MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 24, 2022

metro

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The following Management's Discussion and Analysis sets out the financial position and consolidated results of METRO INC. for the fiscal year ended September 24, 2022, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 24, 2022. This report is based upon information as at December 2, 2022 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for Fiscal 2022, is available on the SEDAR website at www.sedar.com.

OVERVIEW

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

The Corporation, as a retailer, franchisor or distributor, operates under different grocery banners in the conventional supermarket and discount segments. For consumers seeking a higher level of service and a greater variety of products, we operate 328 supermarkets under the Metro and Metro Plus banners. The 241 discount stores operating under the Super C and Food Basics banners offer products at low prices to consumers who are both cost and quality-conscious. The Adonis banner, which currently has 15 stores, is specialized in fresh products as well as Mediterranean and Middle-Eastern products. The Corporation also operates Première Moisson, a banner specialized in premium quality artisan bakery, pastry, and deli products. Première Moisson sells its products to the Corporation’s stores, to restaurants and other chains as well as directly to consumers in its 24 stores. The majority of the stores are owned by the Corporation or by structured entities and their financial statements are consolidated with those of the Corporation. Independent owners bound to the Corporation by leases or affiliation agreements operate a large number of Metro and Metro Plus stores. The Corporation supplies these stores and their purchases are included in our sales. The Corporation also acts as a distributor for independent neighborhood grocery stores. Their purchases are included in the Corporation's sales.

The Corporation also acts as franchisor and distributor for 423 PJC Jean Coutu, PJC Health and PJC Health & Beauty drugstores as well as 146 Brunet Plus, Brunet, Brunet Clinique, and Clini Plus drugstores, held by pharmacist owners. The Corporation operates 76 drugstores in Ontario under Metro Pharmacy and Food Basics Pharmacy banners and their sales are included in the Corporation's sales. Sales also include the supply of non-franchised drugstores. The Corporation is also active in generic drug manufacturing through its subsidiary Pro Doc Ltée.

PURPOSE, MISSION AND STRATEGY

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

The 2018 acquisition of The Jean Coutu Group strengthens METRO's position in the health sector. The combination of these two leading companies creates a close to $19 billion retail leader to meet the growing needs of consumers in food, pharma, health and beauty.

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

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

Customer focus

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

Best team

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

Operational Excellence

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

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

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Financial Discipline

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

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

KEY PERFORMANCE INDICATORS

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

- sales:
  - same-store sales growth;
  - average customer transaction size and number of transactions;
  - average weekly sales;
  - average weekly sales per square foot;
  - sales per hour worked by store to assess productivity;
  - percentage of sales represented by customers who are loyalty program members;
  - market share;
  - customer satisfaction;
- gross margin percentage;
- operating income before depreciation, amortization and impairments of assets, net of reversals as a percentage of sales;
- net earnings as a percentage of sales;
- net earnings per share growth;
- return on equity;
- retail network investments:
  - dollar value and nature of store investments;
  - number of stores;
  - store square footage growth.

KEY ACHIEVEMENTS

Sales for Fiscal 2022 totalled $18,888.9 million, up 3.3% compared to $18,283.0 million for Fiscal 2021 in a context of high inflation during the last two quarters of 2022. Net earnings for Fiscal 2022 were $849.5 million compared with $825.7 million, while fully diluted net earnings per share were $3.51 in 2022 compared with $3.33 in 2021, up 2.9% and 5.4% respectively. Adjusted net earnings[1] for Fiscal 2022 totalled $922.1 million compared with $854.2 million for Fiscal 2021, and adjusted fully diluted net earnings per share[1] amounted to $3.82 versus $3.44, up 7.9% and 11.0% respectively.

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

- The crisis related to COVID-19, higher-than-normal inflationary pressures on our costs, and labour shortages continued to test our resilience and adaptability throughout the year. Our teams have mobilized in this turbulent period to continue maintain a safe environment for all and to provide essential food and pharmacy services to our customers at the best possible value, through our multiple banners, effective promotional strategies, and our private label offering.
- Last September, METRO announced the launch of the *MOİ* program in spring 2023, an evolution of the *metro&moi* program. The Corporation will offer an enhancement of the many benefits already offered and more personalized and generous rewards for the customers. The *MOİ* program will include the Metro, Jean Coutu, Super C, Brunet and Première Moisson banners, with nearly 900 locations across Québec. Royal Bank of Canada (RBC) will be an important partner in the program and will offer a co-branded MOİ-RBC credit card to

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

allow customers to earn *MOİ* bonus points on their in-store purchases as well as earn points on all their purchases at other retailers, which will be fully redeemable at Metro, Jean Coutu, Super C, Brunet and Première Moisson. The *MOİ* program will allow the Corporation to be even more competitive and solidify the relationship with its customers by better contributing to their health and well-being through a program that is simple to use, generous, and accessible.

