

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

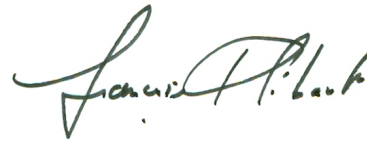
METRO INC. maintains accounting systems and internal controls over the financial reporting process which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's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

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

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



Eric La Flèche
President and Chief Executive Officer



François Thibault
Executive Vice President,
Chief Financial Officer and Treasurer

December 8, 2023

INDEPENDENT AUDITORS' REPORT

To the shareholders of **METRO INC.**

Opinion

We have audited the consolidated financial statements of METRO Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at September 30, 2023 and September 24, 2022, and the consolidated statements of net income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2023 and September 24, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key Audit Matters

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

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

Key Audit Matter

Impairment test of the goodwill of the pharmaceutical operating segment

Impairment testing of goodwill is to be done at least annually, or at any time an indicator of impairment exists. As disclosed in note 11, goodwill with a carrying amount of \$1,323.3M was attributed to the operating segment related to pharmaceutical operations. For the purpose of the impairment test, the recoverable amount was determined based on its value in use, which was calculated using discounted pre-tax cash flow forecast for the next fiscal year from management-approved budget.

How our audit addressed the key audit matter

To test the estimated recoverable amount of the pharmaceutical operating segment, we performed, among others, the following procedures:

- Recalculated the value in use of the pharmaceutical operating segment using the Corporation's discounted cash flow model.
- Compared Management's underlying assumptions used in the recoverable amount, specifically EBITDA in the cash flow forecast for the next fiscal year to budget. We assessed management's ability to forecast by comparing previous forecasts to actual results.
- Evaluated, with the assistance of our valuation specialists, the Corporation's valuation methodology and the discount rate by referencing current industry, economic and comparable company information.

Auditing management's annual goodwill impairment test was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions in determining the recoverable amount of the pharmaceutical operating segment as at September 30, 2023. Significant assumptions included earnings before interest, tax, depreciation and amortization (EBITDA) in the cash flow forecast for the next fiscal year and the discount rate, which are affected by expectations about future market and economic conditions.

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

Other Information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

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

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

- a. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



Montréal, Canada
December 8, 2023

¹ CPA auditor, CA, public accountancy permit no. A112005

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Consolidated Financial Statements

METRO INC.

September 30, 2023

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Consolidated statements of net income

Years ended September 30, 2023 and September 24, 2022

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

	2023 (53 weeks)	2022 (52 weeks)
Sales (note 21)	20,724.6	18,888.9
Cost of sales	(16,642.4)	(15,105.6)
Gross Profit	4,082.2	3,783.3
Operating expenses	(2,116.8)	(1,964.0)
Gain on disposal of assets (notes 8, 9 and 10)	4.2	25.3
Operating income before depreciation, amortization and impairments of assets, net of reversals	1,969.6	1,844.6
Depreciation and amortization (notes 8, 9 and 10)	(525.2)	(503.3)
Impairments of assets, net of reversals (notes 8, 9 and 10)	—	(70.1)
Net financial costs (note 4)	(122.6)	(117.6)
Earnings before income taxes	1,321.8	1,153.6
Income taxes (note 5)	(303.0)	(304.1)
Net earnings	1,018.8	849.5
Attributable to:		
Equity holders of the parent	1,014.8	846.1
Non-controlling interests	4.0	3.4
	1,018.8	849.5
Net earnings per share (Dollars) (notes 6 and 16)		
Basic	4.36	3.53
Fully diluted	4.35	3.51

See accompanying notes



Consolidated statements of comprehensive income

Years ended September 30, 2023 and September 24, 2022

(Millions of dollars)

	2023 (53 weeks)	2022 (52 weeks)
Net earnings	1,018.8	849.5
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (note 18)	73.0	36.1
Asset ceiling effect (note 18)	(21.8)	23.6
Minimum funding requirement (note 18)	—	21.4
Corresponding income taxes (note 5)	(13.6)	(21.5)
	37.6	59.6
Items that will be reclassified later to net earnings		
Change in fair value of derivatives designated as cash flow hedges (note 23)	(3.0)	1.2
Reclassification of the change in fair value of derivatives designated as cash flow hedges to net earnings (note 23)	0.1	—
Corresponding income taxes (note 5)	0.8	(0.3)
	(2.1)	0.9
	35.5	60.5
Comprehensive income	1,054.3	910.0
Attributable to:		
Equity holders of the parent	1,050.3	906.6
Non-controlling interests	4.0	3.4
	1,054.3	910.0

See accompanying notes



Consolidated statements of financial position
Years ended September 30, 2023 and September 24, 2022
(Millions of dollars)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	29.5	13.4
Accounts receivable <i>(notes 12 and 21)</i>	728.3	680.3
Accounts receivable on subleases <i>(note 9)</i>	96.1	94.8
Inventories <i>(note 7)</i>	1,451.0	1,331.1
Prepaid expenses	65.9	54.1
Current taxes	32.8	9.6
	2,403.6	2,183.3
Non-current assets		
Fixed assets <i>(note 8)</i>	3,768.3	3,457.7
Right-of-use assets <i>(note 9)</i>	942.8	995.1
Intangible assets <i>(note 10)</i>	2,733.0	2,739.0
Goodwill <i>(note 11)</i>	3,307.4	3,301.2
Deferred taxes <i>(note 5)</i>	37.9	44.8
Defined benefit assets <i>(note 18)</i>	160.5	127.9
Accounts receivable on subleases <i>(note 9)</i>	426.5	478.3
Other assets <i>(notes 12 and 24)</i>	85.3	74.0
	13,865.3	13,401.3
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable <i>(notes 13 and 24)</i>	1,619.4	1,575.8
Deferred revenues	36.8	38.5
Current taxes	6.9	43.6
Current portion of debt <i>(notes 14 and 24)</i>	19.3	18.3
Current portion of lease liabilities <i>(note 9)</i>	278.4	276.3
	1,960.8	1,952.5
Non-current liabilities		
Debt <i>(note 14)</i>	2,646.3	2,324.5
Lease liabilities <i>(note 9)</i>	1,380.3	1,502.7
Defined benefit liabilities <i>(note 18)</i>	29.4	30.0
Deferred taxes <i>(note 5)</i>	1,001.6	942.2
Other liabilities <i>(notes 15 and 24)</i>	30.6	31.0
	7,049.0	6,782.9
Equity		
Attributable to equity holders of the parent	6,801.2	6,604.5
Attributable to non-controlling interests	15.1	13.9
	6,816.3	6,618.4
	13,865.3	13,401.3

