metro

We go further

FOR YOU!

2014 Annual Report

Company Profile

With annual sales of over $11 billion and over 65,000 employees, METRO is a leader in the food and pharmaceutical distribution in Québec and Ontario, where it operates a network of 588 food stores under several banners including Metro, Metro Plus, Super C, Food Basics, Adonis and Première Moisson, as well as 268 drugstores under the Brunet, Pharmacy and Drug Basics banners.

2014 Highlights

- Sales of $11,590.4 million, up 1.7%
- Adjusted net earnings from continuing operations[(2)(3)] of $460.9 million, flat versus 2013
- Adjusted fully diluted net earnings per share from continuing operations[(2)(3)] of $5.13, up 8.5%
- Return on equity of 16.6%, exceeding 14% for the 21st consecutive year
- Dividends per share increase of 19.2%, the 20th consecutive year of dividend growth
- Closing share price of $73.87, up 14.1%

Retail Network

	QUÉBEC	ONTARIO	TOTAL
SUPERMARKETS	207 METRO METRO PLUS	141 METRO	348
DISCOUNT STORES	86 SUPER C	122 FOOD BASICS	208
PARTNERS			
ADONIS	6	2	8
PREMIÈRE MOISSON	23	1	24
TOTAL	**322**	**266**	**588**
DRUGSTORES	194 BRUNET BRUNET PLUS BRUNET TARGET BRUNET CLINIQUE CLINI PLUS	74 PHARMACY DRUG BASICS	268

SUPERMARKETS

DISCOUNT STORES

PARTNERS

DRUGSTORES

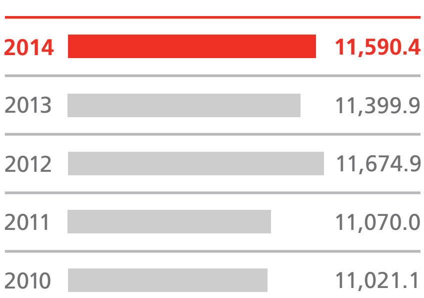
Forward-Looking Information: For any information on statements in this Annual Report that are of a forward-looking nature, please consult the section on "Forward-Looking Information" on page 31 in the Management's Discussion and Analysis (MD&A).

Financial Highlights

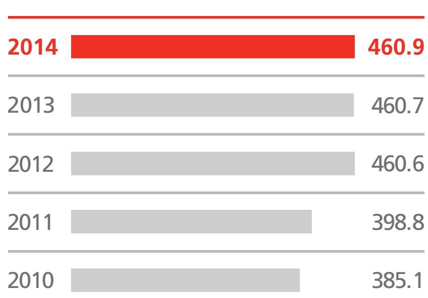
	2014 IFRS 52 WEEKS	2013 IFRS 52 WEEKS	2012 IFRS 53 WEEKS	2011 IFRS 52 WEEKS	2010 GAAP 52 WEEKS
OPERATING RESULTS (MILLIONS OF DOLLARS)					
Sales	**11,590.4**	11,399.9	11,674.9	11,070.0	11,021.1
OI[1][2]	**781.5**	765.3	813.9	716.7	747.5
Net earnings	**456.2**	703.9	478.4	382.9	391.8
Adjusted net earnings from continuing operations[2][3]	**460.9**	460.7	460.6	398.8	385.1
Cash flows from operating activities	**432.3**	566.0	546.1	542.4	547.8
FINANCIAL STRUCTURE (MILLIONS OF DOLLARS)					
Total assets	**5,279.5**	5,064.2	5,154.9	4,817.4	4,796.9
Non-current debt	**1,044.7**	650.0	973.9	656.2	1,004.3
Equity	**2,684.1**	2,799.8	2,532.7	2,399.3	2,442.8
PER SHARE (DOLLARS)					
Basic net earnings	**5.11**	7.33	4.76	3.72	3.67
Fully diluted net earnings	**5.07**	7.28	4.73	3.70	3.65
Adjusted fully diluted net earnings from continuing operations[2][3]	**5.13**	4.73	4.55	3.85	3.59
Book value	**31.77**	30.64	26.06	23.74	23.25
Dividends	**1.1500**	0.9650	0.8375	0.7475	0.6475
FINANCIAL RATIOS (%)					
OI[1][2]/Sales	**6.7**	6.7	7.0	6.5	6.8
Return on equity	**16.6**	26.4	19.4	16.2	16.6
Non-current debt/total capital	**28.0**	18.8	27.8	29.9	29.1
SHARE PRICE (DOLLARS)					
High	**74.80**	75.81	59.68	49.55	47.01
Low	**60.00**	56.52	43.76	42.11	33.02
Closing price (AT YEAR-END)	**73.87**	64.74	58.40	44.69	45.15

[1] Operating income before depreciation and amortization and associate's earnings
[2] See section on ''IFRS and non-IFRS measurements" on page 31 in the MD&A.
[3] See table on "Net earnings from continuing operations adjustments" on page 19 in the MD&A.

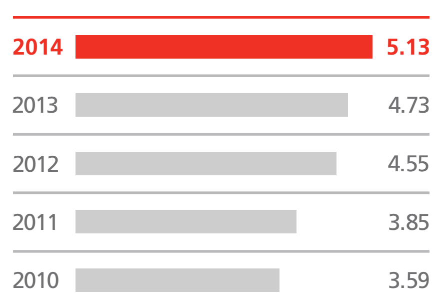
SALES
(MILLIONS OF DOLLARS)



ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS[2][3]
(MILLIONS OF DOLLARS)



ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS[2][3]
(DOLLARS)



Message from the Chair of the Board

The food distribution industry continues to be very competitive. The management team was however able to adapt to the challenges by reviewing its merchandising programs and by focusing its actions on customer satisfaction and tight cost control.

These efforts translated into good results, as adjusted net earnings[1] reached a record level and the share price increased significantly. I would like to take this opportunity to congratulate all members of the METRO team under the leadership of Eric R. La Flèche for their sustained efforts and their commitment.

BOARD OF DIRECTORS

Three directors are leaving the Board this year. John H. Tory, director since 2011, resigned from the Board following his election as Mayor of Toronto, while both Paul Gobeil and I have reached the Board's mandatory retirement age. I would like to thank John for his contribution and wish him great success in his new public responsibilities. I would particularly like to acknowledge Paul Gobeil's contribution to the success of METRO, which he joined at the same time as I did, in 1990, as Vice-Chair of the Board.

Subject to being re-elected at the Shareholders Meeting in January of 2015, Réal Raymond will become the next Chair of the Board of METRO. Mr. Raymond has been a METRO Director since 2008 and Lead Director since 2010. He spent his whole career at National Bank and was President and Chief Executive Officer from 2002 to 2007. We are proposing two new Directors, Maryse Bertrand and Stephanie Coyles. Between now and 2016, two more members will reach the age limit and the Board is preparing an orderly transition.