- METRO, through the commitment of its affiliated pharmacists and their presence in the community, has continued to actively contribute to the campaign to immunize the population against COVID-19 and to distribute rapid tests. To date, more than 800,000 vaccinations have been administered and more than 3,000,000 rapid tests have been distributed through our network. Since April 1, pharmacists in Québec have been able to prescribe COVID-19 medications, making them more accessible to patients in their communities. The Corporation has also deployed an online patient consultation platform that can be used by the pharmacists affiliated to Jean Coutu.
- In March 2020, METRO announced a $420 million investment over five years for the construction of a new automated distribution centre for fresh and frozen products in Terrebonne, just north of Montréal, and the expansion of its produce and dairy products distribution centre in Laval. These investments will enable METRO to better meet the expectations of its current and future customers and to continue(2) its growth. The new Terrebonne distribution centre is expected(2) to open in 2023, while the expansion of the Laval distribution centre is expected(2) to be completed in 2024. We have invested close to $320 million in this project to date.
- In October 2017, we announced a $400 million investment over six years in our Ontario distribution network. Phase 1 of the project, the semi-automated section of our new fresh distribution centre, deployed in 2021 as well as Phase 2 of the project, our new fully automated frozen distribution centre, deployed this year, have been successfully completed and are fully operational. The start of the final phase of the investment project, a fully automated section of our new fresh distribution centre, is expected(2) to take place in 2024. Equipped with state-of-the-art technology, these facilities will help us improve service to our store network and offer greater product freshness and variety. METRO will be able to better meet the constantly evolving customer preferences and position itself as the retailer providing the best customer experience in each of its banners.
- We continued to expand our online grocery services across all banners through the launch in new regions. Services fully operated by METRO and its partners now reach 90% of the population in Québec and Ontario. In this regard, we have entered into a new partnership with Instacart in both provinces. New services have been added to meet the demands of consumers, allowing them to shop for groceries however, and whenever they choose. Express delivery was launched earlier in the year, allowing customers to have their order delivered in as little as two hours. The pick-up service has continued to expand and is now available in 209 Metro stores, 10 Super C stores and nearly 300 Jean Coutu pharmacies. Customers of Jean Coutu pharmacies can now order some 20,000 products online, including over-the-counter medications, and pick them up the same day at the nearest participating Jean Coutu pharmacy.
- We continued to invest in our retail network. In Québec, we opened a Metro store, converted a Metro store to Super C, and completed, with our retailers, major renovations and expansions at nine other stores. In Ontario, we opened three Food Basics stores, relocated one Metro Plus store, and completed major renovations at eight other stores. Last November, after the end of the fiscal year, we opened our 100th store under the Super C banner, which was recently recognized for offering the lowest cost grocery basket in Québec by Protégez-Vous magazine.
- For the second consecutive year, we invested a record level of capital spending exceeding $620 million related to the Corporation's major projects including supply chain modernization, store network and omnichannel strategy.
- For the second time in three years, consumers named the Jean Coutu banner the most admired business in Québec in Leger's most recent Reputation survey, while Metro ranked sixth this year. This is a testament to the strength of our brands, consumer trust, and the quality of services offered in our pharmacies and food stores.
- This year, we began implementing our 2022-2026 Corporate Responsibility (CR) Plan. Our teams have been working on our priorities and we are on the right track(2). The work done over the past year has allowed us to operationalize ED&I issues in the company with a solid plan in place. Since September 2022, single-use plastic shopping bags are being phased out of Metro stores. This initiative will(2) prevent the circulation of more than 330 million plastic bags annually. This year, we are raising the bar for our disclosure by integrating the SASB and GRI standards into our ESG data table and by publishing our annual corporate responsibility report on the same date as our annual report.

(1) *See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"*
(2) *See section on "Forward-looking Information"*

SELECTED ANNUAL INFORMATION

	2022	2021	Change	2020	Change
(Millions of dollars, unless otherwise indicated)			%		%
Sales	**18,888.9**	18,283.0	3.3	17,997.5	1.6
Net earnings attributable to equity holders of the parent	**846.1**	823.0	2.8	795.2	3.5
Net earnings attributable to non-controlling interests	**3.4**	2.7	25.9	1.2	125.0
Net earnings	**849.5**	825.7	2.9	796.4	3.7
Basic net earnings per share	**3.53**	3.34	5.7	3.15	6.0
Fully diluted net earnings per share	**3.51**	3.33	5.4	3.14	6.1
Adjusted net earnings(1)	**922.1**	854.2	7.9	829.1	3.0
Adjusted fully diluted net earnings per share(1)	**3.82**	3.44	11.0	3.27	5.2
Return on equity(1) *(%)*	**13.0**	13.1	—	13.1	—
Dividends per share *(Dollars)*	**1.0750**	0.9750	10.3	0.8750	11.4
Total assets	**13,401.3**	13,592.1	(1.4)	13,423.9	1.3
Current and non-current portions of debt	**2,342.7**	2,636.7	(11.2)	2,632.6	0.2

Sales for Fiscal 2022 totalled $18,888.9 million, up 3.3% compared to $18,283.0 million for Fiscal 2021 in a context of high inflation particularly during the last two quarters of 2022.

Net earnings for Fiscal 2022, 2021 and 2020 totalled $849.5 million, $825.7 million and $796.4 million, respectively, while fully diluted net earnings per share amounted to $3.51, $3.33 and $3.14. Taking into account the items relating to Fiscal 2022 and 2021 shown in the "Net earnings and fully diluted net earnings per share (EPS) adjustments(1)" table in the "Operating results" section, as well as for Fiscal 2020, loss on disposal of a subsidiary, adjusted net earnings(1) for Fiscal 2022 stood at $922.1 million compared with $854.2 million for Fiscal 2021 and $829.1 million for Fiscal 2020, while adjusted fully diluted net earnings per share(1) was $3.82 for 2022 compared with $3.44 for 2021 and $3.27 for 2020, up 11.0% and 5.2% respectively.

OUTLOOK(2)

As we begin our new fiscal year, we continue to face market uncertainties, labour shortages and elevated levels of cost inflation and it is difficult to predict how this macroeconomic environment will evolve. We remain steadfast in our focus to deliver value to our customers through our robust merchandising programs, our strong private label offer and working with our supply chain partners. We have also decided to exit the UGI purchasing group effective March 11, 2023. This decision will have no significant impact on our financial results.