Commitments and contingencies *(notes 8, 9, 19 and 20)*

See accompanying notes

On behalf of the Board

ERIC LA FLÈCHE
Director

RUSSELL GOODMAN
Director



Consolidated statements of changes in equity

Years ended September 30, 2023 and September 24, 2022

(Millions of dollars)

	Attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
	Capital stock (note 16)	Treasury shares (note 16)	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
Balance as at September 24, 2022	1,649.3	(16.2)	23.3	4,947.2	0.9	6,604.5	13.9	6,618.4
Net earnings	—	—	—	1,014.8	—	1,014.8	4.0	1,018.8
Other comprehensive income	—	—	—	37.6	(2.1)	35.5	—	35.5
Comprehensive income	—	—	—	1,052.4	(2.1)	1,050.3	4.0	1,054.3
Stock options exercised	8.8	—	(1.0)	—	—	7.8	—	7.8
Shares redeemed	(57.0)	—	—	—	—	(57.0)	—	(57.0)
Share redemption premium (note 16)	—	—	—	(529.0)	—	(529.0)	—	(529.0)
Acquisition of treasury shares	—	(7.6)	—	—	—	(7.6)	—	(7.6)
Share-based compensation cost	—	—	7.2	—	—	7.2	—	7.2
Performance share units settlement	—	5.9	(5.9)	—	—	—	—	—
Dividends (note 17)	—	—	—	(275.0)	—	(275.0)	(1.4)	(276.4)
Buyout of minority interests	—	—	—	—	—	—	(1.4)	(1.4)
	(48.2)	(1.7)	0.3	(804.0)	—	(853.6)	(2.8)	(856.4)
Balance as at September 30, 2023	1,601.1	(17.9)	23.6	5,195.6	(1.2)	6,801.2	15.1	6,816.3

	Attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
	Capital stock (note 16)	Treasury shares (note 16)	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
Balance as at September 25, 2021	1,674.3	(20.5)	24.2	4,721.9	—	6,399.9	12.9	6,412.8
Net earnings	—	—	—	846.1	—	846.1	3.4	849.5
Other comprehensive income	—	—	—	59.6	0.9	60.5	—	60.5
Comprehensive income	—	—	—	905.7	0.9	906.6	3.4	910.0
Stock options exercised	23.5	—	(2.5)	—	—	21.0	—	21.0
Shares redeemed	(48.5)	—	—	—	—	(48.5)	—	(48.5)
Share redemption premium (note 16)	—	—	—	(421.5)	—	(421.5)	—	(421.5)
Share-based compensation cost	—	—	8.6	—	—	8.6	—	8.6
Performance share units settlement	—	4.3	(7.0)	(1.0)	—	(3.7)	—	(3.7)
Dividends (note 17)	—	—	—	(257.9)	—	(257.9)	(1.6)	(259.5)
Buyout of minority interests	—	—	—	—	—	—	(0.8)	(0.8)
	(25.0)	4.3	(0.9)	(680.4)	—	(702.0)	(2.4)	(704.4)
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

See accompanying notes



Consolidated statements of cash flows

Years ended September 30, 2023 and September 24, 2022

(Millions of dollars)

	2023 (53 weeks)	2022 (52 weeks)
Operating activities		
Earnings before income taxes	1,321.8	1,153.6
Non-cash items		
Depreciation and amortization	525.2	503.3
Gains on disposal of assets	(4.2)	(25.3)
Impairment losses of assets	—	71.5
Impairment loss reversals of assets	—	(1.4)
Share-based compensation cost	12.0	8.6
Difference between amounts paid for employee benefits and current year cost	21.0	6.3
Net financial costs	122.6	117.6
	1,998.4	1,834.2
Net change in non-cash working capital items	(125.5)	(115.2)
Income taxes paid	(309.4)	(257.6)
	1,563.5	1,461.4
Investing activities		
Buyout of minority interests	(1.4)	(0.2)
Net change in other assets (note 24)	0.3	15.7
Additions to fixed assets (notes 8 and 24)	(597.2)	(522.8)
Disposals of fixed assets (notes 8 and 24)	1.2	21.6
Additions to intangible assets (note 10)	(82.7)	(98.2)
Payments received from subleases	92.9	91.2
Interests received from subleases	14.4	14.9
	(572.5)	(477.8)
Financing activities		
Shares issued (note 16)	7.8	21.0
Shares redeemed (note 16)	(586.0)	(470.0)
Acquisition of treasury shares (note 16)	(7.6)	—
Performance share units settlement	—	(3.7)
Increase in debt	500.9	330.5
Repayment of debt (note 24)	(188.2)	(616.8)
Interest paid on debt	(113.1)	(105.6)
Payment of lease liabilities (principal)	(269.1)	(268.0)
Payment of lease liabilities (interest)	(44.8)	(45.6)
Net change in other liabilities (note 24)	0.2	0.1
Dividends (note 17)	(275.0)	(257.9)
	(974.9)	(1,416.0)
Net change in cash and cash equivalents	16.1	(432.4)
Cash and cash equivalents – beginning of year	13.4	445.8
Cash and cash equivalents – end of year	29.5	13.4

See accompanying notes



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

1. DESCRIPTION OF BUSINESS

METRO INC. (the Corporation), is incorporated under the laws of Québec. The Corporation is one of Canada's leading food and pharmacy retailers and distributors. It operates a network of supermarkets, discount stores and pharmacies. Its head office is located at 11011 Maurice-Duplessis Blvd., Montréal, Québec, Canada, H1C 1V6. Its business segments, food operations and pharmaceutical operations, are combined into a single reportable operating segment due to the similar nature of their operations (note 3).

2. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as those of structured entities (notes 3 and 21). All intercompany transactions and balances were eliminated on consolidation.

Revenue from contracts with customers

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

Recognition of considerations from vendors

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

Loyalty programs

The Corporation has two loyalty programs.

The first program, for which the Corporation acts as an agent, belongs to a third party and its cost is recorded as a reduction in sales at the time of sale to the customer.

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

Foreign currency translation

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



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

Income taxes

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

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

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

Share-based payment

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

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

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

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

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

Net earnings per share

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

Cash and cash equivalents

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

Accounts receivable

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Warehouse inventories cost is determined using the average cost method net of certain considerations received from vendors. Retail inventories cost is valued at the



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

retail price less the gross margin and certain considerations received from vendors. All costs incurred in bringing the inventories to their present location and condition are included in the cost of warehouse and retail inventories.