RETROSPECTIVE

After the next Annual Meeting, I will be leaving METRO as Chair of the Board, a position that I have held since 2008, after 24 years filled with challenges, growth and changes. It has been an extraordinary journey, which began on October 1, 1990, when I joined METRO as President and CEO and Paul Gobeil as Vice-Chair of the Board.

The Company was going through difficult times. In fact, for the second straight year, METRO recorded losses of $9 million, despite sales of $2.2 billion. The share traded at $0.74. We carried out a major restructuring and it was what METRO needed to get back to profitability. One year later, for fiscal year 1991, profits reached $9.4 million, an $18.4 million turnaround.

That turnaround enabled us, in 1992, to acquire half of the Steinberg supermarkets in Québec, the largest grocery store chain for several decades, which was in financial trouble at the time. We invested $100 million to buy 48 supermarkets mainly located on the Island of Montréal, where METRO was not very present, representing a volume of $600 million. It was a crucial transaction that transformed METRO into a retailer in addition to a distributor.

In 1998, the industry experienced a major consolidation. Sobeys purchased Oshawa Group (IGA). Loblaws acquired Provigo and had to divest several Loeb stores, mainly located in the Ottawa region, as a result of too much concentration. That was METRO's opportunity to make its entry into the Ontario market in 1999 by acquiring 40 Loeb supermarkets for $150 million and with sales of $500 million.

Pierre H. Lessard, architect and builder of METRO

1990

Pierre H. Lessard and Paul Gobeil join METRO respectively as President and Chief Executive Officer and Vice-Chair of the Board

1992

STEINBERG
48 Steinberg supermarkets

[1] See section on "IFRS and non-IFRS measurements" on page 31 in the MD&A.

In 2005, METRO truly consolidated its position in Ontario by acquiring A&P Canada for $1.7 billion. At the time, A&P Canada operated 234 stores in Ontario with $4.6 billion in annual sales. It was a crucial time in our history. With that acquisition, we became the second largest player in Ontario. We took advantage of a unique opportunity to go from a solid regional base to a much broader platform, with greater geographic diversification. METRO then continued its growth and consolidated its position, particularly in Ontario, where its five conventional supermarket banners were brought together under the Metro banner.

In 2008, the time had come to make way for a young senior executive who had earned his stripes in several positions within METRO. Eric R. La Flèche was appointed President and Chief Executive Officer and I became Executive Chair of the Board.

The Company continued to grow and made several acquisitions: GP food stores in fiscal 2010 to consolidate our presence in eastern Québec; Marché Adonis in fiscal 2012 to better meet the needs of cultural communities and increase our ethnic product offering; Boulangerie Première Moisson last summer, the reference in bakery in Québec. METRO is always on the lookout for good opportunities. Our acquisitions have always been guided by disciplined financial management, in the best long-term interest of METRO and its shareholders.

METRO has experienced constant growth since 1990, which as you know represents an exceptional performance in such a competitive market. Over the past 24 years:

— Sales have gone from $2.2 billion to $11.6 billion.
— Retail square footage has gone from 5.1 million to 20.1 million square feet.
— From a loss of $9 million, net earnings reached $456.2 million.
— Market capitalization went from $55 million to $7.5 billion.
— Net earnings per share went from a $0.16 loss to a profit of $5.13 per share.
— And the share price of $0.74 reached $90.80 as at December 1, 2014.

As a result, METRO is now one of the largest companies in Canada.

It has been a wonderful experience, which also included tough and even critical periods along the way. But my vision always remained the same, namely to make decisions based not only to foster METRO's short-term growth, but especially its long-term growth, for the benefit of all stakeholders.

I am of course very proud of METRO's growth. A company's success over a long period of time stems from two key factors: a solid balance sheet to ensure its sustainability and first and foremost competent, engaged and passionate individuals who make up a winning team. I therefore have no concerns about the Company's future.

In closing, I would like to thank METRO's shareholders for their support, my fellow Board colleagues for their contribution and more particularly Paul Gobeil, my partner for all these years, and all the members of METRO team. It has been a great pleasure and a privilege to be part with you of METRO's growth.

Pierre H. Lessard, *FCPA, FCA*
CHAIR OF THE BOARD

1999

LOEB
Entry into the Ontario market with the acquisition of 40 Loeb supermarkets

2005

A&P CANADA
Consolidating our position in Ontario by acquiring A&P Canada

2010

GP FOOD STORES

2012

MARCHÉ ADONIS

2014

PREMIÈRE MOISSON

Message from the President and CEO

On behalf of the METRO team, I would first like to extend my sincere gratitude to Pierre H. Lessard and Paul Gobeil for their loyal services over the past 24 years, a period during which METRO achieved a level of success that very few people would have thought possible when they joined the Company.

Pierre H. Lessard has been the architect and builder of the company that METRO is today, combining vision, teamwork, financial discipline and hard work to transform METRO from a wholesaler in trouble into a major Canadian distributor and retailer with a market capitalization of $7.5 billion. His legacy goes well beyond the enormous value creation for shareholders. He established and nurtured a strong culture focused on results. He leaves behind a company in excellent financial shape, based in Québec, led by a solid management team and whose governance is efficient and independent. On a more personal note, he has been an inspiring leader and generous mentor to whom I will always be grateful.

We knew that 2014 would be a year filled with challenges. The effects of the significant competitive square footage additions registered in 2012 and 2013 continued to be felt throughout the year while food inflation at the beginning of the year was at historically low levels. In that difficult environment our teams executed our business plans with discipline, our merchandising strategies were renewed and expenses well-managed, which allowed us to achieve satisfactory results.

Sales reached $11,590.4 million in 2014, compared to $11,399.9 million last year, up 1.7%. After experiencing a slowdown in the first two quarters, our sales improved in the second half of the year and achieved 3.9% growth in the fourth quarter. We invested prudently to reduce our retail prices and we were encouraged by the progress of our sales across all of our banners.

Net earnings were $456.2 million, compared to $703.9 million in 2013, down 35.2%. However, excluding non-recurring items from the 2013 and 2014 results, the main one being the $266.4 million after-tax gain on the sale of part of our investment in Alimentation Couche-Tard in 2013, adjusted net earnings from continuing operations[(1)(2)] for 2014 were $460.9 million, flat versus 2013. Adjusted fully diluted net earnings per share[(1)(2)] from continuing operations were $5.13 compared to $4.73 in 2013, up 8.5%. The higher growth of the earnings per share is the result of the acceleration of our share repurchase program following the sale of the Alimentation Couche-Tard shares in 2013, as we repurchased 7,092,900 common shares in 2014 at an average price of $64.81 for a total consideration of $459.7 million.

Return on equity was 16.6% in 2014 compared to 26.4% in 2013 (the 2013 return included the gain on Alimentation Couche-Tard), exceeding 14% for the 21st consecutive year.

Our dividend per share was $1.15 compared to $0.965 in 2013, up 19.2%. METRO's share price traded within a range of $60.00 to $74.80 during the 2014 fiscal year and the closing price on September 26, 2014 was $73.87 compared to $64.74 at the end of the 2013 fiscal year.