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

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OPERATING RESULTS

SALES

Sales for Fiscal 2022 totalled $18,888.9 million, up 3.3% compared to $18,283.0 million for Fiscal 2021 in a context of high inflation during the last two quarters of 2022. Food same-store sales[(1)] were up 2.0% (up 1.5% in 2021). Online food sales[(1)] in 2022 increased by 8.0% compared to last year while online food sales[(1)] increased by 60.0% in 2021. Pharmacy same-store sales[(1)] were up 7.9% (3.4% in 2021), with a 6.7% increase in prescription drugs[(1)] and a 10.6% increase in front-store sales[(1)].

OPERATING INCOME BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENTS OF ASSETS, NET OF REVERSALS

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

Operating income before depreciation, amortization and impairments of assets, net of reversals for Fiscal 2022 totalled $1,844.6 million or 9.8% of sales, up 6.5% versus Fiscal 2021.

Gross margin[(1)] for Fiscal 2022 was 20.0%, flat versus 2021.

Operating expenses as a percentage of sales for Fiscal 2022 were 10.4% versus 10.6% for Fiscal 2021.

Gains on disposal of assets of $25.3 million were recorded in Fiscal 2022 compared to $7.4 million in 2021. The gains realized on disposals of assets in 2022 are mainly attributable to the sale of properties.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for Fiscal 2022 was $503.3 million versus $478.3 million for Fiscal 2021. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

IMPAIRMENTS OF ASSETS, NET OF REVERSALS

During Fiscal 2022, the Corporation recorded $70.1 million of impairments of assets, net of reversals, including $60.0 million[(1)] resulting from our decision to have Jean Coutu withdraw from the Air Miles® loyalty program in the spring of 2023. This impairment represents the entire carrying value of the Jean Coutu loyalty program asset. Impairment losses were also recorded on store assets, mainly right-of-use assets, whose recoverable amounts were lower than their carrying amounts. Impairment reversals were recognized during Fiscal 2022 for other sites, following changes in the estimates used to determine the recoverable amount.

NET FINANCIAL COSTS

Net financial costs for Fiscal 2022 were $117.6 million compared with $133.5 million for Fiscal 2021. The reduction is mainly due to lower debt, lower borrowing rates on new debt and higher capitalized interest.

INCOME TAXES

The income tax expense of $304.1 million for Fiscal 2022 represented an effective tax rate of 26.4% compared with an income tax expense of $295.0 million for Fiscal 2021 which represented an effective tax rate of 26.3%.

[(1)] See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"
[(2)] See section on "Forward-looking Information"

NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for Fiscal 2022 were $849.5 million compared with $825.7 million for Fiscal 2021, while fully diluted net earnings per share were $3.51 in 2022 compared with $3.33 last year, up 2.9% and 5.4% respectively. Excluding the specific items shown in the table below, adjusted net earnings[1] for Fiscal 2022 totalled $922.1 million compared with $854.2 million for Fiscal 2021, and adjusted fully diluted net earnings per share[1] amounted to $3.82 versus $3.44, up 7.9% and 11.0%, respectively.

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

	2022		2021		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	**849.5**	**3.51**	825.7	3.33	2.9	5.4
Loss on impairment of a loyalty program, net of taxes of $15.9	**44.1**		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of $10.2	**28.5**		28.5			
Adjusted measures[1]	**922.1**	**3.82**	854.2	3.44	7.9	11.0

[1] See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"
[2] See section on "Forward-looking Information"

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QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2022**	2021	Change *(%)*
Sales			
Q1[3]	**4,316.6**	4,278.2	0.9
Q2[3]	**4,274.2**	4,193.0	1.9
Q3[4]	**5,865.5**	5,719.8	2.5
Q4[3]	**4,432.6**	4,092.0	8.3
Fiscal	**18,888.9**	18,283.0	3.3
Net earnings			
Q1[3]	**207.7**	191.2	8.6
Q2[3]	**198.1**	188.1	5.3
Q3[4]	**275.0**	252.4	9.0
Q4[3]	**168.7**	194.0	(13.0)
Fiscal	**849.5**	825.7	2.9
Adjusted net earnings[1]			
Q1[3]	**214.2**	197.7	8.3
Q2[3]	**204.7**	194.7	5.1
Q3[4]	**283.8**	261.2	8.7
Q4[3]	**219.4**	200.6	9.4
Fiscal	**922.1**	854.2	7.9
Fully diluted net earnings per share ***(Dollars)***			
Q1[3]	**0.85**	0.76	11.8
Q2[3]	**0.82**	0.75	9.3
Q3[4]	**1.14**	1.03	10.7
Q4[3]	**0.70**	0.79	(11.4)
Fiscal	**3.51**	3.33	5.4
Adjusted fully diluted net earnings per share[1] ***(Dollars)***			
Q1[3]	**0.88**	0.79	11.4
Q2[3]	**0.84**	0.78	7.7
Q3[4]	**1.18**	1.06	11.3
Q4[3]	**0.92**	0.81	13.6
Fiscal	**3.82**	3.44	11.0

(3) 12 weeks
(4) 16 weeks

Sales in the first quarter of Fiscal 2022 remained strong, reaching $4,316.6 million, up 0.9% compared to $4,278.2 million in the first quarter of 2021, and up 7.1% over two years. Food same-store sales were down 1.4% versus the same quarter last year (up 10.0% in 2021) but increased 8.5% compared to the first quarter of 2020. Online food sales[1] were flat versus last year (up about 170% in 2021). Our food basket inflation was approximately 3.5% (2.0% in the previous quarter). Pharmacy same-store sales were up 7.7% (1.3% in 2021), with a 7.1% increase in prescription drugs due to an uptick in physician visits and a 8.9% increase in front-store sales supported by strong Over-The-Counter growth, particularly Cough & Cold products and the lower sales last year as a result of the labour conflict.