Fixed assets

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

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

Leases

The Corporation as lessee

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

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

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

The Corporation as lessor

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

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

Investment properties

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

Notes to consolidated financial statements**September 30, 2023 and September 24, 2022***(Millions of dollars, unless otherwise indicated)***Intangible assets**

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

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

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

Goodwill

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

Impairment of non financial assets

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

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

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

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

Employee benefits

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

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

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

Deferred revenues

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

Provisions

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

Other financial liabilities

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

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

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Non-controlling interests

Non-controlling interests are recognized in equity.

Offsetting a financial asset and a financial liability

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

Financial instruments

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

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

In summary, the Corporation's assets and liabilities are classified and measured valued as follows:

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

Impairment of financial assets

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

Derivative financial instruments and hedge accounting

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

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



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

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

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

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal year ended September 30, 2023 included 53 weeks of operations and the fiscal year ended September 24, 2022 included 52 weeks of operations. An additional week is included in the fourth quarter every five or six years to realign the Corporation's fiscal year with calendar. This inclusion occurred in the fourth quarter of Fiscal 2023.

Notes to consolidated financial statements**September 30, 2023 and September 24, 2022***(Millions of dollars, unless otherwise indicated)***3. SIGNIFICANT JUDGMENTS AND ESTIMATES**

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

JUDGMENTS

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

Consolidation of structured entities

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

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

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

Determination of the aggregation of operating segments

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

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 10 and 11.

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 18.



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

4. NET FINANCIAL COSTS

The net financial costs were as follows:

	2023 (53 weeks)	2022 (52 weeks)
Current interest	5.6	3.3
Non-current interest	113.6	98.7
Net interest on lease liabilities (note 9)	30.8	30.5
Interest on defined benefit obligations net of plan assets (note 18)	(3.2)	0.3
Amortization of deferred financing costs	1.4	1.7
Interest income and capitalized interest	(25.9)	(17.2)
Passage of time	0.3	0.3
	122.6	117.6

5. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	2023 (53 weeks)	2022 (52 weeks)
Combined statutory income tax rate	26.5	26.5
Changes		
Favorable tax adjustment in respect of prior years	(3.5)	—
Other	(0.1)	(0.1)
	22.9	26.4

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

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

Consolidated income statements

	2023 (53 weeks)	2022 (52 weeks)
Current		
Current tax expense	249.5	299.1
Deferred		
Adjustment related to temporary differences	53.5	5.0
	303.0	304.1



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

Consolidated comprehensive income statements

	2023 (53 weeks)	2022 (52 weeks)
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial losses	19.4	9.6
Asset ceiling effect	(5.8)	6.2
Minimum funding requirement	—	5.7
Change in fair value of derivatives designated as cash flow hedges	(0.8)	0.3
	12.8	21.8

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

	Consolidated statements of financial position		Consolidated statements of income	
	As at September 30, 2023	As at September 24, 2022	2023 (53 weeks)	2022 (52 weeks)
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	11.0	17.6	(7.4)	(0.5)
Lease liabilities	439.5	471.4	(31.9)	(39.3)
Deferred tax losses	6.8	7.0	(0.2)	1.4
Inventories	(10.3)	(9.6)	(0.7)	0.6
Employee benefits	(36.7)	(27.7)	4.6	0.9
Accounts receivable on subleases	(138.5)	(151.9)	13.4	18.3
Investment in a joint venture	0.3	0.3	—	(0.7)
Difference between net carrying value and tax value				
Fixed assets	(364.2)	(290.9)	(73.3)	(28.7)
Investment properties	0.4	0.5	(0.1)	0.1
Right-of-use assets	(249.9)	(263.7)	13.8	18.4
Intangible assets	(564.6)	(592.7)	28.1	26.0
Goodwill	(57.5)	(57.7)	0.2	(1.5)
	(963.7)	(897.4)	(53.5)	(5.0)
Deferred tax assets	37.9	44.8		
Deferred tax liabilities	(1,001.6)	(942.2)		
	(963.7)	(897.4)		



Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

6. NET EARNINGS PER SHARE

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

	2023	2022
(Millions)	(53 weeks)	(52 weeks)
Weighted average number of shares outstanding – Basic	232.5	239.9
Dilutive effect under:		
Stock option plan	0.5	0.5
Performance share unit plan	0.3	0.4
Weighted average number of shares outstanding – Fully diluted	233.3	240.8

7. INVENTORIES

	2023	2022
Wholesale inventories	864.8	799.1
Retail inventories	586.2	532.0
	1,451.0	1,331.1

Notes to consolidated financial statements

September 30, 2023 and September 24, 2022

(Millions of dollars, unless otherwise indicated)

8. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Total
Cost					
Balance as at September 25, 2021	534.7	1,568.7	1,852.5	959.3	4,915.2
Acquisitions	25.5	208.3	225.9	63.1	522.8
Transfer from Intangible assets	—	—	75.2	—	75.2
Disposals and write-offs	(2.3)	(17.7)	(9.9)	(8.4)	(38.3)
Balance as at September 24, 2022	557.9	1,759.3	2,143.7	1,014.0	5,474.9
Acquisitions	16.5	166.4	346.8	67.5	597.2
Transfer to Investment properties	(8.3)	—	—	—	(8.3)
Disposals and write-offs	(0.1)	(0.6)	(68.9)	(25.7)	(95.3)
Balance as at September 30, 2023	566.0	1,925.1	2,421.6	1,055.8	5,968.5
Accumulated depreciation and impairment					
Balance as at September 25, 2021	—	(347.1)	(961.0)	(477.3)	(1,785.4)
Depreciation	—	(45.0)	(150.5)	(64.9)	(260.4)
Disposals and write-offs	—	3.4	19.2	6.9	29.5
Impairment losses	—	—	(0.4)	(1.9)	(2.3)
Impairment loss reversals	—	—	0.7	0.7	1.4
Balance as at September 24, 2022	—	(388.7)	(1,092.0)	(536.5)	(2,017.2)
Depreciation	—	(47.8)	(158.5)	(71.5)	(277.8)
Disposals and write-offs	—	0.2	68.9	25.7	94.8
Balance as at September 30, 2023	—	(436.3)	(1,181.6)	(582.3)	(2,200.2)
Net carrying value					
Balance as at September 24, 2022	557.9	1,370.6	1,051.7	477.5	3,457.7
Balance as at September 30, 2023	566.0	1,488.8	1,240.0	473.5	3,768.3

During the fiscal year, the Corporation invested \$679.9 (\$621.0 in 2022) in capital spending consisting of \$597.2 in fixed assets and \$82.7 in intangible assets (\$522.8 and \$98.2 in 2022). Additions of intangible assets accrued at year-end amounted to \$5.0 in 2023 (\$6.0 in 2022).

