metro

The strength of one brand

COMPANY PROFILE

WITH ANNUAL SALES OF OVER $11 BILLION AND 65,000 EMPLOYEES, METRO INC. IS A LEADER IN THE FOOD AND PHARMACEUTICAL SECTORS IN QUÉBEC AND ONTARIO, WHERE IT OPERATES A NETWORK OF 559 FOOD STORES UNDER BANNERS METRO, METRO PLUS, SUPER C AND FOOD BASICS, AS WELL AS 268 DRUGSTORES UNDER THE BRUNET, CLINI PLUS, PHARMACY AND DRUG BASICS BANNERS.

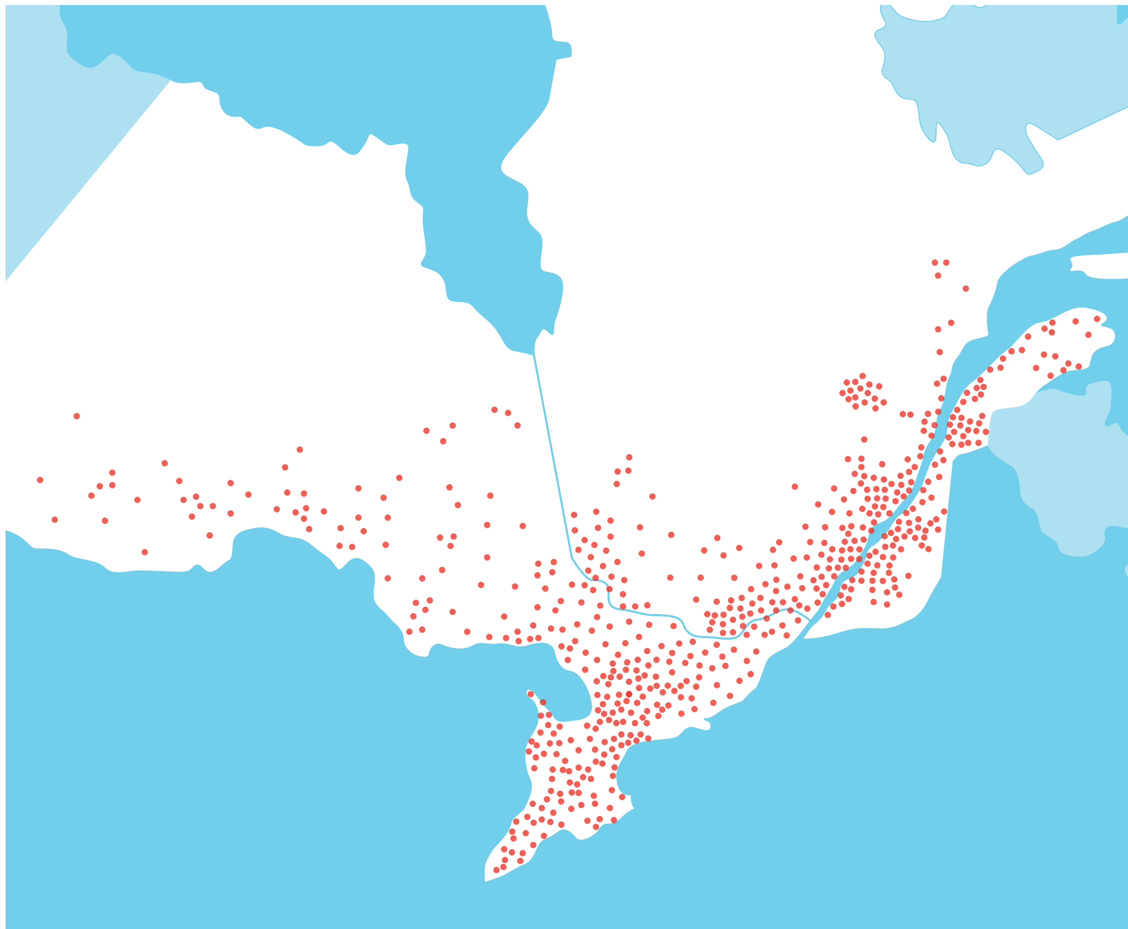
summary

FINANCIAL HIGHLIGHTS **3** LETTER TO SHAREHOLDERS **4** REVIEW OF OPERATIONS **8**
MANAGEMENT'S DISCUSSION AND ANALYSIS **14** CONSOLIDATED FINANCIAL STATEMENTS **34**
FINANCIAL SUMMARY **61** DIRECTORS AND OFFICERS **62** SHAREHOLDER INFORMATION **63**

FORWARD-LOOKING INFORMATION For any information on statements in this Annual Report that are of a forward-looking nature, please consult the section on "Forward-looking information" on page 29.

metro at a glance

380	179	268	65,000
SUPERMARKETS	DISCOUNT STORES	DRUGSTORES	EMPLOYEES



ANNUAL REPORT 09

METRO IS A LEADER IN THE FOOD AND PHARMACEUTICAL SECTORS IN CANADA. WITH A NETWORK OF 559 FOOD STORES AND 268 DRUGSTORES THROUGHOUT QUÉBEC AND ONTARIO, THE COMPANY AND ITS RETAILERS EMPLOY 65,000 PEOPLE.

number of stores

total floor space*

FOOD	QUÉBEC		ONTARIO		TOTAL	TOTAL*
SUPERMARKETS	Metro Metro Plus	221	Metro	159	380	12.8
DISCOUNT STORES	Super C	63	Food Basics	116	179	6.5
TOTAL		**284**		**275**	**559**	**19.3**
DRUGSTORES	Brunet Clini Plus	187	Pharmacy Drug Basics	81	268	—

* Millions of square feet

financial highlights 09 08 CHANGE

SALES

(Millions of dollars)

Year	
05	6,646.5
06*	10,944.0
07	10,644.6
08	10,725.2
09	**11,196.0**

* 53 weeks

NET EARNINGS

(Millions of dollars)

Year	
05	190.8
06	252.9
07	277.2
08	292.2
09	**354.4**

FULLY DILUTED NET EARNINGS PER SHARE

(Dollars)

Year	
05	1.92
06	2.18
07	2.38
08	2.58
09	**3.19**

SHAREHOLDERS' EQUITY

(Millions of dollars)

Year	
05	1,520.5
06	1,730.9
07	1,940.0
08	2,068.3
09	**2,264.1**

	09	08	CHANGE (%)
OPERATING RESULTS (Millions of dollars)			
Sales	11,196.0	10,725.2	4.4
EBITDA[(1)(2)]	741.6	638.9	16.1
Operating income	552.5	462.6	19.4
Net earnings	354.4	292.2	21.3
Cash flows from operating activities	520.1	450.2	15.5
FINANCIAL STRUCTURE (Millions of dollars)			
Total assets	4,666.2	4,425.6	5.4
Long-term debt	1,004.3	1,005.0	(0.1)
Shareholders' equity	2,264.1	2,068.3	9.5
PER SHARE (Dollars)			
Net earnings	3.21	2.60	23.5
Fully diluted net earnings	3.19	2.58	23.6
Book value	20.85	18.64	11.9
Dividend	0.5375	0.49	9.7
FINANCIAL RATIOS (%)			
EBITDA[(1)(2)]/sales	6.6	6.0	—
Operating income/sales	4.9	4.3	—
Return on shareholders' equity	16.4	14.6	—
Long-term debt/total capital	30.7	32.7	—
SHARE PRICE (Dollars)			
High	40.00	35.85	11.6
Low	27.38	21.00	30.4
Closing price *(At year-end)*	34.73	31.77	9.3

(1) Earnings before financial costs, taxes, depreciation and amortization

(2) See section on "Non-GAAP measurements" on page 29

letter to shareholders

2009 was a year of remarkable achievements for METRO, both in terms of financial results and strategic initiatives. We reached the objectives we had set for ourselves, thereby achieving the best performance among Canadian food retailers in 2009. Our net earnings reached a new record at $354.4 million, up 21.3% from 2008, while fully diluted net earnings per share were $3.19, up 23.6% from $2.58 last year.

Our sales increased by 4.4% to $11,196.0 million. Same store sales rose 4.0% over the previous year, our best performance over the past few years.

Excluding non-recurring items in 2009 and 2008, adjusted net earnings[(1)] for 2009 were $359.0 million compared to $280.8 million for 2008, an increase of 27.8%. Adjusted fully diluted net earnings per share[(1)] were $3.23 compared to $2.48, an increase of 30.2%. Our fully diluted net earnings per share growth and our return on shareholders' equity of 16.4% were the best among Canadian food retailers.

These record results were achieved in a difficult economic environment. Effective merchandising initiatives, improved execution both in Québec and Ontario, the repositioning of our Food Basics discount stores, the conversion of our five Ontario supermarket banners to Metro, and the commitment of all our employees and retailers were the driving forces behind this performance.

[(1)] *See section on "Non-GAAP measurements" on page 29*

YEAR IN REVIEW

The highlight of 2009 was the conversion of our five Ontario supermarket banners to Metro. Announced in the summer of 2008, we successfully completed this massive undertaking in less than 15 months, investing some $200 million to modernize our network and launch a major marketing campaign. Brought together under the Metro banner, our 159 stores form Ontario's largest supermarket chain by store count and are now better positioned to compete and build awareness across the province. We also completed the repositioning of the Food Basics discount stores begun last year, leading to significant growth for that banner in 2009. In Québec, our Metro, Metro Plus and Super C banners all increased their market share. Our ongoing investment in our retail network continues to drive results. In 2009, Metro and its affiliated retailers invested $376.3 million for the opening of 13 new stores and the major expansion and remodelling of an additional 32 stores.

The conversion of our private brands, which began two years ago, remains on track as products continue to migrate to the new *Irresistibles* and *Selection* labels. The significant growth in our sales of private brand products this year attests to their value, as an increasing number of customers enjoy the great quality of our products and their low prices.

Our success depends, first and foremost, on the strength of our people. To this end, we made some changes to our organizational structure and are pleased to highlight the appointment of Robert Sawyer as Executive Vice-President and Chief Operating Officer, responsible for the Company's food operations. Supporting him, Christian Bourbonnière was appointed Senior Vice-President, Québec Division, and Johanne Choinière, Senior Vice-President, Ontario Division. They are all experienced colleagues who have been with the Company for many years.

We launched the Green Apple School Program, which is designed to foster a healthy and environmentally friendly lifestyle among elementary and secondary school students. Québec and Ontario schools are eligible for $1,000 grants to support projects contributing to a healthier environment. We will invest[1] $1 million in each province to support this program.

We are also committed to the principles of corporate responsibility and we are developing a corporate responsibility strategy that will clearly outline our vision and our priorities on the environmental, social and economic fronts.

On September 27, 2009, we acquired 15 GP food stores consolidating our position in Eastern Québec. These stores were owned by a family-controlled business founded 50 years ago and with which METRO had a 40-year long association.

Following a lengthy pilot project, we announced in November the creation of an exclusive joint venture with Dunnhumby, a British consulting and marketing firm. The joint venture's mission is to develop and implement strategies to better meet customer needs and build strong loyalty. Dunnhumby has established joint ventures with other major retailers around the world, including Tesco and Kroger. This partnership will help[1] us develop targeted marketing strategies and improve[1] the in-store customer experience, two key success factors in our industry.

[1] *See section on "Forward-looking information" on page 29*

FINANCIAL SITUATION

Despite the global financial crisis, our financial situation remained very solid throughout the year. We maintain an authorized but unused $400.0 million revolving line of credit and our loans have maturity dates ranging from 2012 to 2035. Cash and cash equivalents totalled $241.4 million at the end of fiscal 2009. Our ratio of long-term debt to total capital is 30.7% and our credit rating remains BBB.

Return on shareholders' equity exceeded 14% for the 16th consecutive year. We continue to return funds to our shareholders through an annual dividend of approximately 20% of net earnings of the previous year (in 2009, a dividend of $0.5375 per share, up 9.7%), and the repurchase of shares using excess cash (some 4 million shares in 2009). In a difficult year for the stock market, our share price closed at $34.73 at the end of the fiscal year, up 9.3% from $31.77 in 2008.

"Fiscal 2009 was a year of remarkable achievements, both in terms of financial results and strategic initiatives."

METRO's share price has grown by 463.6% and 100.3% over the past 10 and 5 fiscal years respectively, outperforming both the S&P/TSX index and the Canadian food industry sector index.

PRIORITIES

The difficult economic environment has had a negative impact on consumer confidence, and we expect [1] this will continue to prevail over the coming year. However, with our clear focus on the needs of our customers, our strong execution every day, our modern network of supermarkets, discount stores and drugstores and, most of all, our dedicated employees, we are confident that we will continue [1] on our growth path. Our action plan is based on four priorities:

[1] *See section on "Forward-looking information" on page 29*

PIERRE H. LESSARD, FCA
Executive Chairman of the Board

> **“The highlight of 2009 was the conversion of our five Ontario supermarket banners to Metro.”**

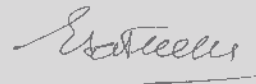
- We will innovate[1] and focus[1] our efforts on customer satisfaction. The joint venture with Dunnhumby, beginning this year, will help[1] us improve customer loyalty.
- We will strive[1] to reduce our costs as we continue to face a challenging economy.
- We will develop[1] our human resources to be able to count on talented and passionate teams.
- We will continue[1] to invest in our retail network (some $250 million[1] in 2010), and allocate our financial resources to create long-term growth for our shareholders.

ACKNOWLEDGEMENTS

We wish to thank the management team and our employees for their continued hard work and for our exceptional results. We also thank the members of the Board of Directors for their unwavering support, and especially Pierre Brunet, who will be retiring in January. Mr. Brunet joined the Board in 2001, has been Chairman of the Human Resources Committee since 2004, and has been the Lead Director since 2008. His great experience and professionalism benefited the organization and his contribution was greatly appreciated. In closing, we extend our thanks to you, our shareholders, for your continued confidence in METRO.

[1] *See section on “Forward-looking information” on page 29*

ERIC R. LA FLÈCHE
President and Chief Executive Officer



review of operations

SUPERMARKETS

The Metro banner is comprised of 380 well-established stores located in most communities throughout Québec and Ontario. METRO is a leader in the supermarket segment in both provinces.

Our Québec network of 221 supermarkets is comprised of 130 Metro stores averaging 19,400 square feet, and 91 Metro Plus stores averaging 39,500 square feet. Renowned for the quality of their customer service, our supermarkets offer consumers a wide variety of solutions to their diverse and ever-changing grocery needs. In addition to an extensive range of grocery items and fresh food products, our supermarkets have specialty offerings such as organic foods, an impressive array of deli products and fine cheeses, the services of a master butcher and fishmonger, a choice of appetizing meals prepared on site, a selection of fresh-cut fruits and vegetables, a pastry counter and a bakery section, as well as a wide variety of *Red Grill Angus* beef.

Our 159 Metro supermarkets in Ontario average 38,300 square feet. They are known for their quality product offerings, particularly in the meat, produce, bakery and floral departments, as well as their friendly service. Metro's *Fresh 2 Go*® take-home meals offer busy and health-conscious customers nutritious meal solutions for the whole family.

In these difficult times, when consumers are searching ever more for value, they know they can count on our weekly specials and our reduced prices on thousands of products in all categories. With our *Selection* and *Irresistibles* brands, consumers are able to save without compromising on quality. In Ontario, our Metro supermarkets are part of the Air Miles® loyalty program. This helps Metro shoppers accumulate reward miles that can be used for purchases of products in our stores.

During this past fiscal year, the Company and its affiliated retailers invested $292.5 million to open eight new stores, expand and renovate 30 stores and convert our Ontario supermarkets to the Metro banner. Subsequent to the 2009 year-end, the Company acquired 18 stores in Québec belonging to affiliated retailers. The most significant of these was the acquisition of 15 GP food stores, eight of which were already operating under the Metro or Metro Plus banner, and seven others under the GP banner.

DISCOUNT STORES

Our network of 179 discount stores is made up of 63 Super C stores in Québec, averaging 43,200 square feet, and 116 Food Basics stores in Ontario, averaging 32,800 square feet. These stores help consumers save money, offering national brands as well as our private brand products at lower prices.

The Super C stores are divided into two distinct areas: *Le Dépôt* for grocery products and *Le Marché* for fresh products, including quality meat cuts prepared by on-site butchers, a bakery section and a wide selection of fresh fruits and vegetables.