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

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Sales in the second quarter of Fiscal 2022 remained strong, reaching $4,274.2 million, up 1.9% compared to $4,193.0 million in the second quarter of 2021. Food same-store sales were up 0.8% versus the same quarter last year and were up 11.5% for the first 8 weeks of the second quarter compared to the same period of 2020 (pre-COVID period). Online food sales[(1)] increased by 6.0% versus last year (up 240.0% in 2021). Our food basket inflation was slightly below 5.0% (3.5% in the previous quarter). Pharmacy same-store sales were up 9.4%, with a 7.7% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests, and a 13.3% increase in front-store sales supported by a stronger cough and cold season as well as the lower sales last year because of the six-week ban of the sale of non-essential products. Pharmacy same-store sales were up 11.0% for the first 8 weeks of the second quarter versus 2020 (pre-COVID period).

Sales in the third quarter of Fiscal 2022 remained strong, reaching $5,865.5 million, up 2.5% versus elevated sales in the third quarter of 2021 due to the pandemic. Food same-store sales were up 1.1% (down 3.6% in 2021) versus the same quarter last year. Online food sales[(1)] were flat versus last year (up 19.0% in 2021). Our food basket inflation was about 8.5% (5.0% in the previous quarter). Pharmacy same-store sales were up 7.2% (7.6% in 2021), with a 5.6% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests and a 10.7% increase in front-store sales, primarily driven by over-the-counter products and cosmetics.

Sales in the fourth quarter of Fiscal 2022 remained strong, reaching $4,432.6 million, up 8.3% from the fourth quarter of 2021 mainly due to higher inflation this quarter. Food same-store sales were up 8.0% (down 2.9% in 2021) versus the same quarter last year. Online food sales[(1)] were up 33.0% versus last year (flat in 2021). Our food basket inflation increased to 10.0% from 8.5% in the previous quarter. Pharmacy same-store sales were up 7.4% (4.1% in 2021), with a 6.4% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests and a 9.9% increase in front-store sales, primarily driven by over-the-counter products and cosmetics

Net earnings for the first quarter of Fiscal 2022 were $207.7 million compared with $191.2 million for the first quarter of 2021, while fully diluted net earnings per share were $0.85 compared with $0.76 in 2021, up 8.6% and 11.8%, respectively and up 22.0% and 26.9% respectively on a two-year basis. Excluding from the first quarters of Fiscal 2022 and 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $8.9 million as well as income taxes relating to these items, adjusted net earnings[(1)] for the first quarter of Fiscal 2022 totalled $214.2 million compared with $197.7 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share[(1)] amounted to $0.88 compared with $0.79, up 8.3% and 11.4% respectively, and up 18.4% and 23.9% respectively over two years.

Net earnings for the second quarter of Fiscal 2022 were $198.1 million compared with $188.1 million for the second quarter of 2021, while fully diluted net earnings per share were $0.82 compared with $0.75 in 2021, up 5.3% and 9.3%, respectively. Excluding from the second quarters of Fiscal 2022 and 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $8.9 million as well as income taxes relating to these items, adjusted net earnings[(1)] for the second quarter of Fiscal 2022 totalled $204.7 million compared with $194.7 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share[(1)] amounted to $0.84 compared with $0.78, up 5.1% and 7.7% respectively.

Net earnings for the third quarter of Fiscal 2022 were $275.0 million compared with $252.4 million for the third quarter of 2021, while fully diluted net earnings per share were $1.14 compared with $1.03 in 2021, up 9.0% and 10.7%, respectively. Excluding from the third quarters of Fiscal 2022 and 2021 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $11.9 million as well as income taxes relating to these items, adjusted net earnings[(1)] for the third quarter of Fiscal 2022 totalled $283.8 million compared with $261.2 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share[(1)] amounted to $1.18 compared with $1.06, up 8.7% and 11.3% respectively.

Net earnings for the fourth quarter of Fiscal 2022 were $168.7 million compared with $194.0 million for the fourth quarter of 2021, while fully diluted net earnings per share were $0.70 compared with $0.79 in 2021, down 13.0% and 11.4%, respectively. Excluding from the fourth quarters of Fiscal 2022 and 2021, the 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 income taxes relating to these items, adjusted net earnings[(1)] for the fourth quarter of Fiscal 2022 totalled $219.4 million compared with $200.6 million for the corresponding quarter of 2021 and adjusted fully diluted net earnings per share[(1)] amounted to $0.92 compared with $0.81, up 9.4% and 13.6% respectively.

[(1)] See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"
[(2)] See section on "Forward-looking Information"

(Millions of dollars)	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Net earnings	**207.7**	**198.1**	**275.0**	**168.7**	191.2	188.1	252.4	194.0
Loss on 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
Adjusted net earnings(1)	**214.2**	**204.7**	**283.8**	**219.4**	197.7	194.7	261.2	200.6

(Dollars)	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4
Fully diluted net earnings per share	**0.85**	**0.82**	**1.14**	**0.70**	0.76	0.75	1.03	0.79
Adjustments impact	**0.03**	**0.02**	**0.04**	**0.22**	0.03	0.03	0.03	0.02
Adjusted fully diluted net earnings per share(1)	**0.88**	**0.84**	**1.18**	**0.92**	0.79	0.78	1.06	0.81

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash inflows of $1,461.4 million in Fiscal 2022 compared with $1,583.3 million in Fiscal 2021. The variance is mainly due to the change in non-cash working capital items that required cash outflows of $115.2 million in 2022 compared with cash inflows of $162.2 million in 2021, net of higher earnings and lower income taxes paid in 2022.

INVESTING ACTIVITIES

In Fiscal 2022, investing activities required cash outflows of $477.8 million compared with $471.6 million for Fiscal 2021.

