



INTERIM REPORT

16-week period ended July 6, 2024

3rd Quarter 2024

HIGHLIGHTS

2024 THIRD QUARTER

- Sales of \$6,651.8 million, up 3.5%
- Food same-store sales⁽¹⁾ up 2.4%
- Pharmacy same-store sales⁽¹⁾ up 5.2%
- Net earnings of \$296.2 million, down 14.6%, and adjusted net earnings⁽¹⁾ of \$305.0 million, down 3.1%
- Fully diluted net earnings per share of \$1.31, down 12.1%, and adjusted fully diluted net earnings per share⁽¹⁾ of \$1.35, unchanged versus last year
- Transition to the new automated Terrebonne distribution centre completed

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



REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the third quarter of Fiscal 2024 ended July 6, 2024.

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.

Third quarter net earnings were \$296.2 million in Fiscal 2024 compared with \$346.7 million in 2023 and 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 after-tax amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition. The third quarter of 2023 also included an adjustment for a favorable \$40.7 million income tax entry in respect of prior years.

On August 13, 2024, the Board of Directors declared a quarterly dividend of \$0.3350 per share, the same amount declared last quarter.

We recorded solid comparable sales growth in the third quarter, on top of a very strong quarter last year, reflecting effective merchandising and good execution in our food and pharmacy banners. Our new automated fresh and frozen facility in Terrebonne is now fully operational with productivity levels ramping up in line with our plans, and the transfer to the last phase of our automated fresh facility in Toronto has begun. While food inflation continues to decline, we know the environment remains difficult for many of our customers, and our teams are focused on offering them the best value possible.

Eric La Flèche
President and Chief Executive Officer

August 14, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on July 6, 2024 for the 16 and 40-week periods then ended. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes in this interim report.

The unaudited interim condensed consolidated financial statements for the 16 and 40-week periods ended July 6, 2024 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 August 2, 2024.

Additional information, including the Certification of Interim Filings for the quarter ended July 6, 2024 signed by the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Treasurer, will be available on the SEDAR website at: www.sedarplus.ca.

OPERATING RESULTS

SALES

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 first 40 weeks of Fiscal 2024 totalled \$16,281.5 million, up 4.0% compared to \$15,652.9 million for the corresponding period of 2023.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND IMPAIRMENTS OF ASSETS

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

Operating income before depreciation and amortization and impairments of assets for the third quarter of Fiscal 2024 totalled \$620.2 million, or 9.3% of sales, an increase of 1.3% versus the corresponding quarter of Fiscal 2023. This quarter, operating income before depreciation and amortization and impairments of assets included a loss on disposal of assets of \$1.7 million versus a gain of \$0.2 million last year. Operating income before depreciation and amortization and impairments of assets for the first 40 weeks of Fiscal 2024 totalled \$1,527.4 million or 9.4% of sales, up 0.4% versus the corresponding period of 2023. This year, operating income before depreciation and amortization and impairments of assets included a gain on disposal of assets of \$6.7 million versus a gain of \$4.3 million last year.

Gross margin⁽¹⁾ for the third quarter and the first 40 weeks of Fiscal 2024 were 19.6% and 19.7% respectively, versus 19.6% and 19.8% for the corresponding periods of 2023.

Operating expenses as a percentage of sales for the third quarter of Fiscal 2024 were 10.2% versus 10.1% in the corresponding quarter of 2023. For the first 40 weeks of Fiscal 2024, operating expenses as a percentage of sales were 10.3% versus 10.1% for the corresponding period 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.

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DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the third quarter of Fiscal 2024 was \$174.0 million versus \$159.5 million for the corresponding quarter of 2023. For the first 40 weeks of Fiscal 2024, total depreciation and amortization expense was \$434.6 million versus \$400.2 million for the corresponding period 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.

IMPAIRMENTS OF ASSETS

During the second quarter of Fiscal 2024, the Corporation recorded \$20.8 million of impairments 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 the third quarter of Fiscal 2024 were \$46.6 million compared with \$37.1 million for the corresponding quarter of 2023. For the first 40 weeks of Fiscal 2024, net financial costs were \$113.1 million compared with \$92.5 million for the corresponding period of 2023. The increase is mainly due to an increase in debt and lower capitalized interest related to our distribution center automation projects.