Consumers reacted favourably to Food Basics' repositioning, resulting in strong growth for this banner in 2009. Already known for its wide choice of quality produce at the lowest price, consumers now appreciate the wider assortment of grocery products and the complete array of private label products.

Our discount stores also include many ethnic food products, in response to growing consumer demand.

In fiscal 2009, we invested $83.8 million to open five new discount stores and to undertake major expansion and remodeling of several others.

PRIVATE BRANDS

Since 2007, we have introduced over 900 *Irresistibles* products and over 2,500 *Selection* products. *Irresistibles* products are of high quality, innovative and often exclusive. *Selection* products are equal to or superior in quality to national brand products, but are offered at significantly lower prices.

We strive to develop products that meet consumer tastes and health requirements. Our *Irresistibles Life Smart/Mieux-être*, *Bio* and *Eco* products are solutions to health and environmental concerns of our customers. We are always looking for new recipes, new packaging and new products to better meet consumer expectations, such as reducing salt, sugar and trans fat content, and the amount of packaging in our private brand products.

Again this year, the Canadian Council of Grocery Distributors awarded Metro first prize in the Canadian Grand Prix New Product Awards™ in the private label confectionary, snack and dessert category for our fat-free *Irresistibles* Sorbets. METRO also won several package design awards.

Consumer response to our private brand strategy and the quality of our products is very positive as sales increased by 12.9% in 2009.

DRUGSTORES

Our network of 268 drugstores is spread across Québec and Ontario.

We have 187 outlets in Québec, including 114 Brunet drugstores averaging 5,300 square feet, eight Brunet Plus drugstores averaging 8,800 square feet and 65 Clini Plus drugstores averaging 1,300 square feet.

In Ontario, our network consists of 81 drugstores, 54 of which operate in Metro stores under the Pharmacy banner, with the remaining 27 operating in Food Basics stores under the Drug Basics banner.

The Québec drugstores are owned by pharmacist-franchisees, and many are located close to our food stores.

The Brunet Plus banner, launched in the summer of 2009, is a new generation of drugstores still focussed primarily on health but offering a wider variety of beauty and other products. Brunet Plus gives these larger Brunet drugstores a distinctive look.

CORPORATE RESPONSIBILITY

ENVIRONMENT The Company adopted an environmental policy in 1998 to reduce its impact on the environment. Since then, several waste reduction, recycling and energy conservation measures have been implemented.

For example, in 2006, the Company became the first retailer to offer consumers reusable shopping bags. In 2008, the Company endorsed the Voluntary Code of Good Practices for the Use of Shopping Bags, and on June 1, 2009, started applying a measure proposed by the Code, charging $0.05 per shopping bag in all its stores across Québec and Ontario. Shortly after the introduction of this new charge, plastic bag usage dropped by about 70%, surpassing our objective of 50% by 2010. In October 2009, the Company took a further step in the elimination of plastic grocery bags, becoming the first Canadian retailer to offer reusable mesh produce bags.

On June 1, 2009, METRO launched the Green Apple School Program, an environmental initiative designed to encourage elementary and secondary school children to participate in conservation and healthy living. Québec and Ontario schools are eligible for $1,000 grants for projects contributing to a healthier environment. The Company will invest $1 million in each province under this program.

FOOD HEALTH AND SAFETY Food safety is one of the Company's top priorities. We work closely with government authorities and maintain the highest food health and safety standards throughout the supply chain. We give our employees ongoing training. Our main meat processing and distribution centres are HACCP-certified (Hazard Analysis and Critical Control Point), the world's highest standard for the industry. We have traceability systems in place which, should the need arise, enable us to recall products. Our private brand labelling contains Nutrition Facts tables. We have also developed an emergency plan in the event of a pandemic.

COMMUNITY INVOLVEMENT The Company never loses sight of its social and economic role in the community and participates in a number of activities. The Company actively supports dozens of organizations and institutions involved in education, health and well-being with monetary and food donations, as well as through the personal involvement of many employees.

In Québec, the Company and its employees contribute over half a million dollars each year to Centraide, which supports a vast network of community and social services. In Ontario, the Company introduced Growing Great Kids, a charity that raises funds to nourish, care and support children. It also supports Trees Ontario, an organization that encourages people to plant trees on rural properties in Ontario. The Company launched *Servons le Québec / Québec at your table* in 2009, a program designed to offer customers a choice of thousands of local products, thus supporting the community's well-being.

NOUVEAU ! *NEW!*

SACS RÉUTILISABLES POUR
FRUITS
ET LÉGUMES
REUSABLE PRODUCE BAGS

- Réduisent votre consommation de sacs de plastique
  Reduce your plastic bag consumption
- Conservent vos fruits et légumes dans votre réfrigérateur
  Ideal to preserve produce in your fridge
- Lavables à la machine et résistants aux taches
  Machine washable and stain resistant

Vos gestes parlent.
Leave it greener.

ANNUAL REPORT 2009

management's discussion and analysis

table of contents

OVERVIEW **15** PRINCIPAL PERFORMANCE INDICATORS **15** HIGHLIGHTS **15** OPERATING RESULTS **17** QUARTERLY HIGHLIGHTS **19** CASH POSITION **20** FINANCIAL POSITION **21** SOURCES OF FINANCING **23** CONTRACTUAL OBLIGATIONS **23** RELATED PARTY TRANSACTIONS **24** FOURTH QUARTER **24** DERIVATIVE FINANCIAL INSTRUMENTS **26** NEW ACCOUNTING POLICIES **26** NON-GAAP MEASUREMENTS **29** FORWARD-LOOKING INFORMATION **29** CONTROLS AND PROCEDURES **29** SUBSEQUENT EVENTS **30** SIGNIFICANT ACCOUNTING ESTIMATES **30** RISK MANAGEMENT **31** OUTLOOK **33**

The following Management's Discussion and Analysis sets out the financial position and consolidated results of METRO INC. for the fiscal year ended September 26, 2009, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 26, 2009. This report is based upon information as at December 4, 2009 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for fiscal 2009, is available on the SEDAR website at www.sedar.com.

OVERVIEW

The Company is a leader in the food and pharmaceutical sectors in Québec and Ontario.

The Company, as a retailer and a distributor, operates under different banners within the traditional supermarket and discount segments. For those consumers wanting service, variety, freshness and quality, we operate 380 supermarkets under the banners Metro and Metro Plus. The 179 discount stores operating under the Super C and Food Basics banners offer products at low prices to consumers who are both cost and quality conscious. The majority of these stores are owned by the Company or by variable interest entities (VIEs), and their financial statements are consolidated with those of the Company. Independent owners bound to the Company by leases or affiliation agreements operate a large number of Metro and Metro Plus stores. Supplying these stores contributes to our sales. The Company also acts as a distributor by providing small-surface food stores and convenience stores with banners that reflect their environment and customer base. Supplying these stores, as well as restaurant chains and convenience stores owned by oil companies, also contributes to the Company's sales.

We also act as franchisor and distributor for the 187 franchised Brunet and Clini Plus drugstores, owned by independent pharmacists. Our sales include the royalties received from these franchisees as well as income from our role as their supplier. We also operate 81 drugstores under the banners Pharmacy and Drug Basics. Their sales are included in those of the Company. Supplying non-franchised drugstores and various health centres also contributes to our sales.

TOTAL SQUARE FOOTAGE

(Millions of square feet)

Year	
05	18.5
06	18.6
07	18.7
08	19.0
09	**19.3**

EBITDA[1]

(Millions of dollars)

Year	
05	365.5
06	610.4
07	626.3
08	638.9
09	**741.6**

PRINCIPAL PERFORMANCE INDICATORS

In order to ensure that our strategies are effective and that our objectives are reached, we rely upon various performance indicators, the principal being as follows.

- sales
- earnings before financial costs, taxes, depreciation and amortization (EBITDA)[1] as a percentage of sales
- net earnings as a percentage of sales
- return on shareholders' equity
- total retail floor space

Our comments on the following pages are based in part on these principal performance indicators.

HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	2009 *(52 weeks)*	2008 *(52 weeks)*	Change *(%)*	2007 *(52 weeks)*	Change *(%)*
Sales	11,196.0	10,725.2	4.4	10,644.6	0.8
Net earnings	354.4	292.2	21.3	277.2	5.4
Adjusted net earnings[1]	359.0	280.8	27.8	295.6	(5.0)
Fully diluted net earnings per share *(Dollars)*	3.19	2.58	23.6	2.38	8.4
Adjusted fully diluted net earnings per share[1] *(Dollars)*	3.23	2.48	30.2	2.54	(2.4)
Return on shareholders' equity *(%)*	16.4	14.6	—	15.1	—
Dividend rate per share *(Dollars)*	0.5375	0.49	9.7	0.45	8.9
Total assets	4,666.2	4,425.6	5.4	4,292.7	3.1
Longt-term debt	1,004.3	1,005.0	(0.1)	1,028.8	(2.3)

[1] See section on "Non-GAAP measurements" on page 29

Sales were $11,196.0 million in 2009, a 4.4% increase compared with 2008. Sales for 2008 increased by 0.8%, to $10,725.2 million compared to $10,644.6 million for 2007. Excluding the decrease in sales caused by the non-renewal of a convenience store chain supply contract, sales for 2009 increased by 5.3% compared with 2008. Excluding the decrease in sales of tobacco products, sales for 2008 increased by 1.3% compared with 2007. Net earnings for 2009 increased by 21.3% compared with the preceding fiscal year, to $354.4 million. Net earnings for 2008 had increased by 5.4%, to $292.2 million, compared to $277.2 million for 2007. Fully diluted net earnings per share increased by 23.6% to $3.19 in 2009 compared with the preceding fiscal year. Fully diluted net earnings per share for 2008 had increased by 8.4%, to $2.58, compared to $2.38 in 2007.

The Company recorded non-recurring items for both 2009 and 2008. These items consisted of pre-tax banner conversion costs of $11.0 million for 2009, pre-tax integration and rationalization costs of $30.5 million for 2007 and decreases in income tax expense of $2.7 million for 2009, $11.4 million for 2008 and $1.8 million for 2007. Excluding all of these items, adjusted net earnings[1] for fiscal 2009 were $359.0 million compared to $280.8 million for 2008. Adjusted fully diluted net earnings per share[1] for 2009 increased by 30.2%, to $3.23 compared to $2.48 for 2008. Adjusted net earnings[1] for fiscal 2008 were 5.0% lower than adjusted net earnings[1] for fiscal 2007 recorded at $295.6 million. Adjusted fully diluted net earnings per share[1] for fiscal 2008 were 2.4% lower, at $2.48, than adjusted fully diluted net earnings per share[1] for fiscal 2007 recorded at $2.54.

The increase in sales and adjusted net earnings[1] for 2009 compared to 2008 is due primarily to effective merchandising, to our ongoing efforts to improve execution in Ontario, including gross margins, and to the difficulties encountered during the first two quarters of 2008.

The first two quarters of 2008 showed less profitability than the corresponding quarters of 2007 due to increasingly intense competition in the Ontario market, the issues associated with our new information systems in Ontario, and our new Food Services distribution centre in Québec. We saw renewed growth in net earnings and adjusted net earnings[1] over the third and fourth quarters of 2008, as well as in fully diluted net earnings per share and in adjusted fully diluted net earnings per share[1].

Return on shareholders' equity totalled 16.4% in 2009, 14.6% in 2008 and 15.1% in 2007. Annual dividends totalled $59.3 million in 2009, $55.3 million in 2008 and $51.8 million in 2007, respectively representing 20.3%, 19.9% and 20.5% of net earnings for the preceding fiscal years. Total assets were $4,666.2 million in 2009, $4,425.6 million in 2008 and $4,292.7 million in 2007. Long-term debt was $1,004.3 million in 2009, $1,005.0 million in 2008 and $1,028.8 million in 2007.

[1] See section on "Non-GAAP measurements" on page 29

OPERATING RESULTS

SALES Sales were $11,196.0 million in 2009 compared to $10,725.2 million in 2008, an increase of 4.4%. Excluding the decrease in sales caused by the non-renewal of a convenience store chain supply contract, sales for 2009 increased by 5.3%.

Explanation of sales variation

(Millions of dollars, unless otherwise indicated)	2009	2008	Change *(%)*
Sales	11,196.0	10,725.2	4.4
Decrease due to the non-renewal of a supply contract	—	(91.7)	—
Adjusted sales	11,196.0	10,633.5	5.3

EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)[1] EBITDA[1] was $741.6 million for 2009, or 6.6% of sales, compared to $638.9 million, or 6.0% of sales, last year. Excluding the 2009 $11.0 million pre-tax banner conversion cost of our Ontario stores to Metro, the adjusted EBITDA[1] percentage of sales was 6.7%. This progression is due primarily to the increase in our sales, our effective merchandising and our ongoing efforts to improve operations in Ontario, thus our gross margins, as well as to the difficulties we encountered during the first two quarters of 2008. These difficulties, stemming from intense competition in Ontario, familiarization periods with our new information systems in Ontario, and the new Food Services warehouse in Québec, were corrected during the third and fourth quarters of 2008. Our share of earnings from our investment in Alimentation Couche-Tard for 2009 was $37.4 million, compared to $17.6 million last year. Excluding non-recurring items and our share of earnings from our investment in Alimentation Couche-Tard, our adjusted EBITDA[1] for 2009 was $715.2 million, or 6.4% of sales, compared to $621.3 million, or 5.8% of sales, for 2008.

In the first quarter of 2009, we retrospectively applied a new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3031 "Inventories," by restating prior periods' consolidated financial statements. The new standard's application had no material effect on our EBITDA[1] for 2009.

EBITDA[1] adjustments

	2009			2008		
(Millions of dollars, unless otherwise indicated)	EBITDA	Sales	EBITDA/ sales *(%)*	EBITDA	Sales	EBITDA/ sales *(%)*
EBITDA	741.6	11,196.0	6.6	638.9	10,725.2	6.0
Banner conversion costs	11.0	—	—	—	—	—
Adjusted EBITDA	752.6	11,196.0	6.7	638.9	10,725.2	6.0
Share of earnings from our investment in Alimentation Couche-Tard	(37.4)	—	—	(17.6)	—	—
Adjusted EBITDA excluding share of earnings	715.2	11,196.0	6.4	621.3	10,725.2	5.8

[1] See section on "Non-GAAP measurements" on page 29

DEPRECIATION AND AMORTIZATION AND FINANCIAL COSTS Total amortization expenses for fiscal 2009 amounted to $189.1 million, compared with $176.3 million last year. Financial costs for fiscal 2009 totalled $48.0 million compared to $58.4 million in 2008. Interest rates for fiscal 2009 averaged 4.4% compared to 5.2% last year.

INCOME TAX Fiscal 2009 income tax expenses of $150.1 million represented the effective tax rate of 29.8%, compared to fiscal 2008 tax expenses of $113.9 million at a 28.2% tax rate. During these two fiscal years, fiscal authorities approved reductions in the income tax rates applicable to investment and business income. These reductions in tax rates reduced our net future income tax liabilities as well as our income tax expenses by $2.7 million in 2009 and $11.4 million in 2008. Excluding these reductions, our effective tax rates were 30.3% for fiscal 2009 and 31.0% for fiscal 2008.

In the 2009 budget speech on March 26, 2009, the Ontario government announced successive future decreases in the corporate tax rate from the current rate of 14% to 10% between July 1, 2010 and July 1, 2013. At the end of fiscal 2009, the Ontario Legislature had still not approved the measure in first reading. This milestone was met on November 16, 2009. We shall reduce[1] both our future income tax liabilities and income tax expenses by $10.0 million during the first quarter of fiscal year 2010.

NET EARNINGS Net earnings for fiscal 2009 reached $354.4 million versus $292.2 million last year, up 21.3%. Fully diluted net earnings per share were $3.19 for 2009 compared to $2.58 last year, an increase of 23.6%. Excluding the income tax expense decreases of $2.7 million in 2009 and $11.4 million in 2008 as well as pre-tax banner conversion costs of $11.0 million in 2009, adjusted net earnings[2] for fiscal 2009 were $359.0 million, up 27.8% from $280.8 million for fiscal 2008. Adjusted fully diluted net earnings per share[2] were $3.23, up 30.2% from $2.48 last year.