As at September 30, 2023, work in progress not yet amortized included in buildings, equipment and leasehold improvements totalled \$104.8, \$87.0 and \$1.3 (\$251.1, \$163.0 and \$0.8 in 2022), respectively.

As at September 30, 2023, the Corporation had contractual commitments to purchase fixed assets totalling \$262.7 in 2023, consisting mainly of buildings and equipment.



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9. LEASES

The Corporation as lessee

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

As at September 30, 2023, changes in right-of-use assets were as follows:

	Buildings	Rolling stock and other	Total
Balance as at September 25, 2021	1,035.2	29.5	1,064.7
New leases	58.1	8.1	66.2
Terminations and adjustments	31.1	0.7	31.8
Impairment losses	(7.1)	—	(7.1)
Depreciation	(151.1)	(9.4)	(160.5)
Balance as at September 24, 2022	966.2	28.9	995.1
New leases	32.6	0.6	33.2
Terminations and adjustments	75.5	—	75.5
Depreciation	(151.1)	(9.9)	(161.0)
Balance as at September 30, 2023	923.2	19.6	942.8

The Corporation has variable lease payments for property taxes, common operating costs and insurance costs for leased properties. The Corporation also has variable lease payments that vary according to a percentage of retail sales. These expenses are recorded in operating expenses and totalled \$126.3 in 2023 (\$122.0 in 2022).



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As at September 30, 2023, changes in lease liabilities were as follows:

Balance as at September 25, 2021	1,927.2
Additions	94.7
Terminations and adjustments	25.2
Lease payments	(313.5)
Interest expense on lease liabilities	45.4
Balance as at September 24, 2022	1,779.0
Current portion	276.3
Non-current portion	1,502.7
Balance as at September 24, 2022	1,779.0
Additions	61.6
Terminations and adjustments	87.2
Lease payments	(314.3)
Interest expense on lease liabilities	45.2
Balance as at September 30, 2023	1,658.7
Current portion	278.4
Non-current portion	1,380.3

The weighted average incremental borrowing rate was 2.80% as at September 30, 2023 (2.49% in 2022). The weighted average remaining contractual life as at September 30, 2023 was 5 years (5 years in 2022).

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

2024	323.1
2025	295.1
2026	257.9
2027	219.5
2028	181.7
2029 and thereafter	610.2
	1,887.5

The Corporation has also entered into short-term leases or leases with underlying low-value asset, specifically for the rental of machinery and equipment, as well as vehicles and trailers. These leases were recorded in operating expenses for a total of \$6.5 in 2023 (\$6.3 in 2022).



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The Corporation as lessor

The Corporation acted as intermediate lessor for real estate subleases.

Finance leases

Finance income for the year ended in 2023 was \$14.4 (\$14.9 in 2022). Future minimum lease payments receivable by the Corporation relating to subleased properties to third parties will be as follows:

2024	108.7
2025	101.7
2026	85.3
2027	71.4
2028	56.4
2029 and thereafter	156.5
Total undiscounted lease payments receivable	580.0
Unearned finance income	(57.4)
Accounts receivable on subleases	522.6
Current portion	96.1
Non-current portion	426.5

Operating leases

The Corporation leases buildings under operating leases. The Corporation recorded rental income of \$53.1 in 2023 (\$51.2 in 2022).

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

2024	47.2
2025	38.4
2026	32.4
2027	24.2
2028	13.1
2029 and thereafter	58.1
	213.4



Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

10. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Software	Retail network retention premiums	Customer relationships	Total
Cost				
Balance as at September 25, 2021	347.2	270.6	1,067.4	1,685.2
Acquisitions	80.8	22.2	—	103.0
Transfers to fixed assets	(75.2)	—	—	(75.2)
Disposals and write-offs	(0.1)	(6.3)	—	(6.4)
Impairment losses	—	(2.1)	—	(2.1)
Balance as at September 24, 2022	352.7	284.4	1,067.4	1,704.5
Acquisitions	64.3	17.2	—	81.5
Disposals and write-offs	(0.1)	(7.0)	—	(7.1)
Balance as at September 30, 2023	416.9	294.6	1,067.4	1,778.9
Accumulated amortization and impairment				
Balance as at September 25, 2021	(218.5)	(134.8)	(155.5)	(508.8)
Amortization	(23.6)	(18.4)	(39.9)	(81.9)
Disposals and write-offs	0.1	5.6	—	5.7
Balance as at September 24, 2022	(242.0)	(147.6)	(195.4)	(585.0)
Amortization	(26.9)	(19.6)	(39.7)	(86.2)
Disposals and write-offs	0.1	5.7	—	5.8
Balance as at September 30, 2023	(268.8)	(161.5)	(235.1)	(665.4)
Net carrying value				
Balance as at September 24, 2022	110.7	136.8	872.0	1,119.5
Balance as at September 30, 2023	148.1	133.1	832.3	1,113.5

During the fiscal year, the Corporation invested \$679.9 (\$621.0 in 2022) in capital spending consisting of \$597.2 in fixed assets and \$82.7 in intangible assets (\$522.8 and \$98.2 in 2022). Additions of intangible assets accrued at year-end amounted to \$5.0 in 2023 (\$6.0 in 2022).

As at September 30, 2023, there was no work in progress for software not yet amortized (\$3.0 in 2022).



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Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balance as at September 25, 2021	1,473.3	121.5	83.5	1,678.3
Acquisitions	—	1.2	—	1.2
Impairment losses	—	—	(60.0)	(60.0)
Balances as at September 24, 2022 and September 30, 2023	1,473.3	122.7	23.5	1,619.5

Impairment testing of one of the loyalty programs and exclusive private labels was conducted at the individual asset level. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the capitalized excess EBIT method. The estimated EBIT directly allocated to the program and private labels, after deduction of the return on contributory assets, was based on historical data reflecting past experience. For the loyalty program, the earnings multiple used was 16.0 (15.7 in 2022) considering a growth rate of 2.0% (2.0% in 2022) corresponding to the consumer price index. For the private labels, the earnings multiples used ranged between 14.3 and 15.4 (14.3 and 15.4 in 2022) considering a growth rate of 2.0% (2.0% in 2022) corresponding to the consumer price index.

During the fourth quarter of Fiscal 2022, the Corporation recorded \$70.1 of impairments of assets, net of reversals, including \$60.0 resulting from the decision to have Jean Coutu withdraw from the Air Miles® loyalty program in the spring of 2023. The loss represents the excess in the carrying value of the indefinite-lived intangible over the recoverable amount. The recoverable amount, based on fair value less costs of disposal, was calculated using the capitalized excess EBIT method 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 used of 9.2% in 2022.