INCOME TAXES

The income tax expense of \$103.4 million for the third quarter of Fiscal 2024 represented an effective tax rate of 25.9% compared with an income tax expense of \$69.0 million and an effective tax rate of 16.6% for the third quarter of Fiscal 2023. The third quarter of 2023 included an adjustment for a favorable \$40.7 million income tax entry in respect of prior years. The 40-week period income tax expense of \$247.1 million for Fiscal 2024 and \$232.3 million for Fiscal 2023 represented effective tax rates of 25.8% and 22.6% respectively.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

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

Net earnings for the first 40 weeks of Fiscal 2024 were \$711.8 million compared with \$796.6 million for the corresponding period of 2023, while fully diluted net earnings per share were \$3.13 compared with \$3.39 in 2023, down 10.6% and 7.7% respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the first 40 weeks of Fiscal 2024 totalled \$746.4 million compared with \$777.8 million for the corresponding period of 2023, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$3.28 versus \$3.31, down 4.0% and 0.9% respectively.

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

	16 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	296.2	1.31	346.7	1.49	(14.6)	(12.1)
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of \$3.1	8.8		8.8			
Favorable tax adjustment in respect of prior years	—		(40.7)			
Adjusted measures⁽¹⁾	305.0	1.35	314.8	1.35	(3.1)	—

	40 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	711.8	3.13	796.6	3.39	(10.6)	(7.7)
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 \$7.8	21.9		21.9			
Favorable tax adjustment in respect of prior years	—		(40.7)			
Adjusted measures⁽¹⁾	746.4	3.28	777.8	3.31	(4.0)	(0.9)

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QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2024	2023	2022	Change (%)
Sales				
Q3 ⁽³⁾	6,651.8	6,427.5	—	3.5
Q2 ⁽⁴⁾	4,655.5	4,554.5	—	2.2
Q1 ⁽⁴⁾	4,974.2	4,670.9	—	6.5
Q4 ⁽⁵⁾	—	5,071.7	4,432.6	14.4
Net earnings				
Q3 ⁽³⁾	296.2	346.7	—	(14.6)
Q2 ⁽⁴⁾	187.1	218.8	—	(14.5)
Q1 ⁽⁴⁾	228.5	231.1	—	(1.1)
Q4 ⁽⁵⁾	—	222.2	168.7	31.7
Adjusted net earnings⁽¹⁾				
Q3 ⁽³⁾	305.0	314.8	—	(3.1)
Q2 ⁽⁴⁾	206.4	225.4	—	(8.4)
Q1 ⁽⁴⁾	235.0	237.6	—	(1.1)
Q4 ⁽⁵⁾	—	228.8	219.4	4.3
Fully diluted net earnings per share (Dollars)				
Q3 ⁽³⁾	1.31	1.49	—	(12.1)
Q2 ⁽⁴⁾	0.83	0.93	—	(10.8)
Q1 ⁽⁴⁾	0.99	0.97	—	2.1
Q4 ⁽⁵⁾	—	0.96	0.70	37.1
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)				
Q3 ⁽³⁾	1.35	1.35	—	—
Q2 ⁽⁴⁾	0.91	0.96	—	(5.2)
Q1 ⁽⁴⁾	1.02	1.00	—	2.0
Q4 ⁽⁵⁾	—	0.99	0.92	7.6

⁽³⁾ 16 weeks

⁽⁴⁾ 12 weeks

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

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 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.

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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.

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. 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.

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.

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 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.