During 2022, we and our retailers opened 5 stores, carried out major expansions and renovations of 17 stores and 1 store was relocated for a net increase of 141,100 square feet or 0.7% of our food retail network.

FINANCING ACTIVITIES

Financing activities required cash outflows of $1,416.0 million in Fiscal 2022 compared with $1,107.4 million in Fiscal 2021. This difference is mainly due to the early repayment of all Series F notes in the amount of $300.0 million in 2022.

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

FINANCIAL POSITION

We do not anticipate(2) any liquidity risk and consider our financial position at the end of Fiscal 2022 as very solid. We had an unused authorized revolving credit facility of $579.1 million.

At the end of Fiscal 2022, the main elements of our debt were as follows:

	Interest Rate	Maturity	Notional *(Millions of dollars)*
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	September 3, 2026	20.9
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 B Notes	5.97% fixed nominal rate	October 15, 2035	400.0
Series D Notes	5.03% fixed nominal rate	December 1, 2044	300.0
Series H Notes	4.27% fixed nominal rate	December 4, 2047	450.0
Series I Notes	3.41% fixed nominal rate	February 28, 2050	400.0

On November 30, 2021, the Corporation issued through a private placement Series J unsecured senior notes in the aggregate principal amount of $300.0 million, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024. In conjunction with this offering, Metro entered into a $300.0 million interest rate swap effectively locking in a floating rate of interest of 11 basis points (0.11%) over the 3-month bankers' acceptance rate (CDOR) over the life of the Series J Notes. As at September 24, 2022, the balance of the Series J unsecured senior notes was $285.1 million, reflecting a decrease in fair value adjustments relating to interest rate swaps designated as fair value hedges of $14.9 million.

On December 1, 2021, the Corporation redeemed all of the Series C notes, bearing interest at a fixed nominal rate of 3.20%, in the amount of $300.0 million that matured on the same day.

On June 6, 2022, the Corporation redeemed all of the Series F notes bearing interest at a fixed nominal rate of 2.68% in the amount of $300.0 million, maturing on December 5, 2022. The early redemption premium represents an amount of $0.4 million before tax.

In the second half of fiscal 2022, the Corporation entered into bond forward contracts designated as cash flow hedges 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 2.998%.

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

metro

CAPITAL STOCK

(Thousands)	Common Shares issued **2022**	2021
Balance – beginning of year	**243,391**	250,795
Share redemption	**(7,000)**	(7,850)
Stock options exercised	**538**	446
Balance – end of year	**236,929**	243,391
Balance as at December 2, 2022 and December 1, 2021	**235,476**	241,560

(Thousands)	Treasury shares **2022**	2021
Balance – beginning of year	**442**	552
Release	**(107)**	(110)
Balance – end of year	**335**	442
Balance as at December 2, 2022 and December 1, 2021	**335**	442

STOCK OPTIONS PLAN

	As at December 2, 2022	**As at September 24, 2022**	As at September 25, 2021
Stock options *(Thousands)*	**1,998**	**2,092**	2,318
Exercise prices *(Dollars)*	**40.23 to 62.82**	**40.23 to 62.82**	35.42 to 57.81
Weighted average exercise price *(Dollars)*	**52.01**	**51.47**	46.69

PERFORMANCE SHARE UNIT PLAN

	As at December 2, 2022	**As at September 24, 2022**	As at September 25, 2021
Performance share units *(Thousands)*	**557**	**557**	615

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between November 25, 2021 and November 24, 2022, the Corporation repurchased 7,000,000 Common Shares at an average price of $68.81, for a total consideration of $481.7 million.

The Corporation decided to renew the issuer bid program as an additional option for using excess funds. Thus, the Corporation will be able to repurchase, in the normal course of business, between November 25, 2022 and November 24, 2023, up to 7,000,000 of its Common Shares representing approximately 3.0% of its issued and outstanding shares on November 11, 2022. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, or through the facilities of alternative trading systems as well as by other means as may be permitted by a securities regulatory authority, including by private agreements. The Corporation did not buy back shares between November 25, 2022 and December 2, 2022.

DIVIDEND

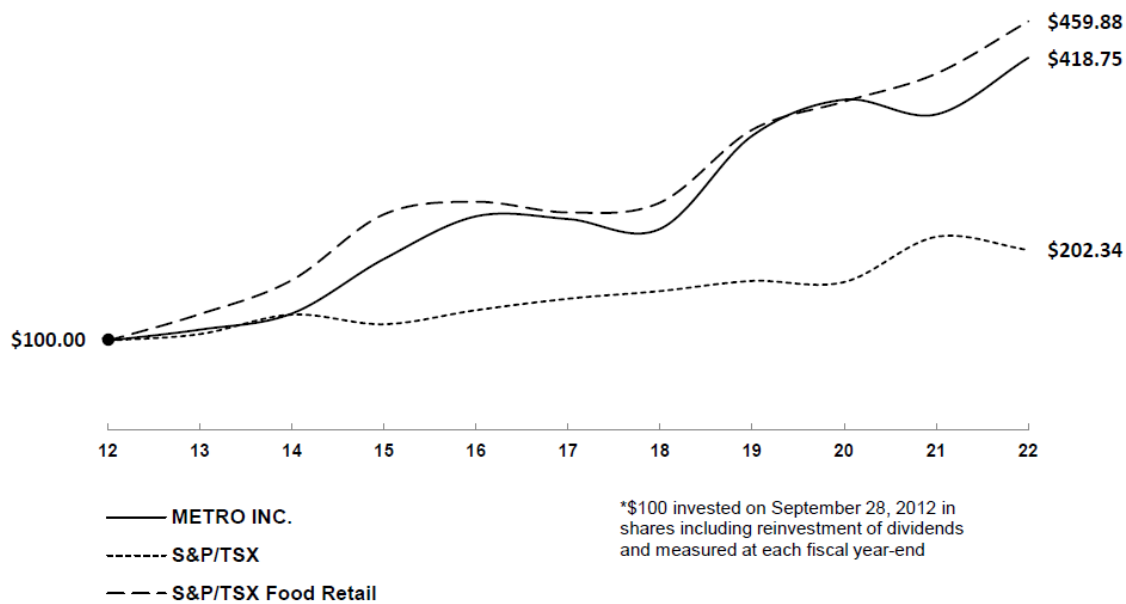
For the 28th consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 10.3%, to $1.0750 per share compared to $0.9750 in 2021, for total dividends of $257.9 million in 2022 compared to $240.1 million in 2021.