Impairment testing of banners and private labels were conducted at the level of the asset itself. The recoverable amount was determined based on its fair value calculated using the royalty-free license method for banners and the capitalized excess EBIT method for other private labels. The estimated royalty rate was based on information from external sources and historical data reflecting past experience. For the banners and these private labels, the royalty rate used was 1.0% to 3.0% (1.0% to 3.0% in 2022) and the multiples used were between 14.3 and 15.4 (14.3 and 15.4 in 2022) considering growth rate of 2.0% (2.0% in 2022) corresponding to the consumer price index.

11. GOODWILL

	2023	2022
Balance – beginning of year	3,301.2	3,301.2
Acquisitions through business combinations	6.2	—
Balance – end of year	3,307.4	3,301.2

For impairment testing, goodwill with a carrying amount of \$1,984.1 (\$1,977.9 as at September 24, 2022) was allocated to the operating segment related to food operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. Cash flows for subsequent years are based on a 2% growth in line with the consumer price index. A pre-tax discount rate of 9.6% (9.5% in 2022) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.



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For impairment testing, goodwill with a carrying amount of \$1,323.3 (\$1,323.3 as at September 24, 2022) was allocated to the operating segment related to pharmaceutical operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. Cash flows for subsequent years are based on a 2% growth in line with the consumer price index. A pre-tax discount rate of 10.1% (10.3% in 2022) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

12. OTHER ASSETS

	2023	2022
Loans to certain customers, bearing weighted average floating interest rates of 4.28% in 2023, maturing through 2031	43.9	49.3
Investment in a joint venture	10.0	9.4
Investment properties	21.1	14.5
Derivative financial instruments	18.4	10.6
Other assets	1.5	4.3
	94.9	88.1
Current portion included in accounts receivable	9.6	14.1
	85.3	74.0

The fair value of investment properties was \$23.2 as at September 30, 2023 (\$20.2 as at September 24, 2022). The Corporation classified the fair value measurement in Level 2, as it is derived from observable market inputs, i.e., recent transactions on these assets or similar assets.

13. ACCOUNTS PAYABLE

	2023	2022
Accounts payable (gross amount)	1,685.5	1,637.4
Vendor rebate receivables	(66.1)	(61.6)
Accounts payable (net amount)	1,619.4	1,575.8



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14. DEBT

	2023	2022
Revolving Credit Facility, bearing interest at a weighted average rate of 6.71% (5.09% in 2022), repayable on October 27, 2028	39.9	20.9
Series J Notes, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024	288.9	285.1
Series G Notes, bearing interest at a fixed nominal rate of 3.39%, maturing on December 6, 2027	450.0	450.0
Series K Notes, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033	300.0	—
Series B Notes, bearing interest at a fixed nominal rate of 5.97%, maturing on October 15, 2035	400.0	400.0
Series D Notes, bearing interest at a fixed nominal rate of 5.03%, maturing on December 1, 2044	300.0	300.0
Series H Notes, bearing interest at a fixed nominal rate of 4.27%, maturing on December 4, 2047	450.0	450.0
Series I Notes, bearing interest at a fixed nominal rate of 3.41%, maturing on February 28, 2050	400.0	400.0
Loans, maturing on various dates through 2060, bearing interest at an average rate of 4.18% (3.43% in 2022)	49.6	49.3
Deferred financing costs	(12.8)	(12.5)
	2,665.6	2,342.8
Current portion	19.3	18.3
	2,646.3	2,324.5

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

The Corporation has access to an unsecured revolving credit facility with a maximum of \$600.0 bearing interest at rates that fluctuate with changes in bankers' acceptance rates. As at September 30, 2023, the unused authorized revolving credit facility was \$560.1 (\$579.1 as at September 24, 2022).

The debt related to the acquisition of intangible assets, excluded from debt changes presented at the consolidated statements of cash flows, totaled \$5.0 in 2023 (\$6.0 in 2022).

On November 30, 2021, the Corporation issued through a private placement Series J unsecured senior notes in the aggregate principal amount of \$300.0, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024. In conjunction with this offering, Metro entered into a \$300.0 interest rate swap effectively locking in a floating rate of interest of 11 basis points (0.11%) over the 3-month bankers' acceptance rate (CDOR) over the life of the Series J Notes. As at September 30, 2023, the balance of the Series J unsecured senior notes was \$288.9 (\$285.1 as at September 24, 2022), reflecting an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$3.8 in 2023 (decrease of \$14.9 in 2022).

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 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, maturing on December 5, 2022. The early redemption premium represents an amount of \$0.4 before tax.

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

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the hedging instrument was recognized in Other Comprehensive Income. Following the Series K Notes issuance, the amounts accumulated in equity are reclassified to net financial costs on a linear basis over the life of the debt.

During the second quarter of 2023 the Corporation repaid all its revolving credit facility drawn in USD and the cross-currency interest rate swaps entered into in the first quarter of 2023 came to maturity.

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

	Facility and loans	Notes	Total
2024	19.3	—	19.3
2025	42.4	300.0	342.4
2026	1.5	—	1.5
2027	1.0	—	1.0
2028	0.6	450.0	450.6
2029 and thereafter	24.7	1,850.0	1,874.7
	89.5	2,600.0	2,689.5

15. OTHER LIABILITIES

	2023	2022
Provisions	12.4	12.8
Deferred revenues	3.0	2.8
Derivative financial instruments	12.8	15.4
Share-based compensation	2.4	—
	30.6	31.0



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16. CAPITAL STOCK

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

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

Common Shares issued

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

	Number (Thousands)	
Balance as at September 25, 2021	243,391	1,674.3
Shares redeemed for cash, excluding premium of \$421.5	(7,000)	(48.5)
Stock options exercised	538	23.5
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

Treasury shares

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

	Number (Thousands)	
Balance as at September 25, 2021	442	(20.5)
Released	(107)	4.3
Balance as at September 24, 2022	335	(16.2)
Acquisitions	99	(7.6)
Released	(138)	5.9
Balance as at September 30, 2023	296	(17.9)

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

Stock option plan

The Corporation has a stock option plan for certain Corporation employees providing for the grant of options to purchase up to 30,000,000 Common Shares. As at September 30, 2023, a balance of 5,250,342 shares could be issued following the exercise of stock options (2,940,626 as at September 24, 2022). The subscription price of each Common Share under an option granted pursuant to the plan is equal to the market price of the shares on the day prior to the option grant date and must be paid in full at the time the option is exercised. While the Board of Directors determines other terms and conditions for the exercise of options, in general no options may have a term of more than five years from the date the option may initially be exercised, in whole or in part, and the total term may in no circumstances exceed ten years from the option grant date. Options may generally be exercised two years after their grant date and vest at the rate of 20% per year.