Net earnings adjustments

	Fiscal 2009		Fiscal 2008		Change *(%)*	
	(Millions of dollars)	Fully diluted EPS *(Dollars)*	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	354.4	3.19	292.2	2.58	21.3	23.6
Banner conversion costs after taxes	7.3	0.06	—	—		
Decrease in tax expense	(2.7)	(0.02)	(11.4)	(0.10)		
Adjusted net earnings[2]	359.0	3.23	280.8	2.48	27.8	30.2

[1] *See section on "Forward-looking information" on page 29*
[2] *See section on "Non-GAAP measurements" on page 29*

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	2009	2008	Change *(%)*
Sales			
Q1 [(1)]	2,600.5	2,506.8	3.7
Q2 [(1)]	2,549.7	2,372.4	7.5
Q3 [(2)]	3,513.3	3,370.0	4.3
Q4 [(1)]	2,532.5	2,476.0	2.3
Year	11,196.0	10,725.2	4.4
Net earnings			
Q1 [(1)]	81.1	73.8	9.9
Q2 [(1)]	76.3	54.0	41.3
Q3 [(2)]	112.6	91.9	22.5
Q4 [(1)]	84.4	72.5	16.4
Year	354.4	292.2	21.3
Adjusted net earnings [(3)]			
Q1 [(1)]	84.1	62.4	34.8
Q2 [(1)]	77.2	54.0	43.0
Q3 [(2)]	111.8	91.9	21.7
Q4 [(1)]	85.9	72.5	18.5
Year	359.0	280.8	27.8
Fully diluted net earnings per share *(Dollars)*			
Q1 [(1)]	0.73	0.64	14.1
Q2 [(1)]	0.68	0.48	41.7
Q3 [(2)]	1.01	0.81	24.7
Q4 [(1)]	0.77	0.65	18.5
Year	3.19	2.58	23.6
Adjusted fully diluted net earnings per share [(3)] *(Dollars)*			
Q1 [(1)]	0.76	0.54	40.7
Q2 [(1)]	0.68	0.48	41.7
Q3 [(2)]	1.01	0.81	24.7
Q4 [(1)]	0.78	0.65	20.0
Year	3.23	2.48	30.2

(1) *12 weeks*
(2) *16 weeks*

In 2009, effective merchandising allowed us to record sales growth and our ongoing efforts to improve execution in Ontario allowed us to increase our gross margins.

First, second, third and fourth quarter sales for 2009 were up 3.7%, 7.5%, 4.3% and 2.3% respectively over those for 2008. Excluding decreased sales due to the non-renewal of a convenience store chain supply contract, 2009 first quarter sales were up 4.7%; second quarter sales were up 8.3%; third quarter sales were up 5.2%, and fourth quarter sales were up 3.2%.

First quarter net earnings and fully diluted net earnings per share for 2009 were up 9.9% and 14.1% respectively over those for 2008. Excluding 2009 first quarter costs of $4.5 million before taxes to convert our Ontario supermarkets to the Metro banner, and the income tax expense decrease of $11.4 million in 2008 first quarter as a result of future federal income tax rate decreases, 2009 first quarter adjusted net earnings[(3)] and adjusted fully diluted net earnings per share[(3)] were up 34.8% and 40.7% respectively.

(3) *See section on "Non-GAAP measurements" on page 29*

Second quarter net earnings and fully diluted net earnings per share for 2009 were up 41.3% and 41.7% respectively from 2008. Excluding banner conversion costs of $1.3 million before taxes recorded in the second quarter of 2009, adjusted net earnings[(1)] for the second quarter of 2009 were up 43.0%.

Difficulties encountered in the first two quarters of 2008 also explain the increases in the first two quarters of 2009 over the same quarters of 2008. These difficulties stemming from a more intensely competitive environment in Ontario and issues associated with our new information systems in Ontario and our new Food Services warehouse in Québec were resolved in the third and fourth quarters of 2008.

Third quarter net earnings and fully diluted net earnings per share in 2009 were up 22.5% and 24.7% respectively from 2008. Excluding non-recurring items recorded in the third quarter of 2009, namely $2.9 million before taxes to convert our Ontario supermarkets to the Metro banner as well as an income tax expense decrease of $2.7 million, adjusted net earnings[(1)] and adjusted fully diluted net earnings per share[(1)] for the third quarter of 2009 were up 21.7% and 24.7% respectively, compared to adjusted net earnings[(1)] and adjusted fully diluted net earnings per share[(1)] for the third quarter of 2008.

Fourth quarter net earnings and fully diluted net earnings per share in 2009 were up 16.4% and 18.5% respectively over those for 2008. Excluding 2009 fourth quarter banner conversion costs of $2.3 million before taxes, adjusted net earnings[(1)] and adjusted fully diluted net earnings per share[(1)] for the fourth quarter of 2009 were up 18.5% and 20.0% over adjusted net earnings[(1)] and adjusted fully diluted net earnings per share[(1)] for the fourth quarter of 2008.

	2009					2008				
(Millions of dollars)	Q1	Q2	Q3	Q4	Fiscal year	Q1	Q2	Q3	Q4	Fiscal year
Net earnings	81.1	76.3	112.6	84.4	354.4	73.8	54.0	91.9	72.5	292.2
Banner conversion costs after taxes	3.0	0.9	1.9	1.5	7.3	—	—	—	—	—
Decrease in tax expenses	—	—	(2.7)	—	(2.7)	(11.4)	—	—	—	(11.4)
Adjusted net earnings[(1)]	84.1	77.2	111.8	85.9	359.0	62.4	54.0	91.9	72.5	280.8

	2009					2008				
(Dollars and per share)	Q1	Q2	Q3	Q4	Fiscal year	Q1	Q2	Q3	Q4	Fiscal year
Fully diluted net earnings	0.73	0.68	1.01	0.77	3.19	0.64	0.48	0.81	0.65	2.58
Banner conversion costs after taxes	0.03	—	0.02	0.01	0.06	—	—	—	—	—
Decrease in tax expenses	—	—	(0.02)	—	(0.02)	(0.10)	—	—	—	(0.10)
Adjusted fully diluted net earnings[(1)]	0.76	0.68	1.01	0.78	3.23	0.54	0.48	0.81	0.65	2.48

CASH POSITION

OPERATING ACTIVITIES Operating activities generated cash flows of $520.1 million for fiscal 2009, compared to $450.2 million for fiscal 2008. The increase in 2009 fiscal year cash flows over the 2008 fiscal year are due primarily to an increase in net earnings and a different variation in future taxes following the use of carried-forward losses in 2009.

INVESTING ACTIVITIES Investing activities required outflows of $258.8 million for fiscal 2009 versus $188.6 million for fiscal 2008. This increase is due primarily to greater acquisition of fixed assets.

During fiscal 2009, the Company and its retailers invested $376.3 million in our retail network for a gross expansion of 549,900 square feet and a net expansion of 280,500 square feet, or 1.5% of our retail network. Major renovations and expansions of 32 stores were completed and 13 new stores were opened.

[(1)] *See section on "Non-GAAP measurements" on page 29*

FINANCING ACTIVITIES Financing activities required outflows of $171.6 million for fiscal 2009 versus 2008 fiscal year outflows of $210.4 million. The decrease in 2009 fiscal year outflows from those in 2008 are attributable to lesser amounts by which long-term debt was paid down in 2009 compared to 2008, and to the minority interest buyback payment in 2008.

FINANCIAL POSITION

Despite the difficult economic environment, we do not anticipate[1] any liquidity risk and consider that our financial position at the end of fiscal 2009 remains very solid. We had $241.4 million in cash and cash equivalents and an unused authorized revolving line of credit of $400.0 million. Our long-term debt corresponded to 30.7% of the combined total of long-term debt and shareholders' equity (long-term debt/total capital).

At the end of the fourth quarter of 2009, the main elements of our long-term debt were as follows:

	Interest Rate	Balance *(Millions of dollars)*	Maturity
Credit A Facility	Rates fluctuate with changes in bankers' acceptance rates	369.3	August 15, 2012
Series A Notes	4.98% fixed rate	200.0	October 15, 2015
Series B Notes	5.97% fixed rate	400.0	October 15, 2035

At the end of fiscal 2009, interest rate swap agreements in the notional amount of $100.0 million were outstanding under our Credit A Facility. These agreements provide for the exchange of variable interest payments for fixed interest payments according to the following terms:

Fixed rates	Notional Amount *(Millions of dollars)*	Maturity
3.9820%	50.0	December 16, 2009
4.0425%	50.0	December 16, 2010

Giving effect to these swap agreements, at the end of fiscal 2009, long-term indebtedness comprised $700.0 million at fixed rates ranging from 4.482% to 5.97% and $269.3 million at variable rates, which fluctuate with changes in bankers' acceptance rates.

At the end of the fiscal year, we also had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future U.S. dollar denominated purchases. The fair value of these short-term foreign exchange forward contracts was insignificant.

Our main financial ratios were as follows:

	As at September 26, 2009	As at September 27, 2008
Financial structure		
Long-term debt *(Millions of dollars)*	1,004.3	1,005.0
Shareholders' equity *(Millions of dollars)*	2,264.1	2,068.3
Long-term debt/total capital *(%)*	30.7	32.7
	2009	2008
Results		
EBITDA[2]/Financial costs *(Times)*	15.5	10.9

[1] See section on "Forward-looking information" on page 29
[2] See section on "Non-GAAP measurements" on page 29

CAPITAL STOCK

(Thousands)	Class A Subordinate Shares 2009	Class A Subordinate Shares 2008	Class B Shares 2009	Class B Shares 2008
Balance — beginning of year	109,806	113,683	750	804
Share issue	2,044	661	—	—
Share redemption	(3,989)	(4,552)	—	—
Acquisition of treasury shares	(115)	(40)	—	—
Released treasury shares	52	—	—	—
Share conversion	32	54	(32)	(54)
Balance — end of year	107,830	109,806	718	750
Balance as at December 4, 2009 and December 5, 2008	107,055	110,189	642	750

STOCK OPTION PLAN

	As at December 4, 2009	As at September 26, 2009	As at September 27, 2008
Number of stock options *(Thousands)*	1,763	1,864	3,534
Exercise prices *(Dollars)*	17.23 to 39.17	17.23 to 39.17	17.01 to 39.17
Weighted average exercise price *(Dollars)*	28.93	28.53	23.63

PERFORMANCE SHARE UNITS PLAN

	As at December 4, 2009	As at September 26, 2009	As at September 27, 2008
Performance share units *(Thousands)*	268	268	258
Weighted average maturity *(Months)*	16	18	20

NORMAL COURSE ISSUER BID PROGRAM The Company decided to renew the issuer bid program as an additional option for using excess funds. Thus, we will be able to decide, in the shareholders' best interest, to reimburse debt or to repurchase shares. The Board of Directors authorized the Company to repurchase, in the normal course of business, between September 8, 2009 and September 7, 2010, up to 6,000,000 of its Class A Subordinate Shares, representing approximately 5.5% of its issued and outstanding shares at the close of the Toronto Stock Exchange on August 5, 2009. Repurchases will be made through the stock exchange at market price and in accordance with its policies and regulations. The Class A Subordinate Shares so repurchased will be cancelled. Under the normal course issuer bid program covering the period from September 5, 2008 to September 4, 2009, the Company repurchased 4,597,200 Class A Subordinate Shares at an average price of $34.57 per share for a total of $158.9 million. Under the program covering the period from September 8, 2009 to September 7, 2010, the Company has repurchased, as of December 4, 2009, 1,140,900 Class A Subordinate Shares at an average price of $34.60 per share for a total of $39.5 million.

DIVIDEND POLICY The Company's dividend policy is to pay an annual dividend representing approximately 20% of net earnings for the preceding fiscal year before extraordinary items. For the fifteenth consecutive year, the Company paid quarterly dividends to its shareholders. The annual dividend increased by 9.7%, to $0.5375 per share, compared to $0.49 in 2008, for total dividends of $59.3 million in 2009 compared to $55.3 million in 2008, an increase of 7.2%. Dividends paid in 2009 represented 20.3% of net earnings for the preceding fiscal year, compared to 19.9% in 2008.

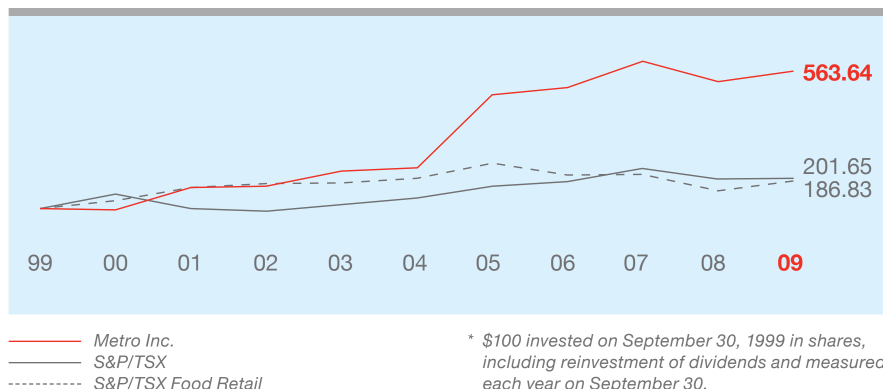
SHARE TRADING The value of METRO shares remained in the $27.38 to $40.00 range throughout fiscal 2009 ($21.00 to $35.85 in 2008). A total of 114.9 million shares traded on the Toronto Stock Exchange during this fiscal year (83.7 million in 2008). The closing price on Friday, September 25, 2009 was $34.73, compared to $31.77 at the end of fiscal 2008. Since fiscal year-end, the value of METRO shares has remained in the $33.02 to $39.15 range. The closing price on December 4, 2009 was $37.91. METRO shares have maintained sustained growth over the last 10 years, reflecting a performance superior to that of the S&P/TSX index and the Canadian Food Industry sector index.

DIVIDEND PER SHARE

(Dollars)

Year	Dividend
05	0.385
06	0.415
07	0.45
08	0.49
09	**0.5375**

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



* *$100 invested on September 30, 1999 in shares, including reinvestment of dividends and measured each year on September 30.*

SOURCES OF FINANCING

Our operating activities generated cash flows in the amount of $520.1 million in 2009. These cash flows were sufficient to finance our investing activities, including the acquisition of $271.9 million in fixed and intangible assets.

At 2009 fiscal year-end, our financial position was principally comprised of cash and cash equivalents in the amount of $241.4 million, an unused revolving line of credit in the amount of $400.0 million, Credit A Facility in the amount of $369.3 million, $200.0 million in notes at a rate of 4.98% maturing in 2015, and $400.0 million in notes at a rate of 5.97% maturing in 2035.

Despite the current economic crisis, we do not anticipate[(1)] any liquidity risk and consider that our financial position at the end of fiscal 2009 remains very solid. Both the Company's unused $400.0 million revolving line of credit and Credit A Facility in the amount of $369.3 million were re-negotiated on August 8, 2007. The maturities of these facilities were extended to August 2012, and applicable interest rates were lowered.

We believe[(1)] that cash flows from next year's operating activities should be sufficient to finance the Company's investing and financing activities, including investment of approximately $250 million[(1)] in fixed and intangible assets.

CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

(Millions of dollars)	Loans	Notes	Capital lease commitments	Service contract commitments	Operating lease commitments	Lease and sublease commitments[(2)]	Total
2010	14.7	33.8	6.4	71.0	155.1	40.7	321.7
2011	12.6	33.8	5.1	70.4	150.8	39.9	312.6
2012	381.2	33.8	5.1	55.7	140.0	37.8	653.6
2013	0.6	33.8	5.1	53.7	122.2	34.2	249.6
2014	0.5	33.8	4.6	54.8	104.6	30.6	228.9
2015 and thereafter	12.8	1,111.6	24.2	304.6	626.8	263.6	2,343.6
	422.4	1,280.6	50.5	610.2	1,299.5	446.8	4,110.0

[(2)] *The Company has lease commitments with varying terms through 2031, to lease premises which it sublets to clients, generally under the same conditions.*

[(1)] *See section on "Forward-looking information" on page 29*

RELATED PARTY TRANSACTIONS

During fiscal 2008, the Company purchased for the exchange amount a supermarket in which a member of the Board of Directors, Maryse Labonté, held an interest. After this transaction, Maryse Labonté resigned on June 2, 2008 as a member of the Board.