We continued our strategy of investing in our network. Along with our merchants, we opened six new stores and carried out major expansions and renovations in 25 others, resulting in a gross expansion of 570,000 square feet and a net increase of 134,000 square feet or 0.7% of our retail network.

The Québec division had another good year in 2014, despite increased competition. The Metro banner continues to innovate to provide a pleasant shopping experience and the Super C banner is well positioned in the discount segment.

In Ontario, the turnaround plan announced in 2013 is almost completed. We have improved our network with some store renovations and conversions of a few Metro stores into Food Basics discount stores, as well as the implementation of a new commercial program at Food Basics.

We recruited Carmen Fortino in September to lead the Ontario division. I am confident that his experience, deep knowledge of the market and solid track record will enable us to improve our position in this highly competitive market[(3)].

Our pharmaceutical division continued its growth thanks to its strategy of putting health and the pharmacists' expertise at the heart of the customer's experience. We opened 13 new Brunet Target affiliated pharmacies in Québec, which has increased our presence in the greater Montréal area.

On August 8, 2014, we acquired a 75% interest in Boulangerie Première Moisson, the famous Québec bakery that operates in the Montréal region. Late in the year, we also acquired two supermarkets in Ontario, which were immediately converted to our Food Basics banner.

Given our excellent financial situation, the Company's Board of Directors has approved a change to our dividend policy. We will now aim for an annual dividend payout of 20% to 30% of the net earnings of the previous fiscal year, the target being set at 25%, compared to a target of 20% previously.

OUTLOOK[(3)]

Competition will remain intense in 2015 and consumers will be more demanding than ever. Digital media and technology alter shopping habits. However, we expect slower growth of industry square footage as well as a return to more normal levels of food price inflation.

We will continue in 2015 to execute our strategy based on a differentiated customer experience in each of our store formats. It will be supported by investments in our network of stores of close to $300 million, increasing our operational efficiency and developing our talent.

In our Metro supermarkets, we will spare no effort over the coming years to improve product quality, assortment and presentation, as well as customer service. We created a new Vice President position, Customer Experience, Metro banner, in order to accelerate our efforts aimed at simplifying our customers' lives and exceeding their expectations, notably regarding healthy eating.

Boulangerie Première Moisson represents an interesting growth opportunity and strengthens the Metro banner Fresh positioning.

We will continue to leverage our loyalty programs and develop our digital ecosystem in 2015. The fall 2013 launch of our new website and mobile app enabled us to increase the frequency of communications with our customers and to offer new personalized tools to our loyal customers.

We intend to continue our investments in the Super C and Food Basics discount stores and plan to open a few new stores. New Adonis stores will also be added in the coming year to the current eight stores, two of which are located in Ontario.

Our pharmacy sector will continue its growth by expanding, renovating or opening new locations. The Brunet banner will continue to focus on its community pharmacy positioning and add new services.

Our success rests on the strength of our team. Developing talent is at the heart of our action. We will therefore continue to develop strong talent pools that reflect our customers' diversity and that will be ready to meet tomorrow's competitive challenges.

We remain on the lookout for any opportunity to grow our market share in the food and pharmacy sector. Our financial situation is very healthy and we will continue to rigorously manage our costs. Our acquisition decisions will continue to reflect disciplined financial management in the best long-term interest of the Company and its shareholders.

Finally, I would like to thank sincerely our 65,000 employees who strive to exceed our customers' expectations every single day. I also thank our directors for their unwavering support and of course our shareholders, for their trust and confidence.

Eric R. La Flèche
PRESIDENT AND CHIEF EXECUTIVE OFFICER

(1) See table on "Net earnings from continuing operations adjustments" on page 19 in the MD&A.
(2) See section on "IFRS and non-IFRS measurements" on page 31 in the MD&A.
(3) See section on "Forward-looking information" on page 31 in the MD&A.

Review of Operations

INNOVATION

We continued to improve our product line in our Metro supermarkets and to focus even more on the customer experience and innovation. Our teams constantly seek out innovative products as well as develop new in-store merchandising concepts.

The latest Metro stores in Québec and Ontario are part of a new generation of stores offering distinctive products and services. They include a beef-aging room, a fish smoker, a bistro, a greater variety of home ready meals prepared on-site, an olive bar and a nut bar with service, a larger assortment of fresh produce, and in Québec, several local products.

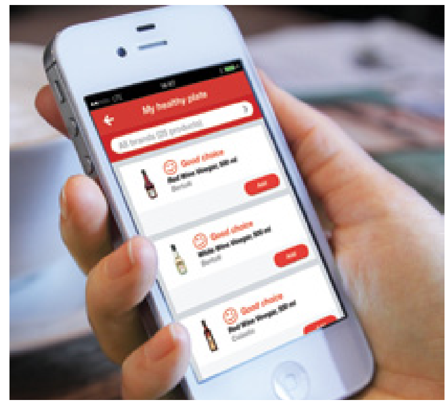
DISCOUNT

Super C continued to make good progress and opened its 86th store in Gaspé. We are very proud of this network of modern stores that presents a consistent image throughout the province of Québec. The Super C stores set themselves apart in the food industry as a result of their *Marché* and *Dépôt* concept. Great focus continues to be placed on the freshness of our produce and on our meat cut in-store.

At Food Basics, we began implementing our new commercial strategy in November of 2013. The program is based on three promises: *Always Fresh; Always in Stock; Always Great Prices* and results are very encouraging. We have invested in our produce department to improve the freshness of our products.

MY HEALTHY PLATE WITH METRO

For consumers concerned with making healthy food choices, this year we added smiles in over 60 product categories thanks to our *My Healthy Plate with Metro* program, bringing the total number of products identified with a smile to over 3,000. It took the team of independent nutritionists over 475 hours to analyze the lists of ingredients and the Nutrition Facts tables according to criteria specific to each one of the categories concerned. Close to 50% of our customers say that they refer to the Nutrition Facts table. We simplify their life by indicating to them, with just one look, the products that set themselves apart from a nutritional standpoint.



PRIVATE LABELS

We added 350 new products to our portfolio, including 91 *Irresistibles Life Smart* products. Our products won honours at the 2014 Store Brands Innovation Awards, winning no fewer than seven awards. At the 21st Canadian New Products Awards Grand Prix, METRO won three of the six awards handed out to private label products. Finally, for the second straight year, our products won awards in three categories at the PLMA (Private Label Manufacturers Association) Awards.

LOYALTY

Because the customer is at the heart of our strategy and guides all of our activities, our loyalty programs (*metro&moi* in Québec and Air Miles in Ontario) continue to evolve towards greater personalization in order to better engage our customers.

We are increasing our personalized offers to members to reward them more for choosing Metro to make their food purchases, notably with targeted offers by email and regular mail. Our bank of offers for these activities is constantly being enriched so that we can always offer more variety and products that correspond to the purchasing habits of our members. We developed a newsletter, *The Flash*, which is sent out to members every week, in both Québec and Ontario. That way we can remind them to get their personalized coupons at *metro.ca* every week, along with lots of other information promoting all of the advantages of our loyalty programs.

