16.9)	—	(16.9)	
Comprehensive income	—	—	—	210.1	—	210.1	1.5	211.6	
Stock options exercised	3.8	—	(0.5)	—	—	3.3	—	3.3	
Shares redeemed <i>(note 5)</i>	(11.9)	—	—	—	—	(11.9)	—	(11.9)	
Share redemption premium <i>(note 5)</i>	—	—	—	(104.6)	—	(104.6)	—	(104.6)	
Share-based compensation cost	—	—	2.2	—	—	2.2	—	2.2	
Dividends	—	—	—	(69.1)	—	(69.1)	(0.3)	(69.4)	
	(8.1)	—	1.7	(173.7)	—	(180.1)	(0.3)	(180.4)	
Balance as at December 23, 2023	1,593.0	(17.9)	25.3	5,232.0	(1.2)	6,831.2	16.3	6,847.5	

	Attributable to the equity holders of the parent						Total	Non-controlling interest	Total equity
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income				
Balance as at September 24, 2022	1,649.3	(16.2)	23.3	4,947.2	0.9	6,604.5	13.9	6,618.4	
Net earnings	—	—	—	229.8	—	229.8	1.3	231.1	
Other comprehensive income	—	—	—	24.0	(4.1)	19.9	—	19.9	
Comprehensive income	—	—	—	253.8	(4.1)	249.7	1.3	251.0	
Stock options exercised	4.6	—	(0.5)	—	—	4.1	—	4.1	
Shares redeemed <i>(note 5)</i>	(10.8)	—	—	—	—	(10.8)	—	(10.8)	
Share redemption premium <i>(note 5)</i>	—	—	—	(97.9)	—	(97.9)	—	(97.9)	
Share-based compensation cost	—	—	2.6	—	—	2.6	—	2.6	
Dividends	—	—	—	(64.8)	—	(64.8)	(0.2)	(65.0)	
Buyout of minority interests	—	—	—	—	—	—	(0.2)	(0.2)	
	(6.2)	—	2.1	(162.7)	—	(166.8)	(0.4)	(167.2)	
Balance as at December 17, 2022	1,643.1	(16.2)	25.4	5,038.3	(3.2)	6,687.4	14.8	6,702.2	

See accompanying notes



Consolidated statements of cash flows

Periods ended December 23, 2023 and December 17, 2022

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year	
	2024	2023
Operating activities		
Earnings before income taxes	304.6	314.8
Non-cash items		
Depreciation and amortization	131.1	120.1
Gains on disposal of assets	(1.2)	(4.4)
Share-based compensation cost	2.9	2.6
Difference between amounts paid for employee benefits and current period cost	0.3	6.1
Net financial costs	32.4	27.1
	470.1	466.3
Net change in non-cash working capital items	(240.6)	(179.3)
Income taxes paid	(57.2)	(76.8)
	172.3	210.2
Investing activities		
Buyout of minority interests	—	(0.2)
Net change in other assets (note 8)	2.1	8.4
Additions to fixed assets (note 8)	(97.1)	(107.9)
Disposal of fixed assets (note 8)	0.3	0.1
Additions to intangible assets	(20.2)	(21.4)
Payments received from subleases	24.0	23.4
Interest received from subleases	3.7	3.5
	(87.2)	(94.1)
Financing activities		
Shares issued	3.3	4.1
Shares redeemed	(116.5)	(108.7)
Increase in debt (notes 4 and 8)	209.2	163.2
Repayment of debt (notes 4 and 8)	(13.7)	(0.2)
Interest paid on debt	(46.5)	(43.5)
Payment of lease liabilities (principal)	(68.6)	(68.0)
Payment of lease liabilities (interest)	(12.1)	(11.1)
Net change in other liabilities (note 8)	(0.1)	1.0
Dividends	(69.1)	(64.8)
	(114.1)	(128.0)
Net change in cash and cash equivalents	(29.0)	(11.9)
Cash and cash equivalents — beginning of period	29.5	13.4
Cash and cash equivalents — end of period	0.5	1.5

see accompanying notes



Notes to interim condensed consolidated financial statements

Periods ended December 23, 2023 and December 17, 2022

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

1. STATEMENT PRESENTATION

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 drugstores. 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.

The unaudited interim condensed consolidated financial statements for the 12-week period ended December 23, 2023 have been prepared by management in accordance with IAS 34 *Interim Financial Reporting* and using the same accounting policies and methods of computation as those used in preparing the audited annual consolidated financial statements for the year ended September 30, 2023. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2023 Annual Report.

2. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	12 weeks Fiscal Year	
	2024	2023
Combined statutory income tax rate	26.5	26.5
Changes		
Favorable tax adjustment in respect of prior years	(1.6)	—
Other	0.1	0.1
	25.0	26.6

3. NET EARNINGS PER SHARE

Basic net earnings per share and fully diluted net earnings per share were calculated using the following number of shares:

(Millions)	12 weeks Fiscal Year	
	2024	2023
Weighted average number of shares outstanding – Basic	228.3	235.4
Dilutive effect under:		
Stock option plan	0.4	0.6
Performance share unit plan	0.3	0.3
Weighted average number of shares outstanding – Fully diluted	229.0	236.3



Notes to interim condensed consolidated financial statements

Periods ended December 23, 2023 and December 17, 2022

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

4. DEBT

As at December 23, 2023, the revolving credit facility included loans of \$125.0 (US \$93.5) (nil as at September 30, 2023) and the Corporation entered into cross currency interest rate swaps to hedge against the effect of interest rate fluctuations on the USD borrowings. As at December 17, 2022, the revolving credit facility included loans of \$100.0 (US \$74.0) and the Corporation entered into cross currency interest rate swaps to hedge against the effect of interest rate fluctuations on the USD borrowings. During the period ended March 11, 2023 the Corporation repaid all our revolving credit facility drawn in US currency and the cross-currency interest rate swaps entered into during the period ended December 17, 2022 came to maturity.