(1) *See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"*
(2) *See section on "Forward-looking Information"*

SHARE TRADING

The value of METRO shares remained in the $59.14 to $73.54 range throughout Fiscal 2022 ($52.63 to $66.25 in 2021). A total of 110.5 million shares traded on the TSX during this fiscal year (141.6 million in 2021). The closing price on Friday, September 23, 2022 was $69.84, compared to $60.18 at the end of Fiscal 2021. Since fiscal year-end, the value of METRO shares has remained in the $67.58 to $78.34 range. The closing price on December 2, 2022 was $77.67. METRO shares have maintained sustained growth over the last 10 years.

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



CONTINGENCIES

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

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including, in Québec, a subsidiary of the Corporation, Pro Doc, and, in Ontario, Pro Doc and Jean Coutu Group. In February 2020, a proposed class action relating to opioids was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc and Jean Coutu Group. In April 2021, multiple defendants, including Pro Doc and Jean Coutu Group, were served with a proposed class action relating to opioids and filed by the City of Grande Prairie, in Alberta. In September 2021, multiple defendants, including Pro Doc and Jean Coutu Group, were served with a proposed class action relating to opioids and filed by the Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band, in Saskatchewan. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the Province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc and Jean Coutu Group. All these proposed class actions contain allegations of breach of the *Competition Act*, of fraudulent misrepresentation and deceit, and negligence. The

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

Province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The City of Grande Prairie, on its behalf and on behalf of all Canadian municipalities and local governments, seeks damages which are unquantified in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. The Peter Ballantyne Cree Nation and the Lac La Ronge Indian Band are attempting a similar recourse, claiming unquantified damages from multiple defendants on their own behalf and on behalf of all Indigenous, First Nations, Inuit and Metis communities and governments in Canada. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation’s annual consolidated financial statements.

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

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

SOURCES OF FINANCING

Our operating activities generated in 2022 cash flows in the amount of $1,461.4 million. These cash flows were used to finance our investing activities, including $621.1 million in fixed asset and intangible asset acquisitions, to redeem shares for an amount of $470.0 million, to pay dividends of $257.9 million, to reimburse interest on debt of $105.6 million and to pay lease liabilities (principal and interest), nets of payments and interest received from subleases totalling $207.5 million, as well as to carry out other investing and financing activities.

At the end of Fiscal 2022, our financial position mainly consisted of cash and cash equivalents in the amount of $13.4 million, an unused authorized Revolving Credit Facility of $579.1 million maturing in 2026, Series J Notes in the amount of $300.0 million maturing in 2024, Series G Notes in the amount of $450.0 million maturing in 2027, Series B Notes in the amount of $400.0 million maturing in 2035, Series D Notes in the amount of $300.0 million maturing in 2044, Series H Notes in the amount of $450.0 million maturing in 2047 and Series I Notes in the amount of $400.0 million maturing in 2050.

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

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

CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

(Millions of dollars)	Facility and loans	Notes	Lease liabilities	Service contract commitments	Total
2023	19.7	92.9	317.2	176.1	605.9
2024	24.9	92.9	301.2	78.2	497.2
2025	2.6	388.1	263.7	35.1	689.5
2026	2.4	87.1	228.0	16.7	334.2
2027	1.8	87.1	189.0	2.8	280.7
2028 and thereafter	38.9	3,145.9	678.9	1.2	3,864.9
	90.3	3,894.0	1,978.0	310.1	6,272.4

RELATED PARTY TRANSACTIONS

During Fiscal 2022, we supplied drugstores held by a member of the Board of Directors and by an officer of the corporation. These transactions were carried out in the normal course of business and recorded at exchange value. They are itemized in note 23 to the consolidated financial statements.

FOURTH QUARTER

(Millions of dollars, except for net earnings per share)	**2022**	2021	Change (%)
Sales	**4,432.6**	4,092.0	8.3
Operating income before depreciation, amortization and impairments of assets, net of reversals	**441.4**	403.6	9.4
Net earnings	**168.7**	194.0	(13.0)
Adjusted net earnings[1]	**219.4**	200.6	9.4
Fully diluted net earnings per share	**0.70**	0.79	(11.4)
Adjusted fully diluted net earnings per share[1]	**0.92**	0.81	13.6
Cash flows from:			
Operating activities	**466.6**	415.3	—
Investing activities	**(136.0)**	(187.3)	—
Financing activities	**(317.2)**	(193.2)	—

OPERATING RESULTS

SALES

Sales in the fourth quarter of Fiscal 2022 remained strong, reaching $4,432.6 million, up 8.3% from the fourth quarter of 2021 mainly due to higher inflation this quarter. Food same-store sales were up 8.0% (down 2.9% in 2021) versus the same quarter last year. Online food sales[1] were up 33.0% versus last year (flat in 2021). Our food basket inflation increased to 10.0% from 8.5% in the previous quarter. Pharmacy same-store sales were up 7.4% (4.1% in 2021), with a 6.4% increase in prescription drugs supported by COVID-related activities such as the distribution of rapid tests and a 9.9% increase in front-store sales, primarily driven by over-the-counter products and cosmetics.