During fiscal 2009, sales to companies controlled by a member of the Board of Directors, specifically Serge Ferland (and Maryse Labonté until her departure), totalled $27.3 million ($26.4 million in 2008). These transactions were conducted in the normal course of business and were measured at the exchange amount. As at September 26, 2009, accounts receivable included a balance of $0.9 million ($0.9 million as at September 27, 2008) resulting from these transactions.

FOURTH QUARTER

(Millions of dollars, unless otherwise indicated)	2009	2008	Change *(%)*
Sales	2,532.5	2,476.0	2.3
EBITDA[(1)]	175.8	160.6	9.5
Adjusted EBITDA[(1)]	178.1	160.6	10.9
Net earnings	84.4	72.5	16.4
Adjusted net earnings[(1)]	85.9	72.5	18.5
Fully diluted net earnings per share *(Dollars)*	0.77	0.65	18.5
Adjusted fully diluted net earnings per share[(1)] *(Dollars)*	0.78	0.65	20.0
Cash flows from:			
Operating activities	230.8	185.5	—
Investing activities	(94.8)	(72.7)	—
Financing activities	(58.7)	(85.8)	—

SALES 2009 fourth quarter sales reached $2,532.5 million compared to $2,476.0 million last year, an increase of 2.3%. Excluding decreased sales due to the non-renewal of a convenience store chain supply contract, 2009 fourth quarter sales increased by 3.2%. Same-store sales increased by 2.0%.

Explanation of sales variation

(Millions of dollars, unless otherwise indicated)	2009	2008	Change *(%)*
Sales	2,532.5	2,476.0	2.3
Decrease due to a non-renewal of a supply contract	—	(22.3)	
Adjusted sales	2,532.5	2,453.7	3.2

EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)[(1)] Fourth quarter EBITDA[(1)] in 2009 reached $175.8 million, up 9.5% from $160.6 million for the same quarter last year. Fourth quarter EBITDA[(1)] represented 6.9% of sales versus 6.5% last year. Excluding banner conversion costs of $2.3 million recorded in 2009, adjusted fourth quarter EBITDA[(1)] represented 7.0% of sales. This increase is due mainly to an increase in our gross margins driven by our efforts to improve our Ontario operations.

Our share of earnings from our investment in Alimentation Couche-Tard for the 2009 fourth quarter was $11.7 million versus $5.0 million for the corresponding period of fiscal 2008. Excluding non-recurring items as well as our share of earnings from our investment in Alimentation Couche-Tard, our adjusted EBITDA[(1)] for the fourth quarter were $166.4 million or 6.6% of sales versus $155.6 million or 6.3% of sales for the fourth quarter of 2008.

[(1)] See section on "Non-GAAP measurements" on page 29

Our retrospective application of a new accounting standard issued by the CICA, Section 3031 "Inventories", by the restating of prior periods' financial statements, did not significantly affect our fiscal 2009 and 2008 fourth quarters' EBITDA[(1)].

EBITDA[(1)] adjustments

	4th quarter 2009			4th quarter 2008		
(Millions of dollars, unless otherwise indicated)	EBITDA	Sales	EBITDA/ Sales *(%)*	EBITDA	Sales	EBITDA/ Sales *(%)*
EBITDA	175.8	2,532.5	6.9	160.6	2,476.0	6.5
Banner conversion costs	2.3	—	—	—	—	—
Adjusted EBITDA	178.1	2,532.5	7.0	160.6	2,476.0	6.5
Share of earnings from our investment in Alimentation Couche-Tard	(11.7)	—	—	(5.0)	—	—
Adjusted EBITDA excluding share of earnings	166.4	2,532.5	6.6	155.6	2,476.0	6.3

DEPRECIATION AND AMORTIZATION AND FINANCIAL COSTS Total amortization expenses for the 2009 fourth quarter amounted to $46.3 million, compared to $41.4 million for the same period last year. Fourth quarter financial costs totalled $10.1 million in 2009 versus $12.4 million last year.

INCOME TAXES The 2009 fourth quarter income tax expenses of $35.0 million represented the effective tax rate of 29.3%. The 2008 fourth quarter tax expenses were $34.3 million, representing the effective tax rate of 32.1%.

NET EARNINGS The 2009 fourth quarter net earnings were $84.4 million, compared to $72.5 million for the corresponding quarter last year, an increase of 16.4%. Fully diluted net earnings per share rose 18.5% to $0.77, up from $0.65 last year. Excluding non-recurring costs recorded in the fourth quarter of 2009, namely $2.3 million before taxes to convert our Ontario supermarkets to the Metro banner, our adjusted net earnings[(1)] were $85.9 million, an 18.5% increase over fiscal 2008, and our adjusted fully diluted net earnings per share[(1)] were $0.78, up 20.0%.

Net earnings adjustments

	4th quarter 2009		4th quarter 2008		Change *(%)*	
	(Millions of dollars)	Fully diluted EPS *(Dollars)*	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	84.4	0.77	72.5	0.65	16.4	18.5
Banner conversion costs after taxes	1.5	0.01	—	—		
Adjusted net earnings[(1)]	85.9	0.78	72.5	0.65	18.5	20.0

CASH POSITION

Operating activities Operating activities generated cash flows of $230.8 million in the 2009 fourth quarter compared to $185.5 million for the same period in 2008. The increases in 2009 fourth quarter cash flows over the 2008 fourth quarter are due primarily to an increase in net earnings and a different variation in future taxes following the use of carried-forward losses in 2009.

(1) *See section on "Non-GAAP measurements" on page 29*

Investing activities Investing activities required outflows of $94.8 million in the 2009 fourth quarter versus $72.7 million in the fourth quarter of 2008. This increase in outflows is due primarily to greater acquisition of fixed assets.

Financing activities Financing activities required outflows of $58.7 million in the 2009 fourth quarter versus 2008 fourth quarter outflows of $85.8 million. The decrease in 2009 fourth quarter outflows from those in 2008 fourth quarter is attributable to lesser amounts by which long-term debt was paid down in the fourth quarter of 2009 compared to the same quarter of 2008, and to the minority interest buyback payment in the fourth quarter of 2008.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company adopted a risk management policy, approved by the Board of Directors in December 2005, setting forth guidelines relating to its use of derivative financial instruments. These guidelines prohibit the use of derivatives for speculative purposes. In 2009, the Company used derivative financial instruments as described in Notes 2 and 25 to the consolidated financial statements.

NEW ACCOUNTING POLICIES

ADOPTED IN 2009

INVENTORIES In the first quarter of 2009, we adopted Section 3031 "Inventories." Under this new standard, inventories are to be measured at the lower of cost and net realizable value, and the retail method may be used if the results approximate cost. In addition, all costs incurred in bringing the inventories to their present location and condition shall be included in the cost of inventories. Other costs are to be expensed in the period in which they are incurred.

We measure our warehouse inventories at the lower of cost, determined by the average cost method net of certain considerations received from vendors, and net realizable value. Retail inventories are valued at the retail price less the gross margin and certain considerations received from vendors. Following this new section's adoption, we have included certain costs in our cost of inventories, such as receiving and shelving costs, as well as costs for products transformed in store. Warehousing costs are recognized as operating expenses.

New Section 3031 has been applied retrospectively with restatement of prior period consolidated financial statements.

The adjustments are explained in Note 3 to the consolidated financial statements included in this annual report.

GOODWILL AND INTANGIBLE ASSETS In the first quarter of 2009, we adopted Section 3064 "Goodwill and Intangible Assets." The new section states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill and disclosure, Section 3064 carries forward the requirements of the former Section 3062 "Goodwill and Other Intangible Assets." The adoption of these guidelines did not have any material effect on our results, financial position or cash flows.

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES In the second quarter of 2009, we adopted EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." Under this new abstract, an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of these guidelines did not have any material effect on our results, financial position or cash flows.

FINANCIAL INSTRUMENTS In the fourth quarter of 2009, we adopted the amendments to Section 3862 "Financial Instruments — Disclosures." These amendments resulted in enhanced disclosures regarding fair value measurement of interest rate swaps and foreign exchange forward contracts. The adoption of these amendments had no effect on our results, financial position or cash flows.

RECENTLY PUBLISHED

INTERNATIONAL FINANCIAL REPORTING STANDARDS On February 13, 2008, the Accounting Standards Board confirmed the date of the changeover from GAAP to International Financial Reporting Standards (IFRS). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's IFRS changeover date will be the first day of fiscal 2012, namely September 25, 2011.

We set up a project structure to achieve the changeover of our consolidated financial statements to IFRS. A multidisciplinary working group analyzes, recommends accounting policy choices and implements each IFRS standard. A steering committee made up of senior executives approves accounting policy choices and makes sure that information technology, internal control, contractual and any other adjustments are made. The external auditors are notified of our choices and consulted on them. The Company's Audit Committee ensures that management fulfills its responsibilities and successfully accomplishes the changeover to IFRS.

We also developed a work plan whose phases are outlined in the following tables, with actions, timetable and progress.

Phase 1: Preliminary Study and Diagnostic

Actions	Identification of the IFRS standards that will require changes with regard to measurement in consolidated financial statements and disclosure. Rank of standards based on their anticipated impact on our consolidated financial statements and the effort their implementation requires.
Timetable	End of our 2008 fiscal year.
Progress	Completed.

Phase 2: Standards Analysis

Actions	Analysis of the differences between GAAP and IFRS. Selection of the accounting policies that the Company will apply on an ongoing basis. Company's selection of IFRS 1 exemptions at the date of transition. Calculation of the quantitative impact on the consolidated financial statements. Disclosure analysis. Preparation of draft consolidated financial statements and notes. Identification of the collateral impact in the following areas. ■ information technology ■ internal control over financial reporting ■ disclosure controls and procedures ■ contracts ■ compensation ■ taxation ■ training
Timetable	We have prepared a detailed timetable that contemplates the bulk of the analysis that will be completed by the end of September 2010. We prioritized standards, based on their ranking in the diagnostic, the time needed to complete the analysis and implementation, working group members' availability, as well as the timing of discussion papers, exposure drafts and new standards to be issued by the International Accounting Standards Board (IASB).
Progress	At the end of fiscal 2009, we began the analysis of 25 IFRS standards and interpretations out of a total of approximately 50 that may have an impact on our Company.

Phase 3: Implementation

Actions	Preparation of the opening balance sheet at the date of transition. Compilation of the comparative financial data. Production of the interim consolidated financial statements and the associated disclosure. Production of the annual consolidated financial statements and the associated disclosure. Implementation of changes regarding collateral impact.
Timetable	At the end of fiscal 2011, our opening balance sheet, comparative financial data under IFRS and changes regarding collateral impacts will be completed. In fiscal 2012, we will produce our interim and annual consolidated financial statements and disclosure in accordance with IFRS.
Progress	Not yet commenced.

Throughout our IFRS transition project, we will provide update reports on our work plan. We will also explain the main differences between our existing accounting policies and those we will be implementing under IFRS (both narrative and quantitative information), as well as our selection of IFRS 1 exemptions available at the date of transition.

NON-GAAP MEASUREMENTS

In addition to the Canadian Generally Accepted Accounting Principles (GAAP) earnings measurements provided, we have included certain non-GAAP earnings measurements. These measurements are presented for information purposes only. They do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measurements presented by other public companies.

EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) EBITDA is a measurement of earnings that excludes financial costs, taxes, depreciation and amortization. We believe that EBITDA is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial expenses.

ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE Adjusted EBITDA, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude non-recurring items. We believe that presenting earnings without non-recurring items leaves readers of financial statements better informed as to the current period and corresponding period's earnings, thus enabling them to better evaluate the Company's performance and judge its future outlook.

FORWARD-LOOKING INFORMATION

We have used, throughout this Annual Report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained in this Report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "reduce", "anticipate", "estimate", "expect", "believe", "will have", "will continue", "will invest", "will help", "improve", "innovate", "focus", "strive", "develop", and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained in this Report are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2010 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Company and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession, or the arrival of a new competitor, are examples described under the "Risk Management" section of this Report that could have an impact on these statements. We believe these statements to be reasonable and pertinent as at the date of publication of this Report and represent our expectations. The Company does not intend to update any forward-looking statement contained herein, except as required by applicable law.

CONTROLS AND PROCEDURES

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

An evaluation was completed under their supervision in order to measure the effectiveness of DC&P and ICFR. Based upon this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer of the Company concluded that the DC&P and the ICFR were effective as at the end of the fiscal year ending on September 26, 2009.

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

Furthermore, the design of the ICFR provides reasonable assurance that the Company's financial information is reliable and that its financial statements are prepared for external purposes in accordance with Canadian GAAP.

SUBSEQUENT EVENTS

Following the closing of our financial statements for the fiscal year ended September 26, 2009, we acquired 18 affiliate stores, which we were already supplying. The acquisition of these stores will enable us to consolidate our presence in Québec.

We have entered into an agreement with Dunnhumby, an international consulting and marketing service organization, to create an exclusive joint venture whose mission is to better satisfy our customers' needs, therefore improving their loyalty, through the development and implementation of customer-centric strategies.

SIGNIFICANT ACCOUNTING ESTIMATES

This Management's Discussion and Analysis is based upon the Company's consolidated financial statements, prepared in accordance with GAAP, and it is presented in Canadian dollars, our unit of measure. The preparation and presentation of the consolidated financial statements and other financial information contained in this Management's Discussion and Analysis involves a judicious choice of appropriate accounting principles and methods whose application requires the making of estimates and enlightened judgements. Our estimates are based upon assumptions which we believe to be reasonable, such as those based upon past experience. These estimates constitute the basis for our judgements regarding the carrying amount of assets and liabilities that would not otherwise be readily available through other sources. Use of other methods of estimation might yield different amounts than those presented. Actual results could differ from these estimates.

INVENTORIES Inventories are valued at the lower of cost and net realizable value. Warehouse inventories cost is determined by the average cost method net of certain considerations received from vendors. Retail inventories cost is valued at the retail price less the gross margin and certain considerations received from vendors. In addition, all costs incurred in bringing the inventories to their present location and condition are included in the cost of warehouse and retail inventories. Determination of gross margins requires, on the part of management, judgements and estimates, which could affect inventory valuation on the balance sheet and also operating results.

FIXED ASSETS AND INTANGIBLE ASSETS WITH DEFINITE LIFE Fixed assets and intangible assets with definite life are recorded at cost. They are depreciated and amortized on a straight-line basis over their useful lives, represented by the period during which we anticipate that an asset will contribute to future cash flows for the Company. The use of different assumptions with regard to useful life could result in different carrying amounts for these assets as well as for depreciation and amortization expenses.

INTANGIBLE ASSETS WITH INDEFINITE LIFE Intangible assets with indefinite life are tested for impairment annually or more often if events or changes in circumstances indicate that the asset might be impaired. When the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. To estimate fair value, we use the royalty-free licence and capitalization of excess earnings before financial costs and income taxes methods. The use of different assumptions and estimates such as the royalty rate, the discount rate and earnings before financial costs and income taxes, could result in different fair values, and as a consequence different carrying amounts for intangible assets with indefinite life, which could affect operating results.

GOODWILL Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test first consists of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount in order to estimate the impairment loss. To evaluate the fair value of our reporting unit, we use the capitalization of indicated earnings method. The use of different assumptions and estimates such as the discount rate and indicated earnings, could result in different fair values and, as a consequence, different carrying amounts for goodwill, which could affect operating results.

IMPAIRMENT OF LONG-LIVED ASSETS Long-lived assets, excluding goodwill and intangible assets with indefinite lives, are assessed for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized in earnings when the carrying amount of long-lived assets is greater than the undiscounted future net cash flows expected to be generated by the assets' use and potential sale. The amount of the impairment loss represents the difference between the carrying amount and the discounted value of the future net cash flows generated by long-lived assets. The use of different assumptions and estimates such as the discount rate and future net cash flows could result in different fair values and, as a consequence, different carrying amounts for long-lived assets, which could affect operating results.