DIGITAL PLATFORMS

The digital ecosystem developed by METRO and launched in September of 2013 continues to enjoy great success. Only one month after the mobile app *My Metro* was launched, which allows users to manage their purchases before, during and after their trip to the grocery store, the number of downloads exceeded the goal that had been set for the first three months. It was also the most downloaded app in the App Store[1] Food and Beverage category in the weeks following its launch and today it is the app that receives the best user-satisfaction results.

We therefore continued developing our web and mobile platforms. Smiles identifying good and great health choices for each product category can now be found on the *metro.ca* site and on the mobile app when users create their grocery list. Also, the *My Metro* mobile app, now also available on Android™ [2], allows customers to read the bar codes of the products they will soon be running out of and automatically add them to their grocery list.

PHARMACY NETWORK

We also carried out a complete overhaul of our *brunet.ca* site, developed an app for a smart digital device and launched a new digital circular. Our goal is to communicate more easily with customers in order to make their life simpler. We will also implement the *Customer First* program, which is a commitment to customers to go even further in meeting their needs.

ADONIS

We opened a new Adonis store in Scarborough, Ontario. It is the 8th store in the chain and the second one in the province of Ontario. We are very pleased with this partnership and we intend to continue improving the ethnic product offering in our stores by leveraging the expertise of the Adonis team. Other openings are planned in the coming year.

[1] iPhone, App Store and Apple are trademarks of Apple Inc.
[2] Android is a trademark of Google Inc.

DISTRIBUTION

With respect to our distribution activities, last March we consolidated our Québec produce and dairy product distribution activities in our new Laval Distribution Centre and closed our Québec City produce Distribution Centre. That decision allows us to be more efficient while also improving the quality and freshness of our products.

ACQUISITIONS

We have always made our intentions clear with respect to increasing our market share in the food and pharmacy sector. To that end, we acquired an interest in Boulangerie Première Moisson, last August. The partnership contributes to our strategic priority of better differentiating our banners by responding to our customers' needs for the very best fresh products. It also represents a growth opportunity for Boulangerie Première Moisson activities by providing even more exposure for that brand in Québec and eventually in Ontario.

We also acquired two Ontario supermarkets that became Food Basics stores.

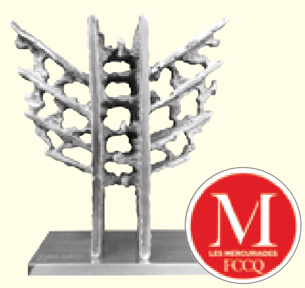
METRO presents the progress it has made with respect to Corporate Responsibility

Last April, METRO presented its most recent progress with respect to Corporate Responsibility in its 2014 Report, covering the 2013 fiscal year. It was the Company's second report, the Corporate Responsibility process having been launched in 2010.

METRO received an award at the *Gala des Mercuriades 2014*, the awards ceremony organized annually by *la Fédération des chambres de commerce du Québec*, in the Sustainable Development – Large Company category. That Mercure award recognized a company whose commitment and achievements with respect to Sustainable Development are remarkable and unique in its industrial sector.

METRO's Corporate Responsibility approach allows it to structure its programs and actions in order to link its commitment in that area to its business goals and its commercial strategy.

The report is only available online at *metro.ca/responsibility.*



Metro wins a Laureate in the Sustainable Development Large Company category at the *Gala des Mercuriades 2014*

MD&A and Consolidated Financial Statements

For the year ended September 27, 2014

metro

TABLE OF CONTENTS

The following Management's Discussion and Analysis sets out the financial position and consolidated results of METRO INC. for the fiscal year ended September 27, 2014, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 27, 2014. Certain comparative figures in this report have been restated as a consequence of amendments to the accounting policy related to employee benefits which the Corporation adopted in fiscal 2014 (see note 3 of the consolidated financial statements). This report is based upon information as at November 28, 2014 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for fiscal 2014, is available on the SEDAR website at www.sedar.com.

OVERVIEW

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

The Corporation, as a retailer or a distributor, operates under different banners in the traditional supermarket and discount segments. For those consumers wanting service, variety, freshness and quality, we operate 348 supermarkets under the Metro and Metro Plus banners. The Adonis banner, which currently has eight stores, is specialized in perishables and Mediterranean and Middle-Eastern products. The 208 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 Corporation or by structured entities and their financial statements are consolidated with those of the Corporation. Independent owners bound to the Corporation by leases or affiliation agreements operate a large number of Metro and Metro Plus stores. Supplying these stores contributes to our sales. The Corporation also acts as a distributor by providing medium-surface food stores and convenience stores with banners that reflect their environment and customer base. Their purchases are included in the Corporation's sales. The Corporation also operates Première Moisson, a company specializing in artisan breads and pastries, the production of premium charcuteries and ready-to-eat offerings, and gourmet specialities. Première Moisson sells its products to restaurant and distribution chains as well as directly to consumers in its 24 shops. The Corporation consolidates earnings from all Première Moisson operations, with the exception of earnings from certain franchised stores.

The Corporation also acts as franchisor and distributor for 194 franchised Brunet Plus, Brunet, Brunet Clinique, Brunet Target, and Clini Plus drugstores, owned by independent pharmacists. The Corporation also operates 74 drugstores under Pharmacy and Drug Basics banners and their sales are included in the Corporation's sales. Our sales also include the supply of non-franchised drugstores and various health centres.

GOAL, MISSION AND STRATEGIES

The Corporation's goal is to be the best performing food retailer in Canada.

Our mission is to exceed our customers' expectations day in and day out to earn their long-term loyalty.

The four pillars of our business strategy are customer focus, strong execution, best team and shareholder value.

We put the customer at the heart of every decision. In our supermarkets and our discount stores, pricing, promotions, friendly service, and quality products are our priorities.

Strong execution means operating the best stores, a results-driven corporate culture, engaging all employees and monitoring performance so as to react swiftly.

The best team consists of leaders who put the Corporation's interests first. Employee growth and leadership development opportunities and succession planning ensure its continued strength.

The creation of shareholder value includes sustained growth in net earnings per share and significant return on equity. Our investments and acquisitions are relevant and beneficial in the long term.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

KEY PERFORMANCE INDICATORS

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

- sales:
  - Same-store sales growth;
  - dollar value of the average basket (average customer transaction);
  - average weekly sales per square foot;
  - percentage of sales represented by customers who are loyalty program members;
  - market share;
  - customer satisfaction;
- gross margins percentage;
- sales per hour worked ratio by store to assess productivity;
- operating income before depreciation and amortization and associate's earnings(4) as a percentage of sales;
- net earnings as a percentage of sales;
- net earnings per share growth;
- return on equity;
- retail network investments:
  - dollar value and nature of store investments;
  - number of stores;
  - average store square footage;
  - network's total square footage.