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(Millions of dollars)	2024			2023				2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net earnings	296.2	187.1	228.5	222.2	346.7	218.8	231.1	168.7
Loss on impairment of a loyalty program, net of taxes	—	18.1	—	—	—	—	—	44.1
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	8.8	6.6	6.5	6.6	8.8	6.6	6.5	6.6
Favorable tax adjustment in respect of prior years	—	—	—	—	(40.7)	—	—	—
Adjusted net earnings ⁽¹⁾	305.0	206.4	235.0	228.8	314.8	225.4	237.6	219.4

(Dollars)	2024			2023				2022
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Fully diluted net earnings per share	1.31	0.83	0.99	0.96	1.49	0.93	0.97	0.70
Adjustments impact	0.04	0.08	0.03	0.03	(0.14)	0.03	0.03	0.22
Adjusted fully diluted net earnings per share ⁽¹⁾	1.35	0.91	1.02	0.99	1.35	0.96	1.00	0.92

CASH POSITION

OPERATING ACTIVITIES

In the third quarter of Fiscal 2024, operating activities generated cash inflows of \$593.6 million compared with \$545.9 million in the corresponding quarter of 2023. In the first 40 weeks of Fiscal 2024, operating activities generated cash inflows of \$1,223.3 million compared with \$1,176.4 million for the corresponding period of 2023. The increase is mainly due to the lower taxes paid in the first 40 weeks of fiscal 2024 compared to the corresponding period of 2023.

INVESTING ACTIVITIES

Investing activities required cash outflows of \$149.5 million for the third quarter of Fiscal 2024 compared with \$138.5 million for the corresponding quarter of 2023. This difference stemmed mainly from higher investments in tangible and intangible assets of \$22.0 million.

In the first 40 weeks of Fiscal 2024, investing activities required cash outflows of \$306.3 million compared with \$364.9 million for the corresponding period of 2023. This difference stemmed mainly from lower investments in tangible and intangible assets of \$41.7 million in 2024.

During the first 40 weeks of Fiscal 2024, we and our retailers opened 6 stores, carried out major expansions and renovations of 7 stores, 1 store was relocated and 4 stores were closed for a net increase of 237,600 square feet or 1.1% of our food retail network.

FINANCING ACTIVITIES

In the third quarter of 2024, financing activities required cash outflows of \$438.8 million compared with \$448.6 million in the corresponding quarter of 2023. In the first 40 weeks of Fiscal 2024, financing activities required cash outflows of \$941.2 million compared with \$800.2 million for the corresponding period of 2023. This difference is mainly due to lower increase in debt in 2024 of \$133.0 million compared to 2023 and lower share repurchases in 2024.

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FINANCIAL POSITION

We do not anticipate⁽²⁾ any liquidity risk and consider our financial position at the end of the third quarter of 2024 as very solid. We had an unused authorized revolving credit facility of \$442.7 million.

At the end of the third 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	157.3
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 July 6, 2024, the revolving credit facility included USD borrowings of \$75.0 million (US \$54.7 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.

During the period ended March 11, 2023, the Corporation repaid all its 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 July 6, 2024, the balance of the Series J unsecured senior notes was \$296.8 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 \$7.9 million in 2024 (increase of \$3.8 million in 2023).

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CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at July 6, 2024	As at September 30, 2023
Number of Common Shares outstanding (<i>Thousands</i>)	222,613	228,653
Stock options:		
Number outstanding (<i>Thousands</i>)	2,250	2,226
Exercise prices (<i>Dollars</i>)	41.16 to 77.75	40.23 to 77.75
Weighted average exercise price (<i>Dollars</i>)	60.87	56.42
Performance share units:		
Number outstanding (<i>Thousands</i>)	584	572

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 August 2, 2024, the Corporation has repurchased 6,045,000 Common Shares at an average price of \$71.14, for a total consideration of \$430.0 million.

DIVIDENDS

On August 13, 2024, the Board of Directors declared a quarterly dividend of \$0.3350 per share, the same amount declared last quarter.

SHARE TRADING

The value of METRO shares remained in the \$65.43 to \$78.25 range over the first 40 weeks of Fiscal 2024. During this period, a total of 89.4 million shares were traded on the Toronto Stock Exchange. The closing price on August 2, 2024 was \$81.19 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.

⁽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"

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 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.

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.