EMPLOYEE FUTURE BENEFITS We offer several defined benefit and defined contribution plans for eligible employees, which provide to its beneficiaries pension, complementary benefit to retirement and post-retirement benefits. The cost of pension and other retirement benefits earned by participants is determined from actuarial calculations according to the projected unit credit cost method prorated on services. This method applies management's best-estimate assumptions regarding long-term returns on the plan assets, salary escalation, retirement age of participants and estimated health-care costs. The use of different assumptions could result in different carrying amounts for accrued benefit assets, which could affect the expense for defined benefit plans.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS A stock-based compensation expense for stock options must be recognized for all attributions since September 29, 2002. We calculate this expense based on the fair value method, using the Black & Scholes model. In order to establish the fair value of stock options, we use assumptions to determine risk-free interest rate, expected term, anticipated volatility and anticipated dividend yield. The use of different assumptions could affect stock-based compensation expense in the consolidated statement of earnings.

INCOME TAXES The Company follows the liability method of accounting for income taxes. Under this method, future income 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. Future income tax assets and liabilities are measured using substantively enacted tax rates expected to be in effect when the temporary differences are expected to reverse. Determination of income tax expense and future income taxes thus requires the use of estimates, assumptions and judgements, which, if applied differently, could result in different carrying amounts for future income taxes on the balance sheet and, as a consequence, affect income tax expense in the consolidated statement of earnings.

FINANCIAL INSTRUMENTS Cash and cash equivalents, interest rate swaps and foreign exchange forward contracts are valued at fair value. Gains/losses resulting from re-assessment at each period end are recorded in net earnings, in the case of cash and cash equivalents as well as foreign exchange forward contracts, and in comprehensive income, in the case of interest rate swaps. The use of different assumptions to estimate fair value, such as expected interest rates and the exchange rate used by a financial institution to re-negotiate a contract, could result in different carrying amounts, and consequently affect the consolidated statement of earnings or the consolidated comprehensive income statement, as applicable.

RISK MANAGEMENT

In the normal course of business, the Company is exposed to certain risks, which could impact upon its profitability. In order to counteract these risks, we have implemented various strategies specifically adapted to the principal risk factors.

MARKET The intensification of competition, the possible arrival of new competitors and the changing needs of our consumers are constant concerns for the Company. In order to maintain its leadership in Québec and Ontario, the Company has developed a successful market segmentation strategy. Our banners seek to meet the needs of different market segments and are supported by merchandising programs adapted to their specific clientele.

Our supermarket banners offer a wide variety of products at competitive prices and place special emphasis on customer service. This merchandising approach is supported by an extensive range of private brand products to encourage customer loyalty, and by the expertise of in-store teams to ensure responsiveness to market trends and customer needs. Staff quality remains a significant asset and the training programs provided by METRO's School of Professionals ensure that this advantage is maintained.

Our discount store banners, for their part, aim to offer the market's best quality/price ratio to consumers who are both cost and quality conscious. Our merchandising strategy focuses on meeting this specific demand.

Our drugstore banners also target the satisfaction of specific market segments in the pharmaceutical industry. Our pharmacists and owner-pharmacists offer clients both advice and a variety of services.

All our other banners also have developed strategies adapted to their particular target market segments. Lastly, the ongoing investment programs in all stores ensure that our retail network is among the most modern in Canada.

An economic slowdown or a recession could affect the financial position of the Company. However, our supermarkets and discount stores are capable of adjusting to such circumstances with appropriate merchandising strategies. The necessity of feeding ourselves protects the food industry against important sales losses.

INTEREST RATE The Company is subject to interest rate fluctuations mainly due to the fact that it contracts loans with variable interest rates. In accordance with our policy on risk management, we use derivative financial instruments, such as interest rate swaps, to post a part of the borrowing costs and reduce our interest rate risks. Thus, we are transforming our variable interest payments into fixed interest payments. The policy's guidelines prohibit us from using derivative financial instruments for speculation purposes, but they cannot guarantee that we will not sustain losses because of our derivative financial instruments.

CREDIT The Company holds receivables mainly generated from sales to affiliate customers. In order to guard against affiliate customers' credit losses, we have adopted a credit policy that clearly defines mandatory credit requirements to be maintained as well as guarantees to be provided. Affiliate customer assets guarantee the majority of our receivables.

LIQUIDITY The Company is exposed to liquidity risk mainly through its long-term debt and its creditors. We evaluate our cash position on a regular basis and estimate[(1)] that cash flows generated by our operating activities are sufficient to provide for all outflows required by our financing activities. Our Credit A Facility and our Series A and Series B Notes only mature in 2012, 2015 and 2035 respectively. We also have access to its authorized $400.0 million revolving line of credit.

EXCHANGE RATE The Company conducts some purchases in US currency and thus exposes itself to exchange rate risks. In accordance with our policy on risk management, we use derivative financial instruments, such as foreign exchange forward contracts, to protect ourselves against exchange rate variations for our future purchases in US currency. The policy's guidelines prohibit us from using derivative financial instruments for speculation purposes, but they cannot guarantee that we will not sustain losses because of our derivative financial instruments.

PRICE OF FUEL, ENERGY AND PUBLIC SERVICES The Company is a large consumer of public services, electricity, natural gas and fuel. Unexpected increases in the price of these items may have a negative impact on the Company's financial position and operating results in the event that it could not adjust its prices accordingly.

LAWS, TAX ISSUES AND ACCOUNTING Changes brought to laws, regulations, rules and policies impacting the Company's operations, as well as new accounting policies adopted by relevant authorities, may have a significant effect on the Company's financial and operating results. The Company could incur substantial expenses in complying with these amendments.

LABOUR RELATIONS The Company employs, including through the VIEs, close to 47,300 people, about 43,500 of whom are governed by nearly 200 collective agreements. The Company's policy is to negotiate agreements with different maturity dates, incorporating terms and conditions that ensure its competitiveness, and with durations that promote a favourable labour climate in all its business sectors. We have experienced some minor labour conflicts over the last few years but expect[(1)] to maintain good labour relations in the future.

ENVIRONMENT The Company adopted a formal environmental policy several years ago that requires it to take necessary measures in order to ensure compliance with applicable legislation and improve its environmental performance on a continuing basis. A committee comprised of management staff ensures implementation of this policy and of various programs to reduce the impact of our operations on the environment. In addition, environmental audits are conducted regularly in all of the Company's facilities and corrective action, if required, is quickly taken.

(1) See section on "Forward-looking information" on page 29

FOOD SAFETY The Company is exposed to potential liability regarding its commercial operations, including possible liability and costs related to defective products, cleanliness of food, contamination and handling of products. Such liabilities may arise from the fabrication, treatment and labelling, conception, preparation, storage, distribution or presentation of products. Most of our sales are generated from food products, and thus the Company could be vulnerable in the case of a widespread food poisoning epidemic or an increase in public health concerns regarding certain food products. Such a situation could have a negative effect on the Company's returns and financial results.

The Company applies very strict food-safety controls and procedures throughout its whole distribution chain. All employees receive continuous training in this area. Our meat processing and distribution facilities are HACCP (*Hazard Analysis and Critical Control Point*) accredited, the industry's highest international standard. Our systems also enable us to trace a given meat product distributed from any of our main distribution centres to its consumer point-of-sale.

CRISIS MANAGEMENT AND EMERGENCY PLAN The Company has developed crisis management and emergency plans for all of its operations. A steering committee supervises and regularly reviews the plans of all the divisions and departments. These plans provide for several physical back-up premises in case of a disaster, generators in case of power blackouts, and a backup computer as powerful as the existing central computer. We have also implemented a crisis management plan to minimize the impact in the event of a pandemic.

INSURANCE The Company limits its exposure to operating risks by maintaining insurance with financially stable and reputable insurers. In addition, loss prevention and control programs have been implemented in order to reduce the financial impact of operating risks.

CLAIMS In the normal course of business, we are exposed to various claims and proceedings. The Company limits its exposure by maintaining insurance to cover the risk of claims related to its operations. Six years ago, *Regroupement des marchands actionnaires Inc*. instituted proceedings against the Company, alleging the right of certain retailer-shareholders to re-convert into Class B Shares those Class B Shares, which they had previously converted to Class A Subordinate Shares. The Company is contesting the validity of this claim and we believe[(1)] that any forthcoming settlement in respect of this claim will not have[(1)] a material effect on the financial position or on the earnings of the Company.

OUTLOOK

Despite today's difficult economic conditions, we are confident we will continue[(1)] to grow during the coming year. To meet this objective, our action plan will be based on innovation, execution to the satisfaction of our clients, the maintenance of a competitive cost structure, the development of our human resources, the ongoing plan to invest in our network of stores, and the positioning of our supermarkets, our discount stores and our drugstores.

Montréal, Canada, December 4, 2009

[(1)] *See section on "Forward-looking information" on page 29*

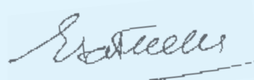
Management's responsibility for financial reporting

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 methods, the application of which requires making estimates and informed judgements. 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 Canadian generally accepted accounting principles 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 Company'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 Company 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, Chartered Accountants, and their report indicates the extent of their audit and their opinion on the consolidated financial statements.



ERIC R. LA FLÈCHE
President and Chief Executive Officer
Montréal, Canada, December 9, 2009

RICHARD DUFRESNE
Senior Vice-President
Chief Financial Officer and Treasurer

Auditor's report

To the shareholders of METRO INC.

We have audited the consolidated balance sheets of METRO INC. as at September 26, 2009 and September 27, 2008, and the consolidated statements of earnings, retained earnings, comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 26, 2009 and September 27, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP [1]

ERNST & YOUNG LLP[1]
Chartered Accountants
Montréal, Canada, November 17, 2009

[1] *CA auditor permit no. 8697*

consolidated statements of earnings

YEARS ENDED SEPTEMBER 26, 2009 AND SEPTEMBER 27, 2008 *(Millions of dollars, except for net earnings per share)*	09	08 *(Restated - note 3)*
Sales *(notes 22 and 23)*	$ 11,196.0	$ 10,725.2
Cost of sales and operating expenses *(notes 9 and 22)*	(10,480.8)	(10,103.9)
Share of earnings in a public company subject to significant influence	37.4	17.6
Banner conversion costs *(note 4)*	(11.0)	—
Earnings before financial costs, taxes, depreciation and amortization	741.6	638.9
Depreciation and amortization *(note 5)*	(189.1)	(176.3)
Operating income	552.5	462.6
Financial costs, net *(note 6)*	(48.0)	(58.4)
Earnings before income taxes	504.5	404.2
Income taxes *(note 7)*	(150.1)	(113.9)
Earnings before minority interest	354.4	290.3
Minority interest	—	1.9
Net earnings	$ 354.4	$ 292.2

	09	08
Net earnings per share *(Dollars) (note 8)*		
Basic	3.21	2.60
Fully diluted	3.19	2.58

See accompanying notes

consolidated balance sheets

09 08

AS AT SEPTEMBER 26, 2009 AND SEPTEMBER 27, 2008

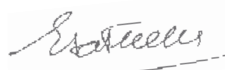
(Millions of dollars)

	2009	2008 *(Restated - note 3)*
ASSETS		
Current assets		
Cash and cash equivalents	$ 241.4	$ 151.7
Accounts receivable *(notes 10 and 22)*	315.8	302.7
Inventories *(note 9)*	681.3	641.6
Prepaid expenses	8.3	7.6
Income taxes receivable	6.6	25.0
Future income taxes *(note 7)*	29.8	38.4
	1,283.2	1,167.0
Investments and other assets *(note 10)*	204.0	176.1
Fixed assets *(note 11)*	1,305.8	1,231.9
Intangible assets *(note 12)*	325.4	328.6
Goodwill	1,478.6	1,478.6
Future income taxes *(note 7)*	3.6	2.7
Accrued benefit asset *(note 19)*	65.6	40.7
	$ 4,666.2	$ 4,425.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans *(note 13)*	$ 0.8	$ 0.9
Accounts payable	1,111.2	1,062.7
Income taxes payable	24.8	50.9
Future income taxes *(note 7)*	9.2	6.0
Current portion of long-term debt *(note 14)*	6.4	6.3
	1,152.4	1,126.8
Long-term debt *(note 14)*	1,004.3	1,005.0
Accrued benefit liability *(note 19)*	49.0	50.7
Future income taxes *(note 7)*	165.0	140.8
Other long-term liabilities *(note 15)*	31.4	34.0
	2,402.1	2,357.3
Shareholders' equity		
Capital stock *(note 16)*	716.7	697.6
Contributed surplus *(note 17)*	3.7	4.9
Retained earnings	1,545.7	1,366.8
Accumulated other comprehensive income *(note 18)*	(2.0)	(1.0)
	2,264.1	2,068.3
	$ 4,666.2	$ 4,425.6

Commitments and contingencies *(notes 20 and 21)*

See accompanying notes

On behalf of the Board:



ERIC R. LA FLÈCHE
Director

MICHEL LABONTÉ
Director

consolidated statements of retained earnings

YEARS ENDED SEPTEMBER 26, 2009 AND SEPTEMBER 27, 2008 *(Millions of dollars)*	09	08 *(Restated - note 3)*
Balance – beginning of year	$ 1,359.6	$ 1,214.3
Adjustment due to a new accounting policy related to inventories *(note 3)*	7.2	7.7
Restated balance	1,366.8	1,222.0
Net earnings	354.4	292.2
Dividends	(59.3)	(55.3)
Share redemption premium *(note 16)*	(116.2)	(92.1)
Balance – end of year	$ 1,545.7	$ 1,366.8

See accompanying notes

consolidated statements of comprehensive income

YEARS ENDED SEPTEMBER 26, 2009 AND SEPTEMBER 27, 2008 *(Millions of dollars)*	09	08 *(Restated - note 3)*
Net earnings	$ 354.4	$ 292.2
Other comprehensive income *(note 18)*		
Change in fair value of derivatives designated as cash flow hedges	(1.4)	(3.3)
Corresponding income taxes	0.4	1.1
Comprehensive income	$ 353.4	$ 290.0

See accompanying notes

consolidated statements of cash flows

YEARS ENDED SEPTEMBER 26, 2009 AND SEPTEMBER 27, 2008 *(Millions of dollars)*	09	08 *(Restated - note 3)*
Operating activities		
Net earnings	$ 354.4	$ 292.2
Non-cash items		
Share of earnings in a public company subject to significant influence	(37.4)	(17.6)
Depreciation and amortization	189.1	176.3
Amortization of deferred financing costs	2.0	2.1
Loss on disposal and write-off of fixed and intangible assets	3.0	—
Gain on disposal of investments	(0.1)	(0.6)
Interest income from investments	(0.2)	—
Future income taxes	32.1	(8.7)
Stock-based compensation cost	5.0	3.8
Difference between amounts paid for employee future benefits and current period cost	(26.6)	(11.7)
Minority interest	—	(1.9)
	521.3	433.9
Net change in non-cash working capital items related to operations	(1.2)	16.3
	520.1	450.2
Investing activities		
Net change in investments and other assets	(4.6)	1.8
Dividends from public company subject to significant influence	2.9	2.9
Additions to fixed assets	(235.1)	(171.5)
Proceeds on disposal of fixed assets	14.8	10.9
Additions to intangible assets	(36.8)	(32.7)
	(258.8)	(188.6)
Financing activities		
Net change in bank loans	(0.1)	0.8
Issuance of shares *(note 16)*	44.0	11.4
Redemption of shares *(note 16)*	(142.5)	(120.7)
Acquisition of treasury shares *(note 16)*	(4.3)	(0.9)
Performance share units cash settlement *(note 17)*	(0.5)	—
Increase in long-term debt	5.3	1.9
Repayment of long-term debt	(10.2)	(31.0)
Net change in other long-term liabilities	(4.0)	2.7
Dividends paid	(59.3)	(55.3)
Settlement and distribution to minority interest	—	(19.3)
	(171.6)	(210.4)
Net change in cash and cash equivalents	89.7	51.2
Cash and cash equivalents – beginning of year	151.7	100.5
Cash and cash equivalents – end of year	$ 241.4	$ 151.7
Supplementary information		
Interest paid	47.0	55.4
Income taxes paid	105.3	121.8

See accompanying notes

notes to consolidated financial statements

September 26, 2009 and September 27, 2008 *(Millions of dollars, unless otherwise indicated)*

1 DESCRIPTION OF BUSINESS

METRO INC. (the Company) is one of Canada's leading food retailers and distributors. The Company operates a network of supermarkets, discount stores and drugstores in Québec and Ontario. The regions and sectors in which the Company operates have been combined into a single reportable segment in light of their similar economic characteristics.