KEY ACHIEVEMENTS IN FISCAL 2014

Our sales in 2014 rose 1.7% over those for 2013. In a market that remains intensely competitive, our merchandising strategies and investments as well as the reorganization of our Ontario store network enabled us to increase sales. In fiscal 2014, we invested with discipline in our retail prices thereby reducing our gross profit margins to improve sales. Nevertheless, we managed to maintain our adjusted net earnings from continuing operations(2)(4) at their 2013 level and grow our adjusted fully diluted net earnings per share from continuing operations(2)(4) by 8.5%. This performance is due to operating cost control and our share repurchase program. We realized several projects over the fiscal year, including the following major ones:

- We continued to improve our product line in our Metro supermarkets and to focus even more on the customer experience and innovation. Our teams constantly seek out innovative products as well as develop new in-store merchandising concepts. The latest Metro stores in Québec and Ontario are part of a new generation of stores offering distinctive products and services;

- In November 2013, we launched the roll-out of our new Food Basics commercial strategy, a program based on three promises: Always Fresh; Always in Stock; Always Great Prices;

- Along with our retailers, we opened six new stores and carried out major renovations and expansions of 25 stores, for a gross expansion of 570,300 square feet and a net increase of 133,900 square feet or 0.7% of our retail network;

- We opened a new Adonis store in Scarborough, Ontario, the eighth in the chain and the second in Ontario;

- Our pharmaceutical division continued to grow with the opening, notably, of 13 Brunet Target affiliated pharmacies. These cobranded stores are the result of an agreement between Target and McMahon Distributeur pharmaceutique inc. to operate pharmacies in Target's Québec stores;

- We acquired two supermarkets in Ontario that were converted to our Food Basics banner;

- In August, we made the acquisition of Première Moisson, a leading bakery in Québec. This acquisition represents a growth opportunity for Première Moisson products as the brand will be even more promoted in our Québec store network and eventually our Ontario network;

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

- In March, we optimized distribution operations by transferring our volume from the Québec city produce distribution centre to our new Laval distribution centre, consolidating produce and dairy distribution operations.

- We added 350 new products to our private labels, including 91 new *Life Smart* products. Our private labels were honoured at the Store Brands Innovation Awards 2014, winning no fewer than seven awards, at the 21st Canadian Grand Prix New Product Awards presented by the Retail Council of Canada in Toronto, where METRO walked away with three of the six private label category awards. Lastly, for the second year in a row, our products won the PLMA (Private Label Manufacturers Association) award in three categories in Chicago;

- We expanded the *My Healthy Plate with Metro* program, adding smile tags in over 60 product categories and bringing the total of smile-tagged products to over 3,000. The smiles enable customers to quickly identify good and great product choices for healthy eating;

- We continued to develop our Web and mobile platforms to make life easier for our customers. The metro.ca website and mobile application *My Metro* now display the smiles identifying good and great healthy choices by product category to help users when they draw up their shopping list. Also, users can use the *My Metro* mobile application to scan the bar codes of the pantry staples they're running low on and add them automatically to the shopping list;

- In view of our excellent financial position, the Board of Directors approved a change to our dividend policy. Our aim henceforth is an annual dividend that represents 20% to 30% of the preceding fiscal year's adjusted net earnings (4) with a target payout of 25% versus the previous target of 20%;

- We continued our normal course issuer bid program with over 7 million shares repurchased on the market over the fiscal year. Since 2011, we have returned nearly $1.3 billion to our shareholders through stock repurchases.

EVENT AFTER THE REPORTING PERIOD

The Corporation deemed market conditions to be favourable to long-term financing. On December 1, 2014, the Corporation issued a private placement of $300.0 million aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% and maturing December 1, 2021, and $300.0 million aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044. Supplementary information on the allocation of the proceeds of these issues is given under the Sources of Financing section.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

SELECTED ANNUAL INFORMATION

(Millions of dollars, unless otherwise indicated)	**2014** **(52 weeks)**	2013 *(52 weeks)*	Change *%*	2012 *(53 weeks)*	Change *%*
Sales	**11,590.4**	11,399.9	1.7	11,674.9	(2.4)
Net earnings attributable to equity holders of the parent	**447.1**	695.2	(35.7)	470.9	47.6
Net earnings attributable to non-controlling interests	**9.1**	8.7	4.6	7.5	16.0
Net earnings	**456.2**	703.9	(35.2)	478.4	47.1
Basic net earnings per share	**5.11**	7.33	(30.3)	4.76	54.0
Fully diluted net earnings per share	**5.07**	7.28	(30.4)	4.73	53.9
Net earnings from continuing operations attributable to equity holders of the parent	**447.1**	689.0	(35.1)	471.8	46.0
Net earnings from continuing operations attributable to non-controlling interests	**9.1**	8.7	4.6	7.5	16.0
Net earnings from continuing operations	**456.2**	697.7	(34.6)	479.3	45.6
Basic net earnings per share from continuing operations	**5.11**	7.27	(29.7)	4.77	52.4
Fully diluted net earnings per share from continuing operations	**5.07**	7.22	(29.8)	4.74	52.3
Adjusted net earnings from continuing operations(2)(4) (based on 52 weeks in 2012)	**460.9**	460.7	—	449.6	2.5
Adjusted fully diluted net earnings per share from continuing operations(2)(4) (based on 52 weeks in 2012)	**5.13**	4.73	8.5	4.44	6.5
Return on equity *(%)*	**16.6**	26.4	—	19.4	—
Dividends per share *(Dollars)*	**1.1500**	0.9650	19.2	0.8375	15.2
Total assets	**5,279.5**	5,064.2	4.3	5,154.9	(1.8)
Current and non-current portions of debt	**1,057.1**	662.4	59.6	986.0	(32.8)

Corporation sales were $11,590.4 million in 2014, up 1.7% from 2013 sales. Sales for 2013 were $11,399.9 million, down 2.4% from $11,674.9 million in 2012. Excluding the 53rd week in fiscal 2012, fiscal 2013 sales were down 0.5%. After slowing slightly in the first two quarters of 2014, our sales improved in the second half of the year. Through disciplined investing, we lowered our retail prices to protect our market share and have seen encouraging sales momentum across all our banners. In 2013, fierce competition, especially in Ontario, impacted sales in our last two quarters due to an accelerated increase in competitive square footage. The absence of inflation in the food basket, the increase of promotional sales, the closure of a few unprofitable stores and temporary efficiency difficulties following the implementation of a new management system in our pharmaceutical warehouse also brought our sales down. Fiscal 2012 sales were affected by modest inflation that was lower than the Consumer Price Index reported by Statistics Canada. Adonis stores and distributor Phoenicia, acquired that fiscal year, contributed $236.6 million to 2012 sales.