⁽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"



OUTLOOK⁽²⁾

With the transition to our new state-of-the-art automated distribution centre in Terrebonne, and the recent launch of the final phase of our automated fresh distribution centre in Toronto, 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 and impairments of assets 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. Our results, after three quarters, are tracking well to this guidance. 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, August 14, 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"



Interim Condensed Consolidated Financial Statements
(Unaudited)

METRO INC.

July 6, 2024

Table of contents

	Page
Consolidated statements of net income	15
Consolidated statements of comprehensive income	16
Consolidated statements of financial position	17
Consolidated statements of changes in equity	18
Consolidated statements of cash flows	19
Notes to interim condensed consolidated financial statements	20
1- Statement presentation	20
2- Impairments of assets	20
3- Income taxes	20
4- Net earnings per share	21
5- Debt	21
6- Capital stock	22
7- Financial instruments	24
8- Changes in defined benefit plans	24
9- Comparative figures	25
10- Approval of financial statements	25



Consolidated statements of net income

Periods ended July 6, 2024 and July 1, 2023

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

	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2024	2023	2024	2023
Sales	6,651.8	6,427.5	16,281.5	15,652.9
Cost of sales	(5,348.2)	(5,164.8)	(13,076.5)	(12,559.1)
Gross profit	1,303.6	1,262.7	3,205.0	3,093.8
Operating expenses	(681.7)	(650.6)	(1,684.3)	(1,576.5)
Gains (losses) on disposal of assets	(1.7)	0.2	6.7	4.3
Operating income before depreciation and amortization and impairments of assets	620.2	612.3	1,527.4	1,521.6
Depreciation and amortization	(174.0)	(159.5)	(434.6)	(400.2)
Impairments of assets (note 2)	—	—	(20.8)	—
Net financial costs	(46.6)	(37.1)	(113.1)	(92.5)
Earnings before income taxes	399.6	415.7	958.9	1,028.9
Income taxes (note 3)	(103.4)	(69.0)	(247.1)	(232.3)
Net earnings	296.2	346.7	711.8	796.6
Attributable to:				
Equity holders of the parent	295.4	345.0	709.4	793.2
Non-controlling interest	0.8	1.7	2.4	3.4
	296.2	346.7	711.8	796.6
Net earnings per share (Dollars) (note 4)				
Basic	1.32	1.49	3.14	3.40
Fully diluted	1.31	1.49	3.13	3.39

See accompanying notes



Consolidated statements of comprehensive income

Periods ended July 6, 2024 and July 1, 2023

(Unaudited) (Millions of dollars)

	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2024	2023	2024	2023
Net earnings	296.2	346.7	711.8	796.6
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (note 8)	10.6	23.7	15.3	61.3
Asset ceiling effect	(2.9)	(10.8)	(6.1)	(24.3)
Corresponding income taxes	(2.0)	(3.4)	(2.4)	(9.8)
	5.7	9.5	6.8	27.2
Items that will be reclassified later to net earnings				
Change in fair value of derivatives designated as cash flow hedges	—	—	—	(3.0)
Reclassification of the change in fair value of derivatives designated as cash flow hedges to net earnings	0.1	0.1	0.1	0.1
Corresponding income taxes	—	—	—	0.8
	0.1	0.1	0.1	(2.1)
	5.8	9.6	6.9	25.1
Comprehensive income	302.0	356.3	718.7	821.7
Attributable to:				
Equity holders of the parent	301.2	354.6	716.3	818.3
Non-controlling interest	0.8	1.7	2.4	3.4
	302.0	356.3	718.7	821.7