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

OPERATING INCOME BEFORE DEPRECIATION, AMORTIZATION AND IMPAIRMENTS OF ASSETS, NET OF REVERSALS

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

Operating income before depreciation, amortization and impairments of assets, net of reversals for the fourth quarter of Fiscal 2022 totalled $441.4 million, or 10.0% of sales, an increase of 9.4% versus the corresponding quarter of Fiscal 2021.

Gross margin[(1)] for the fourth quarter of Fiscal 2022 was 20.4%, flat versus the corresponding quarter of 2021.

Operating expenses as a percentage of sales for the fourth quarter of Fiscal 2022 were 10.7% versus 10.5% in the corresponding quarter of 2021. The increase in operating expenses is linked mainly to inflationary pressures on costs namely transportation, energy and supplies.

We recorded gains on disposal of assets of $11.2 million in the fourth quarter of Fiscal 2022 compared to $1.7 million for the corresponding quarter of 2021. The gains realized on disposals of assets in the fourth quarter of 2022 are mainly attributable to the sale of properties.

DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the fourth quarter of Fiscal 2022 was $119.8 million versus $110.8 million for the corresponding quarter of 2021. This increase reflects the additional investments in supply chain and logistics as well as in-store technology.

IMPAIRMENTS OF ASSETS, NET OF REVERSALS

During the fourth quarter of Fiscal 2022, the Corporation recorded $70.1 million of impairments of assets, net of reversals, including $60.0 million[(1)] resulting from our decision to have Jean Coutu withdraw from the Air Miles® loyalty program in the spring of 2023. This impairment represents the entire carrying value of the Jean Coutu loyalty program asset. Impairment losses were also recorded on store assets, mainly right-of-use assets, whose recoverable amounts were lower than their carrying amounts. Impairment reversals were recognized during the fourth quarter of 2022 for other sites, following changes in the estimates used to determine the recoverable amount.

NET FINANCIAL COSTS

Net financial costs for the fourth quarter of Fiscal 2022 were $25.3 million compared with $28.7 million for the corresponding quarter of 2021.

INCOME TAXES

The income tax expense of $57.5 million for the fourth quarter of Fiscal 2022 represented an effective tax rate of 25.4% compared with an income tax expense of $70.1 million and an effective tax rate of 26.5% in the fourth quarter of Fiscal 2021.

NET EARNINGS AND ADJUSTED NET EARNINGS[(1)]

Net earnings for the fourth quarter of Fiscal 2022 were $168.7 million compared with $194.0 million for the corresponding quarter of 2021, while fully diluted net earnings per share were $0.70 compared with $0.79 in 2021, down 13.0% and 11.4% respectively. Excluding the specific items shown in the table below, adjusted net earnings[(1)] for the fourth quarter of Fiscal 2022 totalled $219.4 million compared with $200.6 million for the corresponding quarter of 2021, and adjusted fully diluted net earnings per share[(1)] amounted to $0.92 versus $0.81, up 9.4% and 13.6% respectively.

[(1)] See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"
[(2)] See section on "Forward-looking Information"

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

	12 weeks / Fiscal Year					
	2022		2021		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	**168.7**	**0.70**	194.0	0.79	(13.0)	(11.4)
Loss on impairment of a loyalty program, net of taxes of $15.9	**44.1**		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, net of taxes of $2.4	**6.6**		6.6			
Adjusted measures[(1)]	**219.4**	**0.92**	200.6	0.81	9.4	13.6

CASH POSITION

Operating activities

Operating activities generated cash inflows of $466.6 million in the fourth quarter of Fiscal 2022 compared with $415.3 million for the corresponding quarter of Fiscal 2021. The variance is mainly due to the change in non-cash working capital items that generated cash inflows of $92.3 million in 2022 compared with $55.5 million in 2021, as well as higher earnings in 2022.

Investing activities

Investing activities required cash outflows of $136.0 million in the fourth quarter of Fiscal 2022 compared with $187.3 million for the corresponding quarter of Fiscal 2021. This difference stemmed mainly from lower investments in tangible and intangible assets and investment properties of $40.3 million in the fourth quarter of 2022.

Financing activities

In the fourth quarter of 2022, financing activities required cash outflows of $317.2 million compared with $193.2 million in the corresponding quarter of 2021. This difference resulted mainly from higher share repurchases of $63.6 million in 2022.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Corporation adopted a financial risk management policy, approved by the Board of Directors in April 2010 and amended in 2019, setting forth guidelines relating to its use of derivative financial instruments. These guidelines prohibit the use of derivatives for speculative purposes. During Fiscal 2022, the Corporation used derivative financial instruments as described in notes 2 and 25 to the consolidated financial statements.

FORWARD-LOOKING INFORMATION

We have used, throughout this annual report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "continue", “anticipate”, "believe", "aim", "expect", "estimate" "predict" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained in this report are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2023 action plan.

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

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

performance of the Corporation as well as on the realization of forward-looking statements contained in this document.

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

NON-GAAP AND OTHER FINANCIAL MEASUREMENTS

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

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

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.

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 measurements 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.

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

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

CONTROLS AND PROCEDURES

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

An evaluation was completed under their supervision in order to measure the effectiveness of DC&P and ICFR. Based on this evaluation, the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Treasurer of the Corporation concluded that the DC&P and the ICFR were effective as at the end of the fiscal year ended September 24, 2022.

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

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

SIGNIFICANT JUDGMENTS AND ESTIMATES

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

JUDGMENTS

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

Consolidation of structured entities

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

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

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

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic

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

characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 11 and 12 to the annual consolidated financial statements.