Net earnings for fiscal 2014 reached $456.2 million, down 35.2% from the previous fiscal year. Net earnings for fiscal 2013 were $703.9 million, up 47.1% from $478.4 million in fiscal 2012. Fully diluted net earnings per share were $5.07 in 2014, a decrease of 30.4% from the previous year. Fully diluted net earnings per share for 2013 were $7.28 versus $4.73 in fiscal 2012, an increase of 53.9%.

In the first quarter of fiscal 2013, we discontinued our foodservice operation and disposed of the Distagro division which supplied restaurant chains and convenience stores belonging to and operated by gas station chains. In fiscal 2013, we recorded net earnings of $6.2 million due chiefly to the gain on disposal versus net loss of $0.9 million in fiscal 2012.

Net earnings from continuing operations for fiscal 2014 were $456.2 million, down 34.6% from the previous fiscal year. Net earnings from continuing operations for fiscal 2013 were $697.7 million versus $479.3 million in fiscal 2012, an increase of 45.6%. Fully diluted net earnings per share from continuing operations were $5.07 in fiscal 2014, a decrease of 29.8% from the previous year. Fully diluted net earnings per share from continuing operations were $7.22 in fiscal 2013 versus $4.74 in fiscal 2012, an increase of 52.3%.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

We recorded non-recurring items for all three fiscal years. In 2014, we decided to consolidate our Québec produce and dairy distribution operations at our new distribution centre in Laval and close our decades-old Québec City produce warehouse. Non-recurring closure costs of $6.4 million before taxes were recorded as a result of this decision. In 2013, we sold nearly half of our investment in Alimentation Couche-Tard to three financial institutions for a net post-tax gain of $266.4 million and decided to proceed with a reorganization of our Ontario store network for reorganization costs of $40.0 million before taxes. In 2012, we realized a pre-tax dilution gain of $25.0 million following a share issue by Alimentation Couche-Tard in which we did not participate, and recorded an additional income tax expense of $3.0 million due to the postponement of the tax rate reductions previously announced by the Government of Ontario.

Excluding these non-recurring items, as well as the 53rd week in fiscal 2012, adjusted net earnings from continuing operations(2)(4) for 2014 were $460.9 million, flat versus the $460.7 million in 2013 which were up 2.5% from $449.6 million in 2012. Adjusted fully diluted net earnings per share from continuing operations(2)(4) for 2014, 2013 and 2012 were, respectively, $5.13, $4.73 and $4.44, up 8.5% in 2014 and 6.5% in 2013. This growth was achieved through good margin management, operating cost control, and our share repurchase program.

Return on equity totalled 16.6% in 2014, 26.4% in 2013 and 19.4% in 2012. Dividends per share were $1.1500 in 2014, $0.9650 in 2013 and $0.8375 in 2012 representing $100.6 million, $91.5 million and $82.9 million respectively, or 21.8%, 20.4% and 20.8% of the previous fiscal years' adjusted net earnings from continuing operations(4). Total assets were $5,279.5 million in 2014, $5,064.2 million in 2013 and $5,154.9 million in 2012. Non-current debt, including the current portion, was $1,057.1 million in 2014, $662.4 million in 2013 and $986.0 million in 2012.

OUTLOOK

We are confident to continue(3) our growth in the next fiscal year. We will maintain(3) our differentiated customer experience strategy in 2015. We will carry on(3) with our investments in our retail network, in our infrastructure to increase our operating efficiency and in succession planning. We will remain(3) on the lookout for opportunities to improve our position in the food and pharmaceutical markets. Our acquisitions will continue(3) to be guided by a disciplined long-term financial management in the best interests of the Corporation and its shareholders.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

OPERATING RESULTS

SALES

Sales for fiscal 2014 reached $11,590.4 million versus $11,399.9 million for fiscal 2013, an increase of 1.7%. Our merchandising strategies and investments, as well as our reorganization of our Ontario store network enabled us to increase sales in a fiercely competitive market.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS[4]

Operating income before depreciation and amortization and associate's earnings[4] for fiscal 2014 totalled $781.5 million versus $765.3 million for fiscal 2013. Non-recurring closure costs of $6.4 million were recorded in the first quarter of 2014 as a result of our decision to consolidate our Québec produce and dairy distribution operations in our new Laval distribution centre and to close our decades-old Québec City produce warehouse. Furthermore, in the fourth quarter of 2013, a restructuring charge of $40.0 million was recorded for the reorganization of our Ontario store network. Excluding these non-recurring expenses, adjusted operating income before depreciation and amortization and associate's earnings[1][4] for fiscal 2014 was $787.9 million or 6.8% of sales compared to $805.3 million or 7.1% of sales for fiscal 2013.

Gross margin on sales for fiscal 2014 was 19.1% versus 19.3% in fiscal 2013. Tight cost control allowed us to keep the level of operating expenses as a percentage of sales at 12.3% in 2014 versus 12.2% in 2013.

Operating income before depreciation and amortization and associate's earnings adjustments (OI)[4]

	Fiscal Year					
	2014			2013		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	**(%)**	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	**781.5**	**11,590.4**	**6.7**	765.3	11,399.9	6.7
Closure costs and restructuring charges	**6.4**			40.0		
Adjusted operating income before depreciation and amortization and associate's earnings[4]	**787.9**	**11,590.4**	**6.8**	805.3	11,399.9	7.1

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for fiscal 2014 amounted to $175.8 million versus $179.6 million in 2013. Net financial costs for fiscal 2014 totalled $49.1 million compared to $49.4 million in 2013. The average financing rate was 4.8% for fiscal 2014 compared to 5.0% for fiscal 2013.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard for fiscal 2014 was $49.8 million versus $50.8 million in 2013. This decline results mainly from our reduced holding compared to last year following the sale of nearly half of our investment in the second quarter of 2013.

INCOME TAXES

Fiscal 2014 income tax expense of $150.2 million represented an effective tax rate of 24.8% compared with fiscal 2013 tax expense of $197.2 million for an effective tax rate of 22.0%. Excluding the $307.8 million gain on disposal of part of our investment in Alimentation Couche-Tard and related income tax of $41.4 million, the effective tax rate for fiscal 2013 was 26.5%.

NET EARNINGS

Net earnings for fiscal 2014 were $456.2 million, down 35.2% from $703.9 million for fiscal 2013. Fully diluted net earnings per share were $5.07 compared with $7.28 last year, a decrease of 30.4%.

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
[2] See table on "Net earnings from continuing operations adjustments"
[3] See section on "Forward-looking information"
[4] See section on "IFRS and non-IFRS measurements"
[5] See table on "Net earnings adjustments"

ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS[4]

Excluding after-tax Québec City produce warehouse closing costs of $4.7 million in fiscal 2014 as well as the after-tax gain of $266.4 million on disposal of part of our investment in Alimentation Couche-Tard, after-tax restructuring costs of $29.4 million for the reorganization of our Ontario store network and the net gain of $6.2 million on discontinued operation following the sale of our Distagro division in fiscal 2013, adjusted net earnings from continuing operations[2][4] for fiscal 2014 were flat while adjusted fully diluted net earnings per share from continuing operations[2][4] were up 8.5% compared to fiscal 2013.