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

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 25, 2021	2,318	46.69
Granted	431	62.82
Exercised	(538)	38.98
Cancelled	(119)	55.79
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

The information regarding the stock options outstanding and exercisable as at September 30, 2023 is summarized below:

Range of exercise prices (Dollars)	Outstanding options			Exercisable options	
	Number (Thousands)	Weighted average remaining period (Months)	Weighted average exercise price (Dollars)	Number (Thousands)	Weighted average exercise price (Dollars)
40.23 to 55.94	1,180	28.4	47.64	677	44.38
56.92 to 77.75	1,046	59.8	66.32	116	56.93
	2,226	43.2	56.42	793	46.22

The weighted average fair value of \$13.17 per option (\$8.17 in 2022) for stock options granted during Fiscal 2023 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 3.0% (1.3% in 2022), expected life of 5.6 years (5.6 years in 2022), expected volatility of 15.4% (15.9% in 2022) and expected dividend yield of 1.4% (1.6% in 2022). The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

Compensation expense for these options amounted to \$3.1 for Fiscal 2023 (\$2.4 in 2022).

Performance share unit plan

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



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

	Number (Thousands)
Balance as at September 25, 2021	615
Granted	200
Settled	(162)
Cancelled	(96)
Balance as at September 24, 2022	557
Granted	209
Settled	(138)
Cancelled	(56)
Balance as at September 30, 2023	572

The weighted average fair value of \$74.16 per PSU (\$64.00 in 2022) for PSUs granted during Fiscal 2023 was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all PSUs amounted to \$8.8 for Fiscal 2023 (\$6.2 in 2022).

In Fiscal 2023, the liability for cash-settled PSU awards was reclassified from contributed surplus to other liabilities. As at September 30, 2023, the cash-settled PSU liability amounted to \$5.5 (nil as at September 24, 2022). During the third quarter of Fiscal 2023, the Corporation entered into a prepaid equity forward contract to economically hedge a portion of the price risk driven by fluctuations in the fair value of our cash-settled PSU awards (note 23).

Deferred Share Unit Plan

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

The DSU expense totalled \$1.8 for Fiscal 2023 (\$4.0 in 2022). During the third quarter of Fiscal 2023 and the second quarter of Fiscal 2022, the Corporation entered into prepaid equity forward contracts to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards (note 23).

As at September 30, 2023, the DSU liability amounted to \$14.7 (\$12.7 as at September 24, 2022).

17. DIVIDENDS

In Fiscal 2023, the Corporation paid \$275.0 in dividends to holders of Common Shares (\$257.9 in 2022), or \$1.1825 per share (\$1.075 in 2022). On October 6, 2023, the Corporation's Board of Directors declared a quarterly dividend of \$0.3025 per Common Share payable on November 14, 2023.



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18. EMPLOYEE BENEFITS

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

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

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

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Balance – beginning of year	1,286.3	25.4	1,553.7	30.9
Participant contributions	10.5	—	10.5	—
Benefits paid	(61.1)	(3.2)	(60.0)	(3.4)
Amounts paid under a settlement	—	(2.2)	—	—
Items in net earnings				
Current service cost	41.0	2.0	56.6	2.4
Past service cost	0.6	0.1	1.4	0.1
Loss from a settlement	—	0.4	—	—
Interest cost	64.7	1.2	53.5	1.1
Actuarial gains	—	0.1	—	(2.5)
	106.3	3.8	111.5	1.1
Items in other comprehensive income				
Actuarial losses (gains) from demographic assumptions	—	0.3	—	(0.2)
Actuarial gains from financial assumptions	(109.6)	(0.9)	(341.0)	(3.0)
Adjustments due to experience	4.2	0.3	11.6	—
	(105.4)	(0.3)	(329.4)	(3.2)
Balance – end of year	1,236.6	23.5	1,286.3	25.4

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

	2023		2022	
(Percentage)	Pension plans	Other plans	Pension plans	Other plans
Active plan participants	51	70	53	69
Deferred plan participants	5	—	5	—
Retirees	44	30	42	31

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

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Fair value – beginning of year	1,446.7	—	1,687.3	—
Employer contributions	20.6	5.4	51.2	3.4
Participant contributions	10.5	—	10.5	—
Benefits paid	(61.1)	(3.2)	(60.0)	(3.4)
Amounts paid under a settlement	—	(2.2)	—	—
Items in net earnings				
Interest income	70.9	—	57.0	—
Administration costs	(3.0)	—	(2.8)	—
	67.9	—	54.2	—
Item in other comprehensive income				
Return on plan assets, excluding the amounts included in interest income	(32.7)	—	(296.5)	—
Fair value – end of year	1,451.9	—	1,446.7	—

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

	2023		2022	
	Asset ceiling	Minimum funding requirement	Asset ceiling	Minimum funding requirement
Balance - beginning of year	(37.1)	—	(58.0)	(21.4)
Interest	(1.8)	—	(2.0)	(0.7)
Change in defined benefit assets	(21.8)	—	22.9	—
Change in defined benefit liabilities	—	—	—	22.1
Balance - end of year	(60.7)	—	(37.1)	—

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



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

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Balance of defined benefit obligation – end of year	(1,236.6)	(23.5)	(1,286.3)	(25.4)
Fair value of plan assets – end of year	1,451.9	—	1,446.7	—
Funded status	215.3	(23.5)	160.4	(25.4)
Asset ceiling effect	(60.7)	—	(37.1)	—
	154.6	(23.5)	123.3	(25.4)
Defined benefit assets	160.5	—	127.9	—
Defined benefit liabilities	(5.9)	(23.5)	(4.6)	(25.4)
	154.6	(23.5)	123.3	(25.4)

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

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans , including multi-employer plans	34.3	—	33.8	—
Defined benefit plans				
Current service cost	41.0	2.0	56.6	2.4
Past service cost	0.6	0.1	1.4	0.1
Loss from a settlement	—	0.4	—	—
Actuarial gains	—	0.1	—	(2.5)
Administration costs	3.0	—	2.8	—
	44.6	2.6	60.8	—
Employee benefits expense	78.9	2.6	94.6	—
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in net financial costs	(4.4)	1.2	(0.8)	1.1
Net total expense	74.5	3.8	93.8	1.1

The remeasurements recognized as other comprehensive income were as follows:

	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Gains on accrued obligation	(105.4)	(0.3)	(329.4)	(3.2)
Return on plan assets	32.7	—	296.5	—
Change in the effect of the asset ceiling	21.8	—	(23.6)	—
Change in the minimum funding requirement	—	—	(21.4)	—
	(50.9)	(0.3)	(77.9)	(3.2)

Total cash payments for employee benefits, consisting of cash contributed by the Corporation to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to \$26.0 in 2023 (\$54.6 in 2022). The Corporation plans to contribute \$27.1 to the defined benefit plans and \$35.2 to multi-employer plans during the next fiscal year.