Pension plans and other plans

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

RISK MANAGEMENT

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

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

CRISIS AND CLIMATE CHANGE MANAGEMENT

Unexpected events including geopolitical crises, pandemic and epidemic outbreaks, catastrophes, and natural disasters, such as extreme and increasingly frequent weather-related disasters linked to climate change, could have a negative impact on the continuation of the Corporation's operations as well as its suppliers.

Events beyond our control could occur and have a significant impact on the continuity of our operations. We have set up business continuity plans for all our operations. These plans provide for some disaster alternative physical sites, generators in case of power outages and back-up computers as powerful as the Corporation's existing computers. Amid the current pandemic environment, we have created a strategic committee responsible for overseeing the management and coordination of the actions required to protect the Corporation's employees, customers, and partners from the effects of COVID-19. This committee is composed of executives from the Corporation's various business units.

The Corporation recognizes that physical risks resulting from climate change, either event driven or longer-term shifts in climate patterns, as well as transition risks, may have operational, financial, and reputational impacts on its activities and throughout its supply chain.

Regarding the physical risks, climate and extreme temperature changes may affect the Corporation’s premises, operations, supply chain, distribution, and employee safety. Long-term effects of temperature changes could increase operating costs for our premises, and extreme weather patterns, including severe storms and floods, could affect the production or supply of specific goods and could impair our physical assets including buildings and inventory. These events and their effects on our operations could have a material adverse effect on our financial performance.

[1] See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"
[2] See section on "Forward-looking Information"

With respect to transition risk, some effects could include changes in energy prices, commodity prices, and more generally supply and demand patterns caused by market transformation, resulting from the transition to a lower-carbon economy. This may also affect macroeconomic conditions with related effects on consumer spending and confidence, and new regulatory requirements resulting in compliance risk and higher operational costs.

METRO has put in place mitigation measures to address climate risks, including but not limited to insurance, and contingency plans. In order to increase the resilience of our business to address climate-related risks and continue to integrate climate risks and opportunities into our governance, strategy, risk management, metrics and targets, METRO announced in October 2022 its support for the TCFD, becoming the first Canadian food and pharmacy retailer to make this public commitment. The Corporation will improve disclosure of potential climate risks and opportunities to its shareholders and other stakeholders.

BRAND, REPUTATION, AND TRUST

Product safety

We are exposed to potential liability and costs regarding food and pharmaceutical safety, product contamination, handling, and defective products. Such liability may arise from product manufacturing, packaging, and labelling, design, preparation, warehousing, distribution, and presentation. Food products represent the greater part of our sales and we could be at risk in the event of a major outbreak of a food-borne illness or an increase in public health concerns regarding certain food products.

To counter these risks, we apply very strict food safety procedures and controls throughout the whole distribution chain. Employees receive continuous training in this area from Metro's *L'École des professionnels*. Our main meat distribution facilities are *Hazard Analysis and Critical Control Point* (HACCP) accredited, the industry's highest international standard. Our systems also enable us to trace every meat product distributed from any of our main distribution centres to its consumer point of sale.

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

Brand reputation

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

TECHNOLOGY RISKS

Technology systems

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

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

Cybersecurity and data protection

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

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

A cyberattack or an intrusion into our systems could result in unauthorized persons altering our systems or gaining access to sensitive and confidential information and then using or damaging it. Such situations could also affect third

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

parties who provide essential services to our operations or who store confidential information. These events could have a negative impact on our customers and partners that could result in financial losses, reducing our competitive advantage or tarnishing our reputation.

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

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

HUMAN RESOURCE RISKS

Labour relations

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

Occupational health and safety

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

Hiring, employee retention and organization structure

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

LEGAL, REGULATORY AND CORPORATE RESPONSIBILITY RISKS

Legal Proceedings

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

Regulatory environment

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

(1) See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"
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The Corporation relies on prescription drug sales for a significant portion of its sales and operating income. The pharmacy activities are exposed to risks related to the regulated nature of some of our activities and the activities of our pharmacist/owner franchisees.

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

Corporate responsibility

In 2010, the Corporation adopted a Corporate Responsibility approach. Over the past decade, we have implemented structuring programs and we disclose our progress and challenges in a report published annually. To anticipate and manage risks related to ESG issues, we stay abreast of emerging issues and new practices and work to continuously improve our processes.

We aim[2] to ensure that our actions bring value to METRO, and to our stakeholders - customers, employees, suppliers, shareholders and community partners. ESG issues are central to our corporate responsibility approach and allow us to assume our position as a leader in the food and pharmaceutical industry in a responsible manner. For more information, visit *metro.ca/corporateresponsibility*.

MARKET RISKS

Competition and prices

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

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

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

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

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

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

With the *metro&moi* and *Air Miles*® loyalty programs in our Metro and Metro Plus supermarkets and our Jean Coutu drugstore network, we are able to know the buying habits of loyal customers, offer them personalized promotions so as to increase their purchases at our stores.

Consumer behaviour and digital shift

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

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

[1] See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"
[2] See section on "Forward-looking Information"

SUPPLY CHAIN

Suppliers

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

Distribution center business interruption

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

Modernization of our distribution facilities

Investments in the modernization of our distribution centres in Québec and Ontario translate into large-scale projects. Poor management of human, material and financial resources could turn into significant costs and not meet our objective. Efficient project management and adequate change management of these new technologies, including automation, will allow us to achieve the expected results according to our business plan.

FINANCIAL RISKS

Exchange rates and financial instruments

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

Credit

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

Liquidity

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

Price of fuel, energy and utilities

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

Montréal, Canada, December 9, 2022

[1] *See table in section "Operating Results" and section on "Non-GAAP and Other Financial Measurements"*
[2] *See section on "Forward-looking Information"*