Net earnings from continuing operations adjustments

	Fiscal Year					
	2014		2013		Change *(%)*	
	(Millions of dollars)	**Fully diluted EPS *(Dollars)***	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	**456.2**	**5.07**	703.9	7.28	(35.2)	(30.4)
Net earnings from discontinued operation	**—**	**—**	(6.2)	(0.06)		
Net earnings from continuing operations	**456.2**	**5.07**	697.7	7.22	(34.6)	(29.8)
Closure costs and restructuring charges after taxes	**4.7**	**0.06**	29.4	0.31		
Gain on disposal of a portion of the investment in an associate after taxes	**—**	**—**	(266.4)	(2.80)		
Adjusted net earnings from continuing operations[4]	**460.9**	**5.13**	460.7	4.73	—	8.5

[1] *See table on "Operating income before depreciation and amortization and associate's earnings adjustments"*
[2] *See table on "Net earnings from continuing operations adjustments"*
[3] *See section on "Forward-looking information"*
[4] *See section on "IFRS and non-IFRS measurements"*
[5] *See table on "Net earnings adjustments"*

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2014**	2013	Change *(%)*
Sales			
Q1[(6)]	**2,701.3**	2,704.7	(0.1)
Q2[(6)]	**2,554.8**	2,512.0	1.7
Q3[(7)]	**3,622.1**	3,572.2	1.4
Q4[(6)]	**2,712.2**	2,611.0	3.9
Fiscal	**11,590.4**	11,399.9	1.7
Net earnings			
Q1[(6)]	**99.2**	117.3	(15.4)
Q2[(6)]	**96.9**	362.7	(73.3)
Q3[(7)]	**144.5**	144.4	0.1
Q4[(6)]	**115.6**	79.5	45.4
Fiscal	**456.2**	703.9	(35.2)
Adjusted net earnings from continuing operations[(4)]			
Q1[(6)]	**103.9**	110.9	(6.3)
Q2[(6)]	**96.9**	96.4	0.5
Q3[(7)]	**144.5**	144.5	—
Q4[(6)]	**115.6**	108.9	6.2
Fiscal	**460.9**	460.7	—
Fully diluted net earnings per share ***(Dollars)***			
Q1[(6)]	**1.06**	1.19	(10.9)
Q2[(6)]	**1.07**	3.73	(71.3)
Q3[(7)]	**1.63**	1.49	9.4
Q4[(6)]	**1.32**	0.83	59.0
Fiscal	**5.07**	7.28	(30.4)
Adjusted fully diluted net earnings per share from continuing operations[(4)] ***(Dollars)***			
Q1[(6)]	**1.11**	1.12	(0.9)
Q2[(6)]	**1.07**	0.98	9.2
Q3[(7)]	**1.63**	1.49	9.4
Q4[(6)]	**1.32**	1.15	14.8
Fiscal	**5.13**	4.73	8.5

(6) 12 weeks
(7) 16 weeks

As the discontinued operation and non-controlling interests are not material, the information is not presented in the table above, but in the consolidated statements of income.

Sales in the first quarter of 2014 reached $2,701.3 million essentially flat versus $2,704.7 million for the corresponding quarter last year. Same-store sales were down 0.5%, an improvement over the last two quarters of 2013.

Sales in the second quarter of 2014 reached $2,554.8 million versus $2,512.0 million last year, an increase of 1.7%. Same-store sales were up 1.0%. Our aggregate food basket experienced slight inflation. Our merchandising strategies and investments, as well as our reorganization of our Ontario store network enabled us to increase sales in a market that remains intensely competitive.

(1) *See table on "Operating income before depreciation and amortization and associate's earnings adjustments"*
(2) *See table on "Net earnings from continuing operations adjustments"*
(3) *See section on "Forward-looking information"*
(4) *See section on "IFRS and non-IFRS measurements"*
(5) *See table on "Net earnings adjustments"*

Sales in the third quarter of 2014 totalled $3,622.1 million, up 1.4% compared to $3,572.2 million for the same quarter last year. Same-store sales were up 1.0%. Our aggregate food basket experienced inflation higher than previous quarters but lower than the consumer price index of food purchased from stores as published by Statistics Canada. Our merchandising strategies and investments, as well as our reorganization of our Ontario store network enabled us to increase sales in a market that remains intensely competitive.

Sales in the fourth quarter of 2014 totalled $2,712.2 million, up 3.9% compared to $2,611.0 million for the same quarter last year. Same-store sales were up 3.1%. Our aggregate food basket experienced inflation of 2.5%. In a market that remains intensely competitive, our merchandising strategies and investments as well as the reorganization of our Ontario store network enabled us to increase sales. The fourth quarter acquisition of Première Moisson accounted for 0.5% of our sales increase.

Net earnings for the first quarter of 2014 were $99.2 million, down 15.4% from net earnings of $117.3 million for the same quarter of 2013. Fully diluted net earnings per share were down 10.9% to $1.06 from $1.19 last year. Excluding the non-recurring Québec City produce warehouse closure costs of $6.4 million before taxes ($4.7 million after taxes) recorded in the first quarter of 2014 and net earnings of $6.4 million on discontinued operation in the first quarter of 2013 following the sale of our Distagro division, adjusted net earnings from continuing operations(4) were $103.9 million compared to $110.9 million for the same quarter last year, and adjusted fully diluted net earnings per share from continuing operations(4) were $1.11 compared to $1.12 in the first quarter last year, down 0.9%.

Net earnings for the second quarter of 2014 were $96.9 million, down 73.3% from net earnings of $362.7 million for the same quarter of 2013. Fully diluted net earnings per share were down 71.3% to $1.07 from $3.73 last year. Excluding the after-tax gain of $266.4 million on disposal of part of our investment in Alimentation Couche-Tard as well as the $0.1 million net loss on discontinued operation following the sale of our Distagro division, adjusted net earnings from continuing operations(4) were $96.9 million compared to $96.4 million last year, up 0.5%, and adjusted fully diluted net earnings per share from continuing operations(4) were $1.07 compared to $0.98 last year, up 9.2%.

Net earnings for the third quarter of 2014 were $144.5 million, up 0.1% from net earnings of $144.4 million for the same quarter of 2013. Excluding the $0.1 million net loss on discontinued operation following the sale of our Distagro division, 2013 net earnings from continuing operations were $144.5 million. Fully diluted net earnings per share were up 9.4% to $1.63 from $1.49 last year.

Net earnings for the fourth quarter of 2014 were $115.6 million, up 45.4% from net earnings of $79.5 million for the same quarter of 2013. Fully diluted net earnings per share were up 59.0% to $1.32 from $0.83 last year. Excluding after-tax restructuring costs of $29.4 million for the reorganization of our Ontario store network, 2013 fourth quarter adjusted net earnings(4) were $108.9 million as opposed to 2014 fourth quarter net earnings of $115.6 million which were up 6.2%. Fourth quarter fully diluted net earnings per share in 2014 were up 14.8% compared to the corresponding adjusted quarter of 2013.