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Weighted average duration of defined benefit obligations was 13 years as at September 30, 2023 and was 14 years as at September 24, 2022.

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2020 and September 2023. The next valuations will be performed in December 2023.

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

Asset categories (Percentage)	2023	2022
Annuity buy-in contracts	24	25
Shares in Canadian corporations	16	16
Shares in foreign corporations	24	22
Government and corporation bonds	22	23
Other	14	14

During Fiscal 2022, the Corporation purchased \$444.1 of qualifying annuity buy-in contracts for six of the defined benefit pension plans as a mechanism to reduce pension plan risk. Future cash flows from the annuities will match the amount and timing of benefits payable under the plans, substantially mitigating the exposure investment and longevity risk in the related pension obligations. Accordingly the fair value of these contracts fluctuate in line with the changes of the associated defined benefit obligation, and are evaluated at level 3 fair value measurement.

Pension plan assets included shares issued by the Corporation with a fair value of \$4.0 as at September 30, 2023 (\$4.3 as at September 24, 2022).

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

(Percentage)	2023		2022	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate on defined benefit obligation	5.60	5.60	4.95	4.95
Discount rate on service costs	4.93	4.93	3.49	3.49
Rate of compensation increase	3.00	3.00	3.00	3.00
Mortality table	CPM2014Priv	CPM2014Priv	CPM2014Priv	CPM2014Priv

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

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

	Pension plans		Other plans	
	1% increase	1% decrease	1% increase	1% decrease
Effect on defined benefit obligation	(138.8)	172.7	(1.6)	1.9



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The assumed annual health care cost trend rate per participant was set at 5.2% (5.3% in 2022). Under the assumption used, this rate should gradually decline to 4.0% in 2040 and remain at that level thereafter. A 1% change in this rate would have the following effects:

	1% increase	1% decrease
Effect on defined benefit obligation	(1.0)	0.9

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

	2023	2022
Wages and fringe benefits	1,962.4	1,842.3
Employee benefits expense	81.5	94.6
	2,043.9	1,936.9

19. COMMITMENTS

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2032 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2023	2022
Under 1 year	140.5	176.1
Between 1 and 5 years	268.0	132.8
Over 5 years	1.4	1.2
	409.9	310.1

20. CONTINGENCIES

Guarantees

The Corporation has guaranteed loans granted to certain stores by financial institutions, with varying terms through 2028. The balance of these loans amounted to \$0.5 as at September 30, 2023 (\$0.6 as at September 24, 2022). No liability has been recorded in respect of these guarantees for the years ended September 30, 2023 and September 24, 2022.

Buyback agreements

Under inventory repurchase agreements, the Corporation has undertaken with respect to financial institutions to repurchase at cost the inventories of certain stores, when they are in default, up to the amount drawn on lines of credit granted to these same stores by the financial institutions. As at September 30, 2023, inventory financing amounted to \$169.7 (\$143.8 as at September 24, 2022). However, under these agreements, the Corporation has not undertaken to make up for any deficit created if the value of inventories falls below the amount of the advances.

Under buyback agreements, the Corporation is committed to financial institutions to purchase equipment held by certain stores and financed by finance leases not exceeding five years and loans not exceeding eight years. For finance leases, the buyback value is linked to the net balance of the lease at the date of the buyback. For equipment financed by bank loans, the minimum buyback value is either set by contract with financial institutions or linked to the loan balance at the buyback date. As at September 30, 2023, financing related to the equipment amounted to \$14.2 (\$12.4 as at September 24, 2022).

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No liability has been recorded in respect of these guarantees for the years ended September 30, 2023 and September 24, 2022 and historically, the Corporation has not made any indemnification payments under such agreements.

Claims

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

In May 2019, two (2) proposed class actions relating to opioids were filed in Ontario and in Québec by opioid end users against a large group of defendants including, in Québec, a subsidiary of the Corporation, Pro Doc, and, in Ontario, Pro Doc and Jean Coutu Group. In 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 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 provisions for contingent losses have been recognized in the Corporation's annual financial statements.

In 2017, the Canadian Competition Bureau began an investigation into the supply and sale of commercial bread which involves certain Canadian suppliers and retailers, including the Corporation. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the Competition Act. Proposed class-action lawsuits have also been filed against the Corporation, suppliers and other retailers. On December 19, 2019, the Québec Superior Court granted the application for authorization to institute one of these class actions, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. On December 31, 2021, the Ontario Superior Court of Justice partially certified another of these class actions. The Corporation is contesting all these actions at the certification and on the merits. No 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 pharmacy 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 1st, 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.



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21. RELATED PARTY TRANSACTIONS

The Corporation has significant interest in the following subsidiaries and joint venture:

Names	Country of incorporation	Percentage of interest in the capital	Percentage of voting rights
Subsidiaries			
Metro Richelieu Inc.	Canada	100.0	100.0
Metro Ontario Inc.	Canada	100.0	100.0
The Jean Coutu Group (PJC) Inc.	Canada	100.0	100.0
McMahon Distributeur pharmaceutique Inc.	Canada	100.0	100.0
Pro Doc Ltée	Canada	100.0	100.0
RX Information Centre Ltd.	Canada	100.0	100.0
Metro Québec Immobilier Inc.	Canada	100.0	100.0
Metro Ontario Real Estate Limited	Canada	100.0	100.0
Metro Ontario Pharmacies Limited	Canada	100.0	100.0
Groupe Adonis Inc.	Canada	100.0	100.0
Groupe Phoenicia Inc.	Canada	100.0	100.0
Groupe Première Moisson Inc.	Canada	100.0	100.0
Cuisine centrale Prêt-à-Manger Inc.	Canada	100.0	100.0
Joint venture			
Medicus Group Inc.	Canada	46.2	46.2

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

	2023		2022	
	Sales	Accounts receivable	Sales	Accounts receivable
Companies controlled by an executive or a member of the Board of Directors	41.7	3.1	39.0	2.5
	41.7	3.1	39.0	2.5

Compensation for the principal officers and directors was as follows:

	2023	2022
Compensation and current benefits	7.3	7.1
Post-employment benefits	1.5	1.3
Share-based payment	8.9	6.2
	17.7	14.6

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22. MANAGEMENT OF CAPITAL

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

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

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

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

The Corporation's Fiscal 2023 annual results regarding its capital management objectives were as follows:

- a BBB credit rating confirmed by S&P and BBB High/Stable by DBRS (BBB/Stable by DBRS in 2022);
- a dividend representing 29.8% of the previous year net earnings, excluding non-recurring items (30.2% in 2022).