2 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company, in Canadian dollars, have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) which require management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and presented in the accompanying notes. Actual results could differ from these estimates. The Company's consolidated financial statements have been properly prepared within the reasonable limits of materiality and in conformity with the accounting policies summarized below:

CONSOLIDATION The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, as well as those of variable interest entities (VIEs) for which the Company is the primary beneficiary. All intercompany transactions and balances were eliminated on consolidation.

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), outstanding deposits and cheques in transit. They are classified as "Financial Assets Held for Trading" and are marked-to-market with resulting gains/losses recognized through net earnings at each period end.

ACCOUNTS RECEIVABLE Accounts receivable are classified as "Loans and Receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Company, the measured amount generally corresponds to cost.

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

INVESTMENTS AND OTHER ASSETS The investment in a public company subject to significant influence is accounted for using the equity method. 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 Company, the measured amount generally corresponds to cost.

FIXED ASSETS Fixed assets are recorded at cost. Buildings and equipment are amortized on a straight-line basis over their useful lives. Leasehold improvements are amortized on a straight-line basis over the shorter of their useful lives or the remaining lease term. The amortization method and estimate of useful life are reviewed annually.

Buildings	40 years
Equipment	3 to 20 years
Leasehold improvements	5 to 20 years

LEASES The Company accounts for capital leases in instances when it has acquired substantially all the benefits and risks incident to ownership of the leased property. The cost of assets under capital leases represents the present value of minimum lease payments and is amortized on a straight-line basis over the lease term. Assets under capital leases are presented under "Fixed assets" in the consolidated balance sheet.

Leases that do not transfer substantially all the benefits and risks incident to ownership of the property are accounted for as operating leases.

INTANGIBLE ASSETS Intangible assets with definite useful lives are recorded at cost and are amortized on a straight-line basis over their useful lives. The amortization method and estimate of the useful life are reviewed annually.

Leasehold rights	20 to 40 years
Software	3 to 10 years
Improvements and development of retail network loyalty	5 to 20 years
Prescription files	10 years

Intangible assets with indefinite lives, such as banners and private labels and some agreements, are recorded at cost and are not subject to amortization. These assets are tested for impairment annually or more often if events or changes in circumstances indicate that the asset might be impaired. When the impairment test indicates that the carrying amount of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to the excess. The Company uses the royalty-free licensing method and the capitalization of excess earnings before financial costs and income taxes method.

GOODWILL Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test first consists of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. When the carrying amount of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. Any impairment loss is charged to earnings in the period in which the loss is incurred. The Company uses the indicated earnings method to determine the fair value of its reporting unit.

IMPAIRMENT OF LONG-LIVED ASSETS The fixed assets and intangible assets with definite useful lives are assessed for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. When the carrying amount of long-lived assets is greater than the undiscounted future net cash flows expected to be generated by assets' use and potential sale, an impairment loss is recognized in earnings. The amount of the impairment loss represents the difference between the carrying amount and the discounted value of future net cash flows generated by long-lived assets.

DEFERRED FINANCING COSTS Financing costs related to the long term debt are deferred and amortized using the effective interest method over the term of the corresponding loans. When the Company repays one of its loans, the corresponding financing costs are charged to earnings. Deferred financing costs are presented under "Long term debt" in the consolidated balance sheet and the related amortization under "Financial costs, net" in the consolidated statement of earnings.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

EMPLOYEE FUTURE BENEFITS The Company accounts for employee future benefit plan assets and obligations and related costs of defined benefit pension plans, and other retirement benefits and other post-employment benefit plans under the following accounting policies:

- Accrued benefit obligations and the cost of pension and other retirement benefits earned by participants are determined from actuarial calculations according to the projected benefit method prorated on services. The accrued benefit obligations under the post-employment benefit plans are determined from actuarial calculations according to the accumulated benefit method. The calculations are based on management's best estimate assumptions relating to long term return on the plan assets, salary escalation, retirement age of participants and estimated health-care costs.

- For the purpose of calculating the estimated rate of return on the plan assets, assets are measured at fair value.

- Pension obligations are discounted using current market interest rates.

- Actuarial gains or losses arise from the difference between the actual rate of return on plan assets for a period and the expected rate of return on plan assets for that period, from changes in actuarial assumptions used to determine accrued benefit obligations and from emerging experience different from the selected assumptions.

- The excess of the net actuarial gain or loss over the higher of 10% of accrued benefit obligations or 10% of the fair value of the plan assets is amortized over the average remaining service period of active participants. Past service costs are amortized on a straight-line basis over the average remaining service period of active participants. The average remaining service period of active participants covered by the pension plans is 14 years. The average remaining service period of active participants covered by the other retirement benefit plans is 15 years, whereas it is 5 years under the other post-employment benefit plans.

- Past service costs arising from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of the active participants at the date of amendment until the full eligibility date.

The cost of defined contribution pension plans, which includes multi-employer pension plans, is expensed as contributions are due.

OTHER FINANCIAL LIABILITIES Bank loans, accounts payable, the credit facility, notes, loans payable, and obligations under capital leases are classified as "Other Financial Liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest method. For the Company, the measured amount generally corresponds to cost.

SALES RECOGNITION Retail sales made by corporate stores and stores for which the Company is the primary beneficiary are recognized at the time of sale to the customer and, for affiliated stores and other customers, when the goods are delivered. The rebates granted by the Company to its retailers are recorded as a reduction in sales.

RECOGNITION OF CONSIDERATION RECEIVED FROM VENDORS In some cases, a cash consideration received from vendors must be considered as an adjustment to the vendor's product pricing and is therefore characterized as a reduction of cost of sales and related inventories when recognized in the consolidated financial statements. Certain exceptions apply if the cash consideration constitutes the reimbursement of incremental costs incurred by the Company to promote the vendor's products or a payment for assets or services delivered to vendors. This other consideration received from vendors is accounted for, according to its nature, under sales or as a reduction of cost of sales and operating expenses.

FOREIGN CURRENCY TRANSLATION Monetary items on the balance sheet are translated at the exchange rate in effect at year-end, while non-monetary items are translated at the historical exchange rates. Revenues and expenses are translated at the rates of exchange in effect on the transaction date or at the average exchange rate for the period. Gains or losses resulting from the translation are included in current period earnings.

INCOME TAXES The Company follows the liability method of accounting for income taxes. Under this method, future income 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. Future 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 period earnings.

STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS The Company recognizes stock-based compensation expenses and other stock-based payments in earnings using the fair value method for all stock options granted since September 29, 2002. The Black & Scholes model is used to determine the fair value on the award date of stock options. Compensation expense is recognized over the expected term of the award.

PERFORMANCE SHARE UNIT PLAN The Company determines the value of the compensation under the performance share unit (PSU) plan based on the market value of the Company's Class A Subordinate 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 performance share units is recorded in the period where the estimate is revised. The grant qualifies as an equity instrument.

NET EARNINGS PER SHARE Net earnings per share are calculated using the weighted average number of Class A Subordinate Shares and Class B Shares outstanding during the year. Fully diluted net earnings per share are calculated using the treasury stock method, giving effect to the exercise of all dilutive factors.

FINANCIAL INSTRUMENTS In accordance with its risk management strategy, the Company uses derivative financial instruments for hedging purposes. On inception of a hedging relationship, the Company indicates whether or not it will apply hedge accounting to the relationship. The Company 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 Company measures the effectiveness of the hedging relationship at its inception to determine whether it will be highly effective over the term of the relationship. In addition, the Company assesses the hedging relationship periodically to ensure that hedge accounting is still appropriate. The Company formally documents the results of its assessments.

The derivative financial instruments used by the Company primarily consist of interest rate swaps under which the Company substitutes variable rate interest payments with fixed rate interest payments. The Company has decided to apply hedge accounting to its interest rate swaps and treat them as cash flow hedges. These swaps are marked-to-market with resulting gains/losses recognized through other comprehensive income at each period end, provided that the hedge is deemed effective.

The company also uses foreign exchange forward contracts to hedge against foreign exchange rate fluctuations in respect of future purchases denominated in U.S. dollars. Given their short-term maturity, the Company elected not to apply hedge accounting to its foreign exchange forward contracts. These derivative financial instruments are classified as "Assets held for trading" and marked-to-market with resulting gains/losses recognized through net earnings at each period end.

FISCAL YEAR The Company's fiscal year ends on the last Saturday of September. The fiscal years ended September 26, 2009 and September 27, 2008 include 52 weeks of operations.

3 NEW ACCOUNTING POLICIES

ADOPTED IN 2009

INVENTORIES In the first quarter of 2009, the Company adopted Section 3031 “Inventories”. Under this new standard, inventories are to be measured at the lower of cost and net realizable value, and the retail method may be used if the results approximate cost. In addition, all costs incurred in bringing the inventories to their present location and condition shall be included in the cost of inventories. Other costs are to be expensed in the period in which they are incurred.

Following this new section’s adoption, the Company has included certain costs in its cost of inventories, such as receiving and shelving costs, as well as costs for products transformed in store. Warehousing costs are recognized as operating expenses.

New Section 3031 has been applied retrospectively with restatement of prior period consolidated financial statements.

The Company recorded the following adjustments for the year ended September 27, 2008:

BALANCE SHEET COMPONENTS

Increase or (Decrease)	Beginning balance September 30, 2007	Ending balance September 27, 2008
Inventories	26.8	26.0
Goodwill	(11.5)	(11.5)
Long-term future income tax liabilities	7.6	7.3
Retained earnings	7.7	7.2

EARNINGS COMPONENTS

Increase or (Decrease)	2008
Cost of sales and operating expenses	0.8
Income taxes	(0.3)
Net earnings	(0.5)
Basic net earnings per share *(Dollars)*	—
Fully diluted net earnings per share *(Dollars)*	—

GOODWILL AND INTANGIBLE ASSETS In the first quarter of 2009, the Company adopted Section 3064 “Goodwill and Intangible Assets”. The new section states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill and disclosure, Section 3064 carries forward the requirements of former Section 3062 “Goodwill and Other Intangible Assets”. The adoption of these guidelines did not have any material effect on the Company’s results, financial position or cash flows.

CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES In the second quarter of 2009, the Company adopted EIC-173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”. Under this new abstract, an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of these guidelines did not have any material effect on the Company’s results, financial position or cash flows.

FINANCIAL INSTRUMENTS In the fourth quarter of 2009, the Company adopted the amendments to Section 3862 “Financial Instruments — Disclosures”. These amendments resulted in enhanced disclosures regarding fair value measurement of interest rate swaps and foreign exchange forward contracts. The adoption of these amendments had no effect on the Company’s results, financial position or cash flows.

4 BANNER CONVERSION COSTS

On August 7, 2008, the Company announced its conversion plan for changing the five banners under which it operates its 159 Ontario supermarkets to the Metro banner ending in Fall 2009. The Company also announced that an amount of approximately $25 will be incurred for this conversion, most of which had already been recorded under the A&P Canada integration plan.

Banner conversion costs of $11.0 incurred in 2009 comprise part of the costs not recorded under the A&P Canada integration plan.

5 DEPRECIATION AND AMORTIZATION

	2009	2008
Fixed assets	$ 148.9	$ 138.7
Intangible assets	40.2	37.6
	$ 189.1	$ 176.3

6 FINANCIAL COSTS, NET

	2009	2008
Short-term interest	$ 1.7	$ 2.2
Long-term interest	46.1	57.0
Amortization of deferred financing costs	2.0	2.1
Interest income	(1.8)	(2.9)
	$ 48.0	$ 58.4

7 INCOME TAXES

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

	2009	2008
		(Restated – note 3)
Current	$ 118.0	$ 122.6
Future	32.1	(8.7)
	$ 150.1	$ 113.9

The effective income tax rates were as follows:

(Percentage)	2009	2008
		(Restated – note 3)
Combined statutory income tax rate	31.3	31.3
Changes		
Impact of 3.5% decrease in federal tax rate on future taxes ($11.4 in 2008)	—	(2.8)
Impact of 4.35% decrease in Québec tax rate on investment income on future taxes ($2.7 in 2009)	(0.5)	—
Share of earnings in a public company subject to significant influence	(1.3)	(0.8)
Others	0.3	0.5
	29.8	28.2

7 INCOME TAXES (CONT'D)

Future income taxes reflect the net tax impact of timing differences between the value of assets and liabilities for accounting and tax purposes. The main components of the Company's future tax assets and liabilities were as follows:

	2009	2008
		(Restated – note 3)
Future income tax assets and liabilities		
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	$ (4.6)	$ 2.7
Tax losses carry forwards	24.6	26.2
Inventories	(8.7)	(7.3)
Excess of tax value over net book value of assets under capital leases	6.9	8.1
Interest rate swaps	0.9	0.4
Employee future benefits	(3.5)	3.7
Share of accumulated earnings in a public company subject to significant influence	(22.0)	(19.7)
Excess of net book value over tax value		
Fixed assets	(57.5)	(41.8)
Intangible assets	(62.1)	(61.2)
Goodwill	(14.8)	(16.8)
	$ (140.8)	$ (105.7)

	2009	2008
Future income tax short-term assets	$ 29.8	$ 38.4
Future income tax short-term liabilities	(9.2)	(6.0)
Future income tax long-term assets	3.6	2.7
Future income tax long-term liabilities	(165.0)	(140.8)
	$ (140.8)	$ (105.7)

8 NET EARNINGS PER SHARE

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

(Millions)	2009	2008
Weighted average number of shares outstanding – Basic	110.4	112.6
Dilutive effect under stock option and PSU plans	0.7	0.7
Weighted average number of shares outstanding – Diluted	111.1	113.3

9 INVENTORIES

Inventories were detailed as follows:

	2009	2008
		(Restated – note 3)
Warehouse inventories	$ 304.0	$ 293.7
Retail inventories	377.3	347.9
	$ 681.3	$ 641.6

The cost of inventories expensed for fiscal 2009 totalled $9,218.0 (2008 – $8,895.6).

10 INVESTMENTS AND OTHER ASSETS

	2009	2008
Investment in public company subject to significant influence, including share of earnings until July 19, 2009 (July 20, 2008) (quoted market value: $394.9 as at September 26, 2009; $291.9 as at September 27, 2008)	$ 182.3	$ 147.9
Loans to certain customers bearing interest at floating rates, repayable in monthly instalments, maturing through 2030	24.0	17.4
Assets held for sale	—	7.0
Other assets	1.5	4.1
	207.8	176.4
Current portion included in accounts receivable	3.8	0.3
	$ 204.0	$ 176.1

11 FIXED ASSETS

	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Land	$ 168.0	$ —	$ 168.0	$ 171.6	$ —	$ 171.6
Buildings	421.3	118.3	303.0	377.5	92.4	285.1
Equipment	988.1	502.5	485.6	896.1	444.8	451.3
Leasehold improvements	521.9	192.5	329.4	452.6	151.5	301.1
Assets under capital leases	35.5	15.7	19.8	35.7	12.9	22.8
	$ 2,134.8	$ 829.0	$ 1,305.8	$ 1,933.5	$ 701.6	$ 1,231.9

12 INTANGIBLE ASSETS

	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets with definite lives						
Leasehold rights	$ 75.3	$ 33.5	$ 41.8	$ 76.5	$ 30.8	$ 45.7
Software	156.1	98.8	57.3	142.2	80.3	61.9
Improvements and development of retail network loyalty	218.0	105.0	113.0	201.8	94.8	107.0
Prescription files	7.4	2.6	4.8	7.4	1.9	5.5
	456.8	239.9	216.9	427.9	207.8	220.1
Intangible assets with indefinite lives						
Banners	53.3	—	53.3	53.3	—	53.3
Private labels and agreements	55.2	—	55.2	55.2	—	55.2
	108.5	—	108.5	108.5	—	108.5
	$ 565.3	$ 239.9	$ 325.4	$ 536.4	$ 207.8	$ 328.6

Net additions of intangible assets excluded from the consolidated statement of cash flows amounted to $2.5 in 2009 (2008 – $2.6).