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 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 interest rate swap effectively locking in a floating rate of interest of 11 basis points (0.11%) over the 3-month bankers' acceptance rate (CDOR) over the life of the Series J Notes. As at December 23, 2023, the balance of the Series J unsecured senior notes was \$292.7 (\$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 \$3.8 in 2024 (increase of \$3.8 in 2023).

5. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued and the changes during the 12-week period ended December 23, 2023 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 \$104.6	(1,705)	(11.9)
Stock options exercised	83	3.8
Balance as at December 23, 2023	227,327	1,593.0

TREASURY SHARES

The treasury shares changes during the 12-week period ended December 23, 2023 are summarized as follows:

	Number (Thousands)	
Balance as at September 24, 2022	335	(16.2)
Acquisition	99	(7.6)
Release	(138)	5.9
Balance as at September 30, 2023 and December 23, 2023	296	(17.9)



Notes to interim condensed consolidated financial statements

Periods ended December 23, 2023 and December 17, 2022

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

Treasury shares are held in trust for the performance share unit (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.

Excluding treasury shares from the Common Shares issued, the Corporation had 227,031,000 outstanding Common Shares issued as at December 23, 2023 (228,653,000 as at September 30, 2023).

STOCK OPTION PLAN

The outstanding options and the changes during the 12-week period ended December 23, 2023 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	400	68.77
Exercised	(83)	41.25
Cancelled	(6)	69.51
Balance as at December 23, 2023	2,537	58.83

The exercise prices of the outstanding options ranged from \$40.23 to \$77.75 as at December 23, 2023 with expiration dates up to 2030. Of these options, 848,456 could be exercised at a weighted average exercise price of \$49.01.

The compensation expense for these options amounted to \$0.7 for the 12-week period ended December 23, 2023 (\$0.6 in 2023).

PERFORMANCE SHARE UNIT PLAN

PSUs outstanding and changes during the 12-week period ended December 23, 2023 are summarized as follows:

	Number (Thousands)
Balance as at September 24, 2022	557
Granted	209
Exercised	(138)
Cancelled	(56)
Balance as at September 30, 2023	572
Cancelled	(3)
Balance as at December 23, 2023	569

The compensation expense for the PSU plan amounted to \$2.2 for the 12-week period ended December 23, 2023 (\$2.0 in 2023).



Notes to interim condensed consolidated financial statements

Periods ended December 23, 2023 and December 17, 2022

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

6. FINANCIAL INSTRUMENTS

The book and fair values of financial instruments, other than those with carrying amounts which were a reasonable approximation of their fair values, were as follows:

	As at December 23, 2023		As at September 30, 2023	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers	45.5	45.5	43.9	43.9
Debt				
Liabilities measured at amortized cost				
Revolving Credit Facility	235.7	235.7	39.9	39.9
Series J Notes	292.7	292.7	288.9	288.9
Series G Notes	450.0	437.1	450.0	421.0
Series K Notes (note 4)	300.0	307.8	300.0	281.0
Series B Notes	400.0	446.6	400.0	418.7
Series D Notes	300.0	307.3	300.0	276.4
Series H Notes	450.0	413.9	450.0	366.9
Series I Notes	400.0	321.9	400.0	273.4
Loans (note 8)	50.7	50.7	49.6	49.6
	2,879.1	2,813.7	2,678.4	2,415.8

The fair value of loans to certain customers and loans payable are equivalent to their carrying values since their interest rates are comparable to market rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs.

The fair value of notes represents the obligations that the Corporation would have to meet in the event of the negotiation of similar notes under current market conditions. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs.

7. CHANGES IN DEFINED BENEFIT PLANS

During the 12-week period ended December 23, 2023, the Corporation recorded, in the consolidated statements of comprehensive income, actuarial losses of \$24.3 mainly attributable to the decrease in the discount rate of 0.93%, net of variations in the fair value of assets. During the 12-week period ended December 17, 2022, the Corporation recorded, in the consolidated statements of comprehensive income, actuarial gains of \$57.0 mainly attributable to the increase in the fair value on plan assets, net of variations in the obligation.

Post-employment benefits expense recorded in the consolidated statements of income during the 12-week period ending December 23, 2023 was \$17.2 (\$17.8 in 2022).



Notes to interim condensed consolidated financial statements

Periods ended December 23, 2023 and December 17, 2022

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

8. COMPARATIVE FIGURES

Investment properties, bank loans, current and non-current provisions which were previously presented separately in the consolidated statements of financial position are now presented respectively in other assets, current portion of debt, accounts payable and other liabilities.

9. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week period ended December 23, 2023 (including comparative figures) were approved for issue by the Board of Directors on January 29, 2024.

INFORMATION

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METRO INC.'s corporate information and press releases are available on our website: www.corpo.metro.ca

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