See accompanying notes



Consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at July 6, 2024	As at September 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	5.3	29.5
Accounts receivable	750.5	728.3
Accounts receivable on subleases	95.8	96.1
Inventories	1,467.4	1,451.0
Prepaid expenses	73.3	65.9
Current taxes	13.5	32.8
	2,405.8	2,403.6
Non-current assets		
Fixed assets	3,872.7	3,768.3
Right-of-use assets	958.1	942.8
Intangible assets	2,706.4	2,733.0
Goodwill	3,314.2	3,307.4
Deferred taxes	37.8	37.9
Defined benefit assets	163.3	160.5
Accounts receivable on subleases	388.4	426.5
Other assets (note 9)	81.5	85.3
	13,928.2	13,865.3
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable (note 9)	1,511.2	1,619.4
Deferred revenues	50.8	36.8
Current taxes	31.4	6.9
Current portion of debt (notes 5 and 9)	316.8	19.3
Current portion of lease liabilities	275.3	278.4
	2,185.5	1,960.8
Non-current liabilities		
Debt (note 5)	2,476.1	2,646.3
Lease liabilities	1,339.5	1,380.3
Defined benefit liabilities	34.3	29.4
Deferred taxes	1,010.8	1,001.6
Other liabilities (note 9)	14.1	30.6
	7,060.3	7,049.0
Equity		
Attributable to equity holders of the parent	6,850.9	6,801.2
Attributable to non-controlling interest	17.0	15.1
	6,867.9	6,816.3
	13,928.2	13,865.3

See accompanying notes



Consolidated statements of changes in equity

Periods ended July 6, 2024 and July 1, 2023

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent						Non-controlling interest	Total equity
	Capital stock (note 6)	Treasury shares (note 6)	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total		
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	—	—	—	709.4	—	709.4	2.4	711.8
Other comprehensive income	—	—	—	6.8	0.1	6.9	—	6.9
Comprehensive income	—	—	—	716.2	0.1	716.3	2.4	718.7
Stock options exercised	18.4	—	(2.1)	—	—	16.3	—	16.3
Shares redeemed (note 6)	(45.2)	—	—	—	—	(45.2)	—	(45.2)
Share redemption premium (note 6)	—	—	—	(411.5)	—	(411.5)	—	(411.5)
Tax on share redemption	—	—	—	(6.6)	—	(6.6)	—	(6.6)
Acquisition of treasury shares	—	(7.5)	—	—	—	(7.5)	—	(7.5)
Share-based compensation cost	—	—	7.5	—	—	7.5	—	7.5
Performance share units settlement	—	5.8	(5.2)	—	—	0.6	—	0.6
Dividends	—	—	—	(220.1)	—	(220.1)	(0.5)	(220.6)
	(26.8)	(1.7)	0.2	(638.2)	—	(666.5)	(0.5)	(667.0)
Balance as at July 6, 2024	1,574.3	(19.6)	23.8	5,273.6	(1.1)	6,851.0	17.0	6,868.0

	Attributable to the equity holders of the parent						Non-controlling interest	Total equity
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total		
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	—	—	—	793.2	—	793.2	3.4	796.6
Other comprehensive income	—	—	—	27.2	(2.1)	25.1	—	25.1
Comprehensive income	—	—	—	820.4	(2.1)	818.3	3.4	821.7
Stock options exercised	7.9	—	(0.9)	—	—	7.0	—	7.0
Shares redeemed (note 6)	(49.4)	—	—	—	—	(49.4)	—	(49.4)
Share redemption premium (note 6)	—	—	—	(457.6)	—	(457.6)	—	(457.6)
Acquisition of treasury shares	—	(7.6)	—	—	—	(7.6)	—	(7.6)
Share-based compensation cost	—	—	5.0	—	—	5.0	—	5.0
Performance share units settlement	—	5.9	(5.9)	—	—	—	—	—
Dividends	—	—	—	(205.7)	—	(205.7)	(0.8)	(206.5)
Buyout of minority interests	—	—	—	—	—	—	(1.4)	(1.4)
	(41.5)	(1.7)	(1.8)	(663.3)	—	(708.3)	(2.2)	(710.5)
Balance as at July 1, 2023	1,607.8	(17.9)	21.5	5,104.3	(1.2)	6,714.5	15.1	6,729.6

See accompanying notes



Consolidated statements of cash flows

Periods ended July 6, 2024 and July 1, 2023

(Unaudited) (Millions of dollars)