23. FINANCIAL INSTRUMENTS

FAIR VALUE

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

	2023		2022	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers (note 12)	43.9	43.9	49.3	49.3
Debt (notes 14 and 24)				
Liabilities measured at amortized cost				
Revolving Credit Facility	39.9	39.9	20.9	20.9
Series J Notes	288.9	288.9	285.1	285.1
Series G Notes	450.0	421.0	450.0	418.8
Series K Notes	300.0	281.0	—	—
Series B Notes	400.0	418.7	400.0	424.5
Series D Notes	300.0	276.4	300.0	288.6
Series H Notes	450.0	366.9	450.0	384.7
Series I Notes	400.0	273.4	400.0	292.8
Loans	49.6	49.6	49.3	49.3
	2,678.4	2,415.8	2,355.3	2,164.7



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Fair value measurements hierarchy

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

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

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

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

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

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

INTEREST RATE RISK

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

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

On November 30, 2021, the Corporation issued through a private placement Series J unsecured senior notes in the aggregate principal amount of \$300.0, bearing interest at a fixed nominal rate of 1.92%, maturing on December 2, 2024. In conjunction with this offering, Metro entered into a \$300.0 interest rate swap effectively locking in a floating rate of interest of 11 basis points (0.11%) over the 3-month bankers' acceptance rate (CDOR) over the life of the Series J Notes. As at September 30, 2023, the balance of the Series J unsecured senior notes was \$288.9 (\$285.1 as at September 24, 2022), reflecting an increase in fair value adjustments relating to interest rate swaps designated as fair value hedges of \$3.8 (\$14.9 decrease in 2022). The balance of the interest rate swap, recorded in other liabilities, was \$12.8 (\$15.4 as at September 24, 2022). The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component.

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

The hedge ineffectiveness can arise from:

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

As at September 30, 2023, the hedge ineffectiveness of \$1.2 (\$0.5 in 2022) was recorded in operating expenses.

On February 6, 2023, the Corporation issued through a private placement Series K unsecured senior notes in the aggregate principal amount of \$300.0, bearing interest at a fixed nominal rate of 4.66%, maturing on February 7, 2033. In anticipation of this issuance, on November 14, 2022, the Corporation entered into a bond forward contract designated as cash flow hedge on a component of a highly probable future debt issuance in the amount of \$250.0 that effectively locked-in a 10-year fixed interest rate of 2.996%. As at September 30, 2023, the



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carrying amount of the hedging instrument's cash flow reserve was a debit balance of \$1.8 and the change in the fair value of the derivative for the current year was a decrease of \$3.0 (\$1.2 increase in 2022). In Fiscal 2023, \$0.1 (nil in 2022) has been reclassified from Consolidated Statements of Comprehensive income to our Consolidated Statements of Net Income. The Corporation has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the bond forward is identical to the hedged risk component.

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

The hedge ineffectiveness can arise from:

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

As at September 30, 2023, there was no hedge ineffectiveness.

CREDIT RISK

Loans and receivables / Guarantees

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

To mitigate such risk, the Corporation performs ongoing credit evaluations of its customers and has adopted a credit policy that defines the credit terms to be met and the required guarantees. As at September 30, 2023 and September 24, 2022, no customer accounted for over 10% of total loans and receivables.

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

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

As at September 30, 2023, the maximum potential liability under guarantees provided amounted to \$0.5 (\$0.6 as at September 24, 2022) and no liability had been recognized as at that date.

Financial assets at fair value through profit and loss

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

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

As at September 30, 2023 and September 24, 2022, the maximum exposure to credit risk for the foreign exchange forward contracts and the prepaid equity forward contracts was equal to their carrying amounts.

LIQUIDITY RISK

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

The Corporation regularly assesses its cash position and feels that its cash flows from operating activities are sufficient to fully cover its cash requirements as regards its financing activities. Its revolving credit facility and its Series J, G, K, B, D, H and I Notes mature only in 2024, 2027, 2033, 2035, 2044, 2047 and 2050, respectively. The Corporation also has an unused authorized balance of \$560.1 on its revolving credit facility.

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	Undiscounted cash flows (capital and interest)				
	Accounts payable	Facility and loans	Notes	Lease liabilities	Total
Maturing under 1 year	1,619.4	21.2	106.8	323.1	2,070.5
Maturing in 1 to 10 years	—	61.6	1,863.4	1,398.7	3,323.7
Maturing in 11 to 20 years	—	12.8	928.3	154.6	1,095.7
Maturing over 20 years	—	26.4	1,334.2	11.1	1,371.7
	1,619.4	122.0	4,232.7	1,887.5	7,861.6

FOREIGN EXCHANGE RISK

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

In accordance with its financial risk management policy, the Corporation could use derivative financial instruments, consisting of foreign exchange forward contracts and cross currency interest rate swaps, to hedge against the effect of foreign exchange rate fluctuations on its future foreign-denominated purchases of goods and services and on its US borrowings. As at September 30, 2023 and September 24, 2022, the fair value of foreign exchange forward contracts was insignificant. As at December 17, 2022, the revolving credit facility included loans of \$100.0 million (US \$74.0 million) (nil as at September 24, 2022) and we entered into cross currency interest rate swaps to hedge against the effect of interest rate fluctuations on our USD borrowings. During the second quarter of 2023 the Corporation repaid all our revolving credit facility drawn in US currency and the cross-currency interest rate swaps entered into in the first quarter of 2023 came to maturity. The Corporation did not hold cross-currency interest rate swaps during the fiscal year ended September 24, 2022.

OTHER PRICE RISK

During the third quarter of Fiscal 2023 and the second quarter of Fiscal 2022, the Corporation entered into prepaid equity forward contracts to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU awards and cash-settled PSU awards. These contracts are not designated as hedging instruments for accounting purposes. The prepaid equity forward contracts are hybrid instruments containing an embedded derivative component and a non-derivative financial asset host component. These instruments are recorded at fair value in other assets in our Consolidated Statements of Financial Position and changes in fair value are recorded as operating expenses in our Consolidated Statements of Net Income.

24. 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.

25. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the fiscal year ended September 30, 2023 (including comparative figures) were approved for issue by the Board of Directors on December 8, 2023.