13 BANK LOANS

The Company benefits from a $400.0 revolving line of credit, expiring August 15, 2012, as well as a Credit A Facility amounting to $369.3 ($369.3 as at September 27, 2008) as discussed in note 14. The credit facilities bear interest at rates that fluctuate with changes in banker's acceptance rates and are unsecured. As at September 26, 2009 and September 27, 2008, the revolving line of credit was undrawn. The consolidated VIEs have credit margins totalling $6.2 ($6.1 as at September 27, 2008) bearing interest at prime, unsecured and maturing on various dates through 2010. As at September 26, 2009, $0.8 ($0.9 as at September 27, 2008) had been drawn down under credit margins at an interest rate of 2.25% (4.75% as at September 27, 2008).

14 LONG-TERM DEBT

	2009	2008
Credit A Facility, bearing interest at a weighted average rate of 1.91% (2008 – 4.55%) repayable on August 15, 2012 or earlier	$ 369.3	$ 369.3
Series A Notes, bearing interest at a fixed nominal rate of 4.98%, maturing on October 15, 2015 and redeemable at the issuer's option at fair value at any time prior to maturity	200.0	200.0
Series B Notes, bearing interest at a fixed nominal rate of 5.97%, maturing on October 15, 2035 and redeemable at the issuer's option at fair value at any time prior to maturity	400.0	400.0
Loans, maturing on various dates through 2019, bearing interest at an average rate of 2.9% (4.7% as at September 27, 2008)	15.7	13.2
Obligations under capital leases, bearing interest at an effective rate of 11.2% (2008 – 11.2%)	31.7	36.8
Deferred financing costs	(6.0)	(8.0)
	1,010.7	1,011.3
Current portion	6.4	6.3
	$ 1,004.3	$ 1,005.0

Minimum required payments on long-term debt in the upcoming fiscal years will be as follows:

	Loans	Notes	Obligations under capital leases	Total
2010	$ 3.3	$ —	$ 6.4	$ 9.7
2011	0.9	—	5.1	6.0
2012	369.8	—	5.1	374.9
2013	0.4	—	5.1	5.5
2014	0.2	—	4.6	4.8
2015 and thereafter	10.4	600.0	24.2	634.6
	$ 385.0	$ 600.0	$ 50.5	$ 1,035.5

The minimum payments in respect of the obligations under capital leases included interest amounting to $18.8 on these obligations (2008 – $23.7).

15 OTHER LONG-TERM LIABILITIES

	2009	2008
Lease liabilities	$ 21.2	$ 24.0
Interest rate swaps	2.9	1.5
Other liabilities	7.3	8.5
	$ 31.4	$ 34.0

16 CAPITAL STOCK

AUTHORIZED Unlimited number of First Preferred Shares, non-voting, without par value, issuable in series.

Unlimited number of Class A Subordinate Shares, bearing one voting right per share, participating, convertible into Class B Shares in the event of a takeover bid involving Class B Shares, without par value.

Unlimited number of Class B Shares, bearing 16 voting rights per share, participating, convertible in the event of disqualification into an equal number of Class A Subordinate Shares on the basis of one Class A Subordinate Share for each Class B Share held, without par value.

OUTSTANDING

	Class A Subordinate Shares		Class B Shares		Total
	Number *(Thousands)*		Number *(Thousands)*		
Balance as at September 29, 2007	113,683	$ 713.2	804	$ 1.6	$ 714.8
Shares issued for cash	661	11.4	—	—	11.4
Shares redeemed for cash, excluding premium of $92.1	(4,552)	(28.6)	—	—	(28.6)
Acquisition of treasury shares, excluding premium of $0.7	(40)	(0.2)	—	—	(0.2)
Stock options exercised	—	0.2	—	—	0.2
Conversion of Class B Shares into Class A Subordinate Shares	54	0.1	(54)	(0.1)	—
Balance as at September 27, 2008	109,806	696.1	750	1.5	697.6
Shares issued for cash	2,044	44.0	—	—	44.0
Shares redeemed for cash, excluding premium of $116.2	(3,989)	(26.3)	—	—	(26.3)
Acquisition of treasury shares, excluding premium of $3.6	(115)	(0.7)	—	—	(0.7)
Released treasury shares	52	0.3	—	—	0.3
Stock options exercised	—	1.8	—	—	1.8
Conversion of Class B Shares into Class A Subordinate Shares	32	0.1	(32)	(0.1)	—
Balance as at September 26, 2009	107,830	$ 715.3	718	$ 1.4	$ 716.7

16 CAPITAL STOCK (CONT'D)

STOCK OPTION PLAN The Company has a stock option plan for certain Company employees providing for the grant of options to purchase up to 10,000,000 Class A Subordinate Shares. The subscription price of each Class A Subordinate Share under an option granted pursuant to the plan is equal to the market price of the shares on the day prior to 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, no options may have a term of more than five years from the date the option may initially be exercised, in whole or in part, and the total term may in no circumstances exceed ten years from the option grant date. Options may generally be exercised two years after their grant date and vest at the rate of 20% per year.

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

	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 29, 2007	3,738	22.40
Granted	558	25.78
Exercised	(657)	17.28
Cancelled	(105)	31.26
Balance as at September 27, 2008	3,534	23.63
Granted	343	36.78
Exercised	(2,011)	21.31
Cancelled	(2)	34.86
Balance as at September 26, 2009	1,864	28.53

The table below summarizes information regarding the stock options outstanding and exercisable as at September 26, 2009:

	Outstanding options			Exercisable options	
Range of exercise prices *(Dollars)*	Number *(Thousands)*	Weighted average remaining period *(Months)*	Weighted average exercise price *(Dollars)*	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
17.23 to 24.73	721	42.8	22.75	255	20.32
26.40 to 35.71	731	49.4	29.16	219	28.18
37.22 to 39.17	412	69.9	37.56	33	37.66
	1,864	51.4	28.53	507	24.83

The weighted average fair value of $7.88 per option (2008 – $6.17) for stock options granted during the year was determined at the time of grant using the Black & Scholes model and the following weighted average assumptions: risk-free interest rate of 2.3% (2008 – 3.3%), expected life of six years (2008 – six years), expected volatility of 22% (2008 – 22.3%) and expected dividend yield of 1.4 % (2008 – 1.4%). Compensation expense for these options amounted to $2.3 for fiscal 2009 (2008 – $1.9).

PERFORMANCE SHARE UNIT PLAN The Company has a PSU plan. Under this program, senior executives and other key employees (participants) periodically receive a given number of PSUs which may increase if the Company meets certain financial performance indicators. The PSUs entitle the participant to Class A Subordinate Shares of the Company, or at the latter's discretion, the cash equivalent. PSUs vest at the end of a period of three years.

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

	Number *(Units)*
Balance as at September 29, 2007	152,461
Granted	138,584
Cancelled	(33,059)
Balance as at September 27, 2008	257,986
Granted	97,394
Settled	(64,177)
Cancelled	(23,633)
Balance as at September 26, 2009	267,570

Class A Subordinate Shares of the Company are held in trust for participants until the PSUs vest or are cancelled. The trust, considered a VIE, is consolidated in the Company's financial statements with the cost of the acquired shares recorded as treasury shares as a reduction capital stock.

The number of treasury shares and changes during the year were summarized as follows:

	Number *(Units)*
Balance as at September 29, 2007	154,000
Acquisition of treasury shares	40,000
Balance as at September 27, 2008	194,000
Acquisition of treasury shares	115,000
Released treasury shares	(51,745)
Balance as at September 26, 2009	257,255

The compensation expense comprising all of these PSUs amounted to $2.7 for fiscal 2009 (2008 – $1.9).

17 CONTRIBUTED SURPLUS

	2009	2008
Balance – beginning of year	$ 4.9	$ 2.0
Stock-based compensation cost	5.0	3.8
Stock options exercised	(1.8)	(0.2)
Acquisition of treasury shares	(3.6)	(0.7)
Released treasury shares	(0.3)	—
PSUs cash settlement	(0.5)	—
Balance – end of year	$ 3.7	$ 4.9

18 ACCUMULATED OTHER COMPREHENSIVE INCOME

Derivatives designated as cash flow hedges constitute the sole component of Accumulated Other Comprehensive Income. The changes during the year were as follows:

	2009	2008
Balance – beginning of year	$ (1.0)	$ 1.2
Change in fair value of designated derivatives, net of income taxes of $0.4 (2008 – $1.1)	(1.0)	(2.2)
Balance – end of year	$ (2.0)	$ (1.0)

19 EMPLOYEE FUTURE BENEFITS

The Company maintains several defined benefit and defined contribution plans for eligible employees, which provide most participants with pension and other retirement benefits, and other post-employment benefits which in certain cases are based on the number of years of service or final average salary. The defined benefit pension plans are funded by the Company's contributions, with some plans also funded by participants' contributions. The Company also provides eligible employees and retirees with health care, life insurance and other benefits.

The Company's defined contribution plan and defined benefit plan expense as at measurement dates was as follows:

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans	$ 30.0	$ 0.6	$ 25.1	$ 0.5
Defined benefit plans				
Current service costs	21.0	1.5	23.9	1.0
Actuarial loss (gain)	25.8	0.8	(62.7)	(2.0)
Plan amendments	0.1	—	0.3	(0.1)
Interest cost	33.6	2.2	30.6	2.0
Actual return on plan assets	(40.1)	—	52.0	—
Decrease in valuation allowance	(0.1)	—	—	—
	40.3	4.5	44.1	0.9
Difference between pension cost and cost recognized for the year regarding the undernoted items:				
Actuarial (gain) loss	(25.3)	(1.1)	63.2	2.0
Plan amendments	0.8	(0.3)	0.4	(0.1)
Difference between expected return and actual return on plan assets	1.3	—	(94.6)	—
	17.1	3.1	13.1	2.8
	$ 47.1	$ 3.7	$ 38.2	$ 3.3

The information on defined benefit plans was summarized as follows:

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligations				
Balance — beginning of year	$ 513.5	$ 35.5	$ 542.7	$ 38.9
Current service costs	20.4	1.5	23.4	1.0
Interest cost	33.6	2.2	30.6	2.0
Participant contributions	3.7	—	3.3	—
Plan amendments	0.1	—	0.3	(0.1)
Benefits paid	(25.5)	(3.5)	(24.1)	(3.6)
Other adjustments	—	—	—	(0.7)
Actuarial loss (gain)	25.8	0.8	(62.7)	(2.0)
Balance — end of year	571.6	36.5	513.5	35.5
Plan assets				
Fair value — beginning of year	526.2	—	575.6	—
Actual return on plan assets	40.1	—	(52.0)	—
Employer contributions	43.3	3.5	23.9	3.6
Participant contributions	3.7	—	3.3	—
Benefits paid	(25.5)	(3.5)	(24.1)	(3.6)
Plan's administration fees	(0.6)	—	(0.5)	—
Fair value — end of year	587.2	—	526.2	—
Funded status (deficit)	15.6	(36.5)	12.7	(35.5)
Unamortized past service costs	7.9	(0.6)	8.7	(0.9)
Unamortized net actuarial loss	29.8	1.4	5.8	0.3
Valuation allowance	(1.0)	—	(1.1)	—
Accrued benefit asset (liability)	52.3	(35.7)	26.1	(36.1)
Accrued benefit asset	65.6	—	40.7	—
Accrued benefit liability	$ (13.3)	$ (35.7)	$ (14.6)	$ (36.1)

The pension plans were allocated as follows:

	2009		2008	
	Accrued benefit obligations	Fair value of assets	Accrued benefit obligations	Fair value of assets
Plans with accrued benefit obligations exceeding fair value of assets	357.8	292.3	354.6	300.6
Plans with fair value of assets exceeding accrued benefit obligations	250.3	294.9	194.4	225.6

The defined benefit plans other than pension plans were not funded.

19 EMPLOYEE FUTURE BENEFITS (CONT'D)

Total cash payments for employee future benefits, consisting of cash contributed by the Company to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans amounted to $46.8 in 2009 (2008 – $27.5).

The most recent actuarial valuations for funding purposes in respect of the Company's pension plans were prepared on various dates from January 2007 to June 2009. The next valuations will be conducted on dates ranging from December 2009 to June 2012.

Plan assets are held in trust and their weighted average distributions as at the measurement dates, September 26, 2009, and September 27, 2008, were as follows:

Assets classes *(Percentage)*	2009	2008
Shares	56	48
Bonds	40	48
Others	4	4

The principal actuarial assumptions used by the Company were as follows:

	2009		2008	
(Percentage)	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligations				
Discount rate	6.0	6.0	6.4	6.4
Rate of compensation increase	3.5	3.5	3.75	3.75
Cost of benefits				
Discount rate	6.4	6.4	5.5	5.5
Projected long-term return on plan assets	7.5	—	7.5	—
Rate of compensation increase	3.75	3.75	3.75	3.75

For valuation purposes, the assumed health care cost trend rates per participant was set at 9.3% in 2009 (2008 – 9.0%). Under the assumption used, this rate should gradually decline to 5.0% in 2018 and remain at that level thereafter. A 1% increase or decrease in the assumed health care cost trend rates would have the following effects:

(Millions of dollars)	1% increase	1% decrease
Effect on current service cost and interest cost	0.2	(0.2)
Effect on accrued benefit obligations	1.8	(1.6)

20 COMMITMENTS

OBLIGATIONS UNDER LEASES AND SERVICE AGREEMENTS The Company has operating lease commitments, with varying terms through 2033, to lease premises and equipment used for business purposes. The balance of minimum lease payments amounted to $1,299.5 as at September 26, 2009 ($1,278.8 as at September 27, 2008). The minimum lease payments over the upcoming fiscal years will be as follows: 2010 — $155.1; 2011 — $150.8; 2012 — $140.0; 2013 — $122.2; 2014 — $104.6; and 2015 and thereafter — $626.8.

In addition, the Company has committed to leases for premises with varying terms through 2031, that it sublets to clients, generally under the same terms and conditions. The balance of minimum lease payments under these leases amounted to $446.8 as at September 26, 2009 ($408.5 as at September 27, 2008) and the average annual payments for the next five years will be $36.6.

The Company also has commitments under service contracts staggered over various periods through 2020. These commitments amounted to $610.2 as at September 26, 2009 ($140.4 as at September 27, 2008). The commitments mature as follows over the upcoming fiscal years: 2010 - $71.0; 2011 - $70.4; 2012 - $55.7; 2013 - $53.7; 2014 - $54.8; and 2015 and thereafter - $304.6.

21 CONTINGENCIES

GUARANTEES For certain customers with established business relationships, the Company is contingently liable as guarantor in connection with lease agreements with varying terms through 2019 for which the average annual minimum lease payments for the next five years will be $0.5 (2008 – $0.6). The maximum contingent liability under these guarantees as at September 26, 2009 was $4.1 ($5.0 as at September 27, 2008). In addition, the Company has guaranteed loans granted to certain customers by financial institutions, with varying terms through 2021. The balance of these loans amounted to $12.3 as at September 26, 2009 ($10.6 as at September 27, 2008). No liability has been recorded in respect of these guarantees for the years ended September 26, 2009 and September 27, 2008.

CLAIMS In the normal course of business, various proceedings and claims are instituted against the Company. The Company contests the validity of these claims and proceedings, and management believes that any forthcoming settlement in respect of these claims will not have a material effect on the Company's financial position or on consolidated earnings.

22 RELATED PARTY TRANSACTIONS

During fiscal 2008, the Company purchased for the exchange amount a supermarket in which a member of the Board of Directors, Maryse Labonté, held an interest. After this transaction, Maryse Labonté resigned on June 2, 2008 as a member of the Board.

During fiscal 2009, sales to companies controlled by a member of the Board of Directors, specifically Serge Ferland (and Maryse Labonté until her departure), totalled $27.3 (2008 – $26.4). These transactions were conducted in the normal course of business and were measured at the exchange amount. As at September 26, 2009, accounts receivable included a balance of $0.9 ($0.9 as at September 27, 2008) resulting from these transactions.

23 PRODUCTS SUBJECT TO PRICE REGULATION

The Company sells certain products subject to price regulation:

DRUGS In Québec, the Minister of Health and Social Services establishes, by regulation, the list of drugs whose cost is covered by the basic prescription drug insurance plan and regulates the selling price of such drugs. The list of drugs is established pursuant to the *Act respecting prescription drug insurance*. A profit margin, under the government-determined ceiling, may be added to the set price pursuant to the *Regulation respecting the conditions on which manufacturers and wholesalers of medications shall be recognized.*

In Ontario, the Ministry of Health and Long-Term Care establishes, by regulation, the list of drugs whose cost is covered by the *Ontario Drug Benefit Act* and regulates the selling price of such drugs.