	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2024	2023	2024	2023
Operating activities				
Earnings before income taxes	399.6	415.7	958.9	1,028.9
Non-cash items				
Depreciation and amortization	174.0	159.5	434.6	400.2
(Gains) losses on disposal of assets	1.7	(0.2)	(6.7)	(4.3)
Impairment losses of assets (note 2)	—	—	20.8	—
Share-based compensation cost	4.2	3.5	10.1	8.9
Difference between amounts paid for employee benefits and current period cost	8.2	4.4	15.3	14.7
Net financial costs	46.6	37.1	113.1	92.5
	634.3	620.0	1,546.1	1,540.9
Net change in non-cash working capital items	31.6	18.0	(119.7)	(122.2)
Income taxes paid	(72.3)	(92.1)	(203.1)	(242.3)
	593.6	545.9	1,223.3	1,176.4
Investing activities				
Net proceed on disposal of an investment in an associate	—	—	13.3	—
Buyout of minority interests	—	(1.2)	—	(1.4)
Net change in other assets (note 9)	1.0	(9.3)	0.5	(1.4)
Additions to fixed assets (note 9)	(153.4)	(138.0)	(343.2)	(386.0)
Disposal of fixed assets (note 9)	0.3	0.9	0.7	1.0
Additions to intangible assets	(33.3)	(26.7)	(68.3)	(67.2)
Payments received from subleases	30.9	31.1	78.3	78.3
Interest received from subleases	5.0	4.7	12.4	11.8
	(149.5)	(138.5)	(306.3)	(364.9)
Financing activities				
Shares issued	5.4	2.6	16.3	7.0
Shares redeemed	(221.9)	(215.4)	(456.7)	(507.0)
Acquisition of treasury shares (note 6)	(7.5)	(7.6)	(7.5)	(7.6)
Performance share units settlement	—	—	(2.1)	—
Increase in debt (notes 5 and 9)	114.9	0.1	326.5	459.5
Repayment of debt (notes 5 and 9)	(95.7)	(5.7)	(213.0)	(183.9)
Interest paid on debt	(52.3)	(45.8)	(116.6)	(98.7)
Payment of lease liabilities (principal)	(89.3)	(90.3)	(225.9)	(227.5)
Payment of lease liabilities (interest)	(17.4)	(15.0)	(41.9)	(37.4)
Net change in other liabilities (note 9)	—	(1.3)	(0.2)	1.1
Dividends	(75.0)	(70.2)	(220.1)	(205.7)
	(438.8)	(448.6)	(941.2)	(800.2)
Net change in cash and cash equivalents	5.3	(41.2)	(24.2)	11.3
Cash and cash equivalents — beginning of period	—	65.9	29.5	13.4
Cash and cash equivalents — end of period	5.3	24.7	5.3	24.7

see accompanying notes



Notes to interim condensed consolidated financial statements

Periods ended July 6, 2024 and July 1, 2023

(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 16 and 40-week periods ended July 6, 2024 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. IMPAIRMENTS OF ASSETS

During the second quarter of Fiscal 2024, the Corporation recorded \$20.8 of impairments 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%.

3. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2024	2023	2024	2023
Combined statutory income tax rate	26.5	26.5	26.5	26.5
Changes				
Favorable tax adjustment in respect of prior years	(1.5)	(9.8)	(1.1)	(3.9)
Other	0.9	(0.1)	0.4	—
	25.9	16.6	25.8	22.6



Notes to interim condensed consolidated financial statements

Periods ended July 6, 2024 and July 1, 2023

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

4. NET EARNINGS PER SHARE

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

(Millions)	16 weeks		40 weeks	
	Fiscal Year		Fiscal Year	
	2024	2023	2024	2023
Weighted average number of shares outstanding – Basic	223.9	231.8	225.9	233.5
Dilutive effect under:				
Stock option plan	0.4	0.5	0.4	0.5
Performance share unit plan	0.2	0.2	0.3	0.3
Weighted average number of shares outstanding – Fully diluted	224.5	232.5	226.6	234.3

5. DEBT

As at July 6, 2024, the revolving credit facility included USD borrowings of \$75.0 (US \$54.7) (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.

During the period ended March 11, 2023, the Corporation repaid all its 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.



Notes to interim condensed consolidated financial statements

Periods ended July 6, 2024 and July 1, 2023

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

6. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued and the changes during the 40-week period ended July 6, 2024 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 \$411.5	(6,425)	(45.2)
Stock options exercised	377	18.4
Balance as at July 6, 2024	222,901	1,574.3

TREASURY SHARES

The treasury shares changes during the 40-week period ended July 6, 2024 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	296	(17.9)
Acquisition	105	(7.5)
Release	(113)	5.8
Balance as at July 6, 2024	288	(19.6)

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 222,613,000 outstanding Common Shares issued as at July 6, 2024 (228,653,000 as at September 30, 2023).



Notes to interim condensed consolidated financial statements

Periods ended July 6, 2024 and July 1, 2023

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

STOCK OPTION PLAN

The outstanding options and the changes during the 40-week period ended July 6, 2024 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	(377)	43.08
Cancelled	(6)	69.51
Balance as at July 6, 2024	2,250	60.87

The exercise prices of the outstanding options ranged from \$41.16 to \$77.75 as at July 6, 2024 with expiration dates up to 2030. Of these options, 765,116 could be exercised at a weighted average exercise price of \$51.10.

The compensation expense for these options amounted to \$1.2 and \$2.9 for the 16 and 40-week periods ended July 6, 2024 (\$0.9 and \$2.3 in 2023).

PERFORMANCE SHARE UNIT PLAN

PSUs outstanding and changes during the 40-week period ended July 6, 2024 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
Granted	210
Exercised	(151)
Cancelled	(47)
Balance as at July 6, 2024	584

The compensation expense for the PSU plan amounted to \$3.0 and \$7.2 for the 16 and 40-week periods ended July 6, 2024 (\$2.6 and \$6.6 in 2023).



Notes to interim condensed consolidated financial statements

Periods ended July 6, 2024 and July 1, 2023

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

7. FINANCIAL INSTRUMENTS

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

	As at July 6, 2024		As at September 30, 2023	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers	49.6	49.6	43.9	43.9
Debt				
Liabilities measured at amortized cost				
Revolving Credit Facility	157.3	157.3	39.9	39.9
Series J Notes	296.8	296.8	288.9	288.9
Series G Notes	450.0	436.7	450.0	421.0
Series K Notes (note 5)	300.0	303.8	300.0	281.0
Series B Notes	400.0	433.5	400.0	418.7
Series D Notes	300.0	294.0	300.0	276.4
Series H Notes	450.0	395.4	450.0	366.9
Series I Notes	400.0	305.1	400.0	273.4
Loans, nets of deferred financing costs (note 9)	38.8	38.8	36.8	36.8
	2,792.9	2,661.4	2,665.6	2,403.0

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.

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 July 6, 2024, the balance of the Series J unsecured senior notes was \$296.8 (\$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 \$7.9 in 2024 (increase of \$3.8 in 2023).

8. CHANGES IN DEFINED BENEFIT PLANS

During the 16 and 40-week periods ended July 6, 2024, the Corporation recorded, in the consolidated statements of comprehensive income, actuarial gains of \$10.6 and \$15.3 respectively, attributable to the increase in discount rates from 4.96% to 5.06% during the last quarter and the variation in the fair value on plan assets since the beginning of the year. During the 16 and 40-week periods ending July 1, 2023, the Corporation recorded, in the consolidated statements of comprehensive income, actuarial gains of \$23.7 and \$61.3, attributable to the increase in the discount rate from 4.83% to 4.97% during the last quarter and the variation in the fair value on plan assets since the beginning of the year.

Post-employment benefits expense recorded in the consolidated statements of income during the 16 and 40-week periods ending July 6, 2024 was \$25.1 and \$59.4, respectively (\$25.1 and \$60.8 in 2023).



Notes to interim condensed consolidated financial statements

Periods ended July 6, 2024 and July 1, 2023

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

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.

9. 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.

10. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 16 and 40-week periods ended July 6, 2024 (including comparative figures) were approved for issue by the Board of Directors on August 13, 2024.

INFORMATION

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