MILK Milk prices are regulated by the *Act respecting the marketing of agricultural, food and fish products* and the *Règlement sur les prix du lait aux consommateurs*. The Régie des marchés agricoles et alimentaires du Québec sets milk prices by determining the minimum and maximum prices based on the three regions comprising the Province of Québec.

BEER Beer prices are regulated by the *Act respecting liquor permits* and the *Regulation respecting promotion, advertising and educational programs relating to alcoholic beverages*. The Régie des alcools, des courses et des jeux du Québec sets beer prices based on the percentage of alcohol content.

WINE Wine prices are regulated by the *Act respecting the Société des alcools du Québec* and the *Regulation respecting the terms of sale of alcoholic beverages by holders of a grocery permit.* The retail price of permitted alcoholic beverages may not be less than the retail price set by the Société des alcools du Québec.

The product price lists mentioned above are periodically updated. Sales of products subject to price regulation totalled $1,014.6 in 2009 (2008 – $974.4). Sales recognition is the same whether the price is regulated or not.

24 MANAGEMENT OF CAPITAL

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

- Striving for a percentage of long-term debt to total combined long-term debt and shareholders' equity (long-term debt/total capital ratio) of less than 50%.
- Maintaining an investment grade credit rating for its term notes.
- Paying total annual dividends representing approximately 20% of net earnings for the previous fiscal year before extraordinary items.

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

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

The Company's fiscal 2009 annual results regarding its capital management objectives were as follows:

- a long-term debt/total capital ratio of 30.7% (32.7% as at September 27, 2008);
- a BBB credit rating confirmed by S&P and DBRS during 2009 fiscal year (same rating during fiscal 2008);
- a dividend representing 20.3% of net earnings for the previous fiscal year (2008 – 19.9%).

The capital management objectives remain the same as for the previous fiscal year.

25 FINANCIAL INSTRUMENTS

FAIR VALUE The fair value of cash and cash equivalents, accounts receivable, bank loans and accounts payable approximates their carrying value because of the short-term maturity of these instruments.

The fair value of loans to certain customers, the credit facility and loans payable is equivalent to their carrying value since their interest rates are comparable to market rates.

The fair value of interest rate swaps is measured using a generally accepted valuation technique, that is, the discounted value of the difference between the value of the swap based on variable interest rates (estimated using the yield curve for anticipated interest rates) and the value of the swap based on the swap's fixed interest rate. The Company's credit risk is also taken into consideration in determining fair value.

The fair value of foreign exchange forward contracts is measured using a generally accepted valuation technique, that is, the discounted value of the difference between the contract's value at maturity based on the foreign exchange rate set out in the contract and the contract's value at maturity based on the foreign exchange rate that the financial institution would use if it were to renegotiate the same contract at today's date under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value.

The fair value of notes represents the obligations that the Company would have to meet in the event of the negotiation of similar notes under current market conditions.

The fair value of the obligations under capital leases represents the obligations that the Company would have to face in the event of the negotiation of similar leases under current market conditions.

The financial instruments' book and fair values were as follows:

	As at September 26, 2009		As at September 27, 2008	
	Book value	Fair value	Book value	Fair value
Investments and other assets				
Loans and receivables				
Loans to certain customers	24.0	24.0	17.4	17.4
Derivatives designated as cash flow hedges				
Interest rate swaps	(2.9)	(2.9)	(1.5)	(1.5)
Long-term debt				
Other financial liabilities				
Credit A Facility	$ 369.3	$ 369.3	$ 369.3	$ 369.3
Series A Notes	200.0	210.0	200.0	176.6
Series B Notes	400.0	367.0	400.0	291.5
Loans	15.7	15.7	13.2	13.2
Obligations under capital leases	31.7	39.5	36.8	42.2
	$ 1,016.7	$ 1,001.5	$ 1,019.3	$ 892.8

The foreign exchange forward contracts, classified as "Assets held for trading", are not shown in the above table, as they are insignificant in value.

25 FINANCIAL INSTRUMENTS (CONT'D)

FAIR VALUE HIERARCHY Fair value measurements recognized in the balance sheet must be categorized in accordance with the following levels:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) 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);

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the interest rate swaps and foreign exchange forward contracts, the Company categorized the fair value measurements in Level 2, as they are primarily derived from observable market inputs, that is, interest rates and foreign exchange rates.

INTEREST RATE RISK In the normal course of business, the Company is exposed primarily to interest rate fluctuation risks as a result of loans and receivables that it grants, as well as loans payable that it contracts at variable interest rates.

In accordance with its risk management policy, the Company uses derivative financial instruments, consisting of interest rate swaps, to lock in a portion of its borrowing cost and reduce its interest rate risk, swapping its Credit A Facility variable interest rate payments for fixed interest rate payments. The Company has decided to designate its interest rate swaps as a cash flow hedge. Policy guidelines prohibit the Company from entering into derivative financial instruments for speculative purposes.

At the end of every quarter, the Company provides the Audit Committee with a detailed report on all of its derivative financial instruments along with their respective fair value. The report as at September 26, 2009 presented the following information:

	Fixed rate *(Percentage)*	Average exchange rate *(Percentage)*	Notional amount	Maturity	Fair value 2009	Fair value 2008
Interest rate swap	3.9820	1.8612	50.0	December 16, 2009	(0.5)	(0.5)
Interest rate swap	4.0425	1.8612	50.0	December 16, 2010	(2.4)	(0.9)

A fluctuation in interest rates would have an impact on the Company's net earnings and other comprehensive income items. A 0.5% interest rate change would have the following effects:

	2009		2008	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net earnings	(0.5)	0.5	(0.8)	0.8
Impact on other comprehensive income	0.3	(0.3)	0.6	(0.6)

CREDIT RISK

LOANS AND RECEIVABLES/GUARANTEES

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

To mitigate such risk, the Company performs ongoing credit evaluations of its customers and has adopted a credit policy that defines the credit conditions to be met and the required guarantees. As at September 26, 2009 and September 27, 2008, no customer accounted for over 10% of total loans and receivables.

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

In recent years, the Company has not suffered any material losses related to credit risk.

As at September 26, 2009 and September 27, 2008, without taking into account the guarantees held, the maximum credit risk exposure for loans and receivables was equal to their carrying amount. As at September 26, 2009, the maximum potential liability under guarantees provided amounted to $12.3 ($10.6 as at September 27, 2008) and no liability had been recognized as at that date.

DERIVATIVES DESIGNATED AS CASH FLOW HEDGES / ASSETS HELD FOR TRADING

With regard to its derivative financial instruments designated as cash flow hedges, consisting of the interest rate swaps, as well as its assets held for trading, consisting of foreign exchange forward contracts, the Company is subject to credit risk when these swaps result in receivables from financial institutions. In accordance with its risk management policy, the Company entered into these agreements with major Canadian financial institutions to reduce its credit risk.

As at September 26, 2009 and September 27, 2008, the Company was not exposed to credit risk in respect of its interest rate swaps, as they resulted in amounts payable. As at September 26, 2009, the maximum exposure to credit risk for the foreign exchange forward contracts was equal to their carrying amount.

LIQUIDITY RISK The Company is exposed to liquidity risk primarily as a result of its long-term debt and trade accounts payable.

The Company 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 Credit A Facility, and Series A and Series B Notes do not mature until 2012, 2015 and 2035, respectively. In addition, the Company has access to a $400.0 unused authorized revolving line of credit.

	Undiscounted cash flows (capital and interest)				
	Accounts payable	Loans	Notes	Capital lease commitments	Total
Maturing under 1 year	$ 1,111.2	$ 14.7	$ 33.8	$ 6.4	$ 1,166.1
Maturing in 1 to 10 years	—	396.2	464.7	44.1	905.0
Maturing in 11 to 20 years	—	1.5	238.8	—	240.3
Maturing over 20 years	—	10.0	543.3	—	553.3
	$ 1,111.2	$ 422.4	$ 1,280.6	$ 50.5	$ 2,864.7

25 FINANCIAL INSTRUMENTS (CONT'D)

FOREIGN EXCHANGE RISK Given that some of its purchases are denominated in U.S. dollars, the Company is exposed to foreign exchange risk.

In accordance with its risk management policy, the Company uses derivative financial instruments, consisting of foreign exchange forward contracts, to hedge against the effect of foreign exchange rate fluctuations on its future U.S. dollar denominated purchases.

As at September 26, 2009, the fair value of foreign exchange forward contracts was insignificant.

26 SUBSEQUENT EVENTS

Following the closing of its financial statements for the fiscal year ended September 26, 2009, the Company acquired 18 affiliate stores which it was already supplying. The acquisition of these stores will enable the Company to consolidate its presence in Québec.

The Company has entered into an agreement with Dunnhumby, an international consulting and marketing service organization, to create an exclusive joint venture who's mission is to better satisfy our customers' needs, therefore improving their loyalty, through the development and implementation of customer-centric strategies.

27 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

financial summary

	2009 *52 weeks*	2008 *52 weeks*	2007 *52 weeks*	2006 *53 weeks*	2005 *52 weeks*
Summary of results *(Millions of dollars)*					
Sales	11,196.0	10,725.2	10,644.6	10,944.0	6,646.5
EBITDA[(1)(2)]	741.6	638.9	626.3	610.4	365.5
Adjusted EBITDA[(1)(2)(4)]	752.6	638.9	656.8	627.9	365.5
Depreciation and amortization	189.1	176.3	165.7	177.9	87.2
Operating income	552.5	462.6	460.6	432.5	278.3
Adjusted operating income[(2)]	563.5	462.6	491.1	450.0	278.3
Financial costs	48.0	58.4	61.6	68.7	7.4
Income taxes	150.1	113.9	125.4	107.0	81.1
Adjusted income taxes[(2)]	156.5	125.3	137.5	119.9	81.1
Net earnings	354.4	292.2	277.2	252.9	190.8
Adjusted net earnings[(2)(3)]	359.0	280.8	295.6	257.5	190.8
Financial structure *(Millions of dollars)*					
Working capital	130.8	40.2	15.6	(6.6)	(56.8)
Current assets	1,283.2	1,167.0	1,091.4	1,087.3	987.0
Current liabilities	1,152.4	1,126.8	1,075.8	1,093.9	1,043.8
Fixed assets	1,305.8	1,231.9	1,202.8	1,129.9	1,106.4
Intangible assets	325.4	328.6	332.0	319.6	186.3
Goodwill	1,478.6	1,478.6	1,478.6	1,478.6	1,532.2
Total assets	4,666.2	4,425.6	4,292.7	4,166.3	3,933.4
Long-term debt	1,004.3	1,005.0	1,028.8	1,104.5	1,196.5
Shareholders' equity	2,264.1	2,068.3	1,940.0	1,730.9	1,520.5
Financial ratios					
EBITDA[(1)(2)]/sales *(%)*	6.6	6.0	5.9	5.6	5.5
Operating income/sales *(%)*	4.9	4.3	4.3	4.0	4.2
Net earnings/sales *(%)*	3.2	2.7	2.6	2.3	2.9
Cash flows from operating activities/sales *(%)*	4.6	4.2	3.4	3.6	4.2
Return on shareholders' equity *(%)*	16.4	14.6	15.1	15.6	16.0
Long-term debt/total capital *(%)*	30.7	32.7	34.7	39.0	44.0
Working capital *(xx:1)*	1.11	1.04	1.01	0.99	0.95
Financial costs coverage *(Times)*	15.5	10.9	10.2	8.9	49.4
Share *(Dollars)*					
Net earnings	3.21	2.60	2.41	2.21	1.94
Fully diluted net earnings	3.19	2.58	2.38	2.18	1.92
Adjusted fully diluted net earnings[(2)(3)]	3.23	2.48	2.54	2.22	1.92
Dividend	0.5375	0.49	0.45	0.415	0.385
Book value	20.85	18.64	16.88	15.02	13.23
Market price					
High	40.00	35.85	41.78	36.00	35.50
Low	27.38	21.00	33.23	28.47	18.50
Number of shares outstanding at year-end *(Millions)*	110.4	110.6	114.5	114.7	114.4
Weighted average number of shares outstanding *(Millions)*	111.1	112.6	115.0	114.6	98.1
Trading volume *(Millions)*	114.9	83.7	56.1	41.7	39.5

(1) Earnings before financial costs, taxes, depreciation and amortization.
(2) See section on "Non-GAAP measurements" on page 29
(3) For more information, see the "Net earnings adjustements" table on page 18
(4) For more information, see the "EBITDA adjustments" table on page 17

directors and officers

BOARD OF DIRECTORS

Pierre Brunet[1][3]
Montréal, Québec
Lead Director

Marc DeSerres[2][4]
Montréal, Québec

Claude Dussault[2][4]
Toronto, Ontario

Serge Ferland[1]
Québec City, Québec

Paule Gauthier[2][3]
Québec City, Québec

Paul Gobeil[1]
Ottawa, Ontario
Vice-Chairman of the Board

Christian W.E. Haub[1][4]
Greenwich, Connecticut

Michel Labonté[2]
Montréal, Québec

Eric R. La Flèche[1]
Town of Mount-Royal, Québec
President and Chief Executive Officer

Pierre H. Lessard[1]
Westmount, Québec
Executive Chairman of the Board

Marie-José Nadeau[2][4]
Montréal, Québec

Réal Raymond[3]
Montréal, Québec

Michael T. Rosicki[4]
Orillia, Ontario

Bernard A. Roy[1][3]
Montréal, Québec

MANAGEMENT OF METRO INC.

Eric R. La Flèche
President and Chief Executive Officer

Robert Sawyer
Executive Vice-President and
Chief Operating Officer

Christian Bourbonnière
Senior Vice-President
Québec Division

Johanne Choinière
Senior Vice-President
Ontario Division

Richard Dufresne
Senior Vice-President
Chief Financial Officer and Treasurer

Martin Allaire
Vice-President
Real Estate & Engineering

Jacques Couture
Vice-President
Information Systems

Paul Dénommée
Vice-President
Corporate Controller

Marc Giroux
Vice-President
Marketing

Alain Picard
Vice-President
Human Resources

Simon Rivet
Vice-President
General Counsel and Secretary

QUÉBEC DIVISION

Christian Bourbonnière
Senior Vice-President

Serge Boulanger
Vice-President and General Manager
McMahon Distributeur pharmaceutique inc.

Ginette Richard
Vice-President
Food Services

ONTARIO DIVISION

Johanne Choinière
Senior Vice-President

Richard Beaubien
Senior Vice-President
Store Operations

Joe Fusco
Senior Vice-President
Conventional Merchandising
and Pharmacy Operations

[1] Member of the Executive Committee
[2] Member of the Audit Committee
[3] Member of the Human Resources Committee
[4] Member of the Corporate Governance and Nomination Committee

shareholder information

Transfer agent and registrar
Computershare
Investor Services

Stock listing
Toronto Stock Exchange
Ticker Symbol: MRU.A

Auditors
Ernst & Young LLP
Chartered Accountants

Head office address
11011 Maurice-Duplessis Blvd.
Montréal, Québec H1C 1V6

The Annual Information Form
may be obtained from the
Investor Relations Department:
Tel.: (514) 643-1055
E-mail: finance@metro.ca

*Vous pouvez vous procurer
la version française de ce rapport
auprès du service des relations
avec les investisseurs.*

METRO INC.'s corporate
information and press releases
are available on the Internet
at the following address:
www.metro.ca

Annual meeting
The Annual General Meeting
of Shareholders will be held
on January 26, 2010 at 11:00 a.m.
at:
Centre Mont-Royal
2200 Mansfield Street
Montréal, Québec H3A 3R8

dividends* 2010 fiscal year

Declaration Date
- January 25, 2010
- April 21, 2010
- August 4, 2010
- September 21, 2010

Record Date
- February 12, 2010
- May 18, 2010
- August 19, 2010
- October 26, 2010

Payment Date
- March 8, 2010
- June 8, 2010
- September 3, 2010
- November 16, 2010

* *Subject to approval by the Board of Directors*

Cabana Séguin inc.

metro.ca