	2014					2013				
(Millions of dollars)	**Q1**	**Q2**	**Q3**	**Q4**	**Fiscal**	Q1	Q2	Q3	Q4	Fiscal
Net earnings	**99.2**	**96.9**	**144.5**	**115.6**	**456.2**	117.3	362.7	144.4	79.5	703.9
Net loss (earnings) from discontinued operation	**—**	**—**	**—**	**—**	**—**	(6.4)	0.1	0.1	—	(6.2)
Net earnings from continuing operations	**99.2**	**96.9**	**144.5**	**115.6**	**456.2**	110.9	362.8	144.5	79.5	697.7
Gain on disposal of a portion of the investment in an associate after taxes	**—**	**—**	**—**	**—**	**—**	—	(266.4)	—	—	(266.4)
Closure costs and restructuring charges after taxes	**4.7**	**—**	**—**	**—**	**4.7**	—	—	—	29.4	29.4
Adjusted net earnings from continuing operations(4)	**103.9**	**96.9**	**144.5**	**115.6**	**460.9**	110.9	96.4	144.5	108.9	460.7

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

(Dollars and per share)	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014 Fiscal	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013 Fiscal
Fully diluted net earnings	**1.06**	**1.07**	**1.63**	**1.32**	**5.07**	1.19	3.73	1.49	0.83	7.28
Fully diluted net earnings from discontinued operation	**—**	**—**	**—**	**—**	**—**	(0.07)	—	—	—	(0.06)
Fully diluted net earnings from continuing operations	**1.06**	**1.07**	**1.63**	**1.32**	**5.07**	1.12	3.73	1.49	0.83	7.22
Gain on disposal of a portion of the investment in an associate after taxes	**—**	**—**	**—**	**—**	**—**	—	(2.75)	—	—	(2.80)
Closure costs and restructuring charges after taxes	**0.05**	**—**	**—**	**—**	**0.06**	—	—	—	0.32	0.31
Adjusted fully diluted net earnings from continuing operations(4)	**1.11**	**1.07**	**1.63**	**1.32**	**5.13**	1.12	0.98	1.49	1.15	4.73

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of $432.3 million over fiscal 2014 compared to $566.0 million in 2013. The decrease is attributable to changes in non-cash working capital items and also to the higher amount of taxes paid in the first quarter of 2014 for current income taxes due as at September 28, 2013 that were higher due to the gain realized on the sale of part of our investment in Alimentation Couche-Tard.

INVESTING ACTIVITIES

Investing activities required outflows of $299.8 million over fiscal 2014 versus $264.3 million of generated cash flows in 2013. The variation is largely attributable to the proceeds from the disposal of part of our investment in Alimentation Couche-Tard for $472.6 million in the second quarter of 2013.

During fiscal 2014, we and our retailers opened six new stores and carried out major expansions and renovations of 25 stores for a gross expansion of 570,300 square feet and a net increase of 133,900 square feet or 0.7% of our retail network.

FINANCING ACTIVITIES

Over the fiscal year ended September 27, 2014, we utilized funds of $177.3 million versus $822.8 million for fiscal 2013. This change is attributable to the greater redemption of shares in fiscal 2014, in the amount of $459.7 million versus $409.4 million in fiscal 2013, as well as to a $396.3 million increase in our debt in 2014 versus $6.2 million in 2013 and a $11.4 million repayment of the debt in 2014 versus $337.3 million in 2013 mainly from the proceeds of the disposal of part of our investment in Alimentation Couche-Tard.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

FINANCIAL POSITION

We do not anticipate[3] any liquidity risk and consider our financial position at the end of fiscal 2014 as very solid. We had an unused authorized revolving credit facility of $208.3 million. Our non-current debt corresponded to 28.0% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of fiscal 2014, the main elements of our non-current debt were as follows:

	Interest Rate	Balance *(Millions of dollars)*	Maturity
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	391.7	November 3, 2019
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 2014, we had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future foreign-denominated purchases of goods and services.

Our main financial ratios were as follows:

	As at September 27, 2014	As at September 28, 2013
Financial structure		
Non-current debt *(Millions of dollars)*	**1,044.7**	650.0
Equity *(Millions of dollars)*	**2,684.1**	2,799.8
Non-current debt/total capital *(%)*	**28.0**	18.8

	Fiscal Year	
	2014	2013
Results		
Operating income before depreciation and amortization and associate's earnings[4]/Financial costs *(Times)*	**15.9**	15.5

CAPITAL STOCK

	Common Shares issued	
(Thousands)	**2014**	2013
Balance – beginning of year	**91,648**	97,444
Share redemption	**(7,093)**	(6,241)
Stock options exercised	**189**	445
Balance – end of year	**84,744**	91,648
Balance as at November 28, 2014 and November 29, 2013	**84,455**	90,759

	Treasury shares	
(Thousands)	**2014**	2013
Balance – beginning of year	**262**	258
Acquisition	**75**	94
Release	**(83)**	(90)
Balance – end of year	**254**	262
Balance as at November 28, 2014 and November 29, 2013	**254**	262

(1) *See table on "Operating income before depreciation and amortization and associate's earnings adjustments"*
(2) *See table on "Net earnings from continuing operations adjustments"*
(3) *See section on "Forward-looking information"*
(4) *See section on "IFRS and non-IFRS measurements"*
(5) *See table on "Net earnings adjustments"*

STOCK OPTIONS PLAN

	As at November 28, 2014	**As at September 27, 2014**	As at September 28, 2013
Stock options *(Thousands)*	**1,242**	**1,375**	1,351
Exercise prices *(Dollars)*	**24.73 to 74.06**	**24.73 to 74.06**	24.73 to 66.29
Weighted average exercise price *(Dollars)*	**53.44**	**50.91**	46.12

PERFORMANCE SHARE UNIT PLAN

	As at November 28, 2014	**As at September 27, 2014**	As at September 28, 2013
Performance share units *(Thousands)*	**268**	**268**	257

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between September 10, 2013 and September 9, 2014, the Corporation repurchased 7,000,000 Common Shares at an average price of $64.38 for a total of $450.6 million.

The Corporation decided to renew its normal course issuer bid program as an additional option for using excess funds in the Corporation's best interest. The Board of Directors authorized the Corporation to repurchase, in the normal course of business, between September 10, 2014 and September 9, 2015, up to 5,700,000 of its Common Shares representing approximately 6.7% of its issued and outstanding shares at the close of the Toronto Stock Exchange on August 29, 2014. Repurchases are made through the stock exchange at market price and in accordance with its policies and regulations, and in any other manner allowed by the stock exchange and by any other securities regulatory agency, including private transactions. Between September 10, 2014 and November 28, 2014, the Corporation has repurchased 755,200 Common Shares at an average price of 74.35 $, for a total of 56.1 million $.

DIVIDEND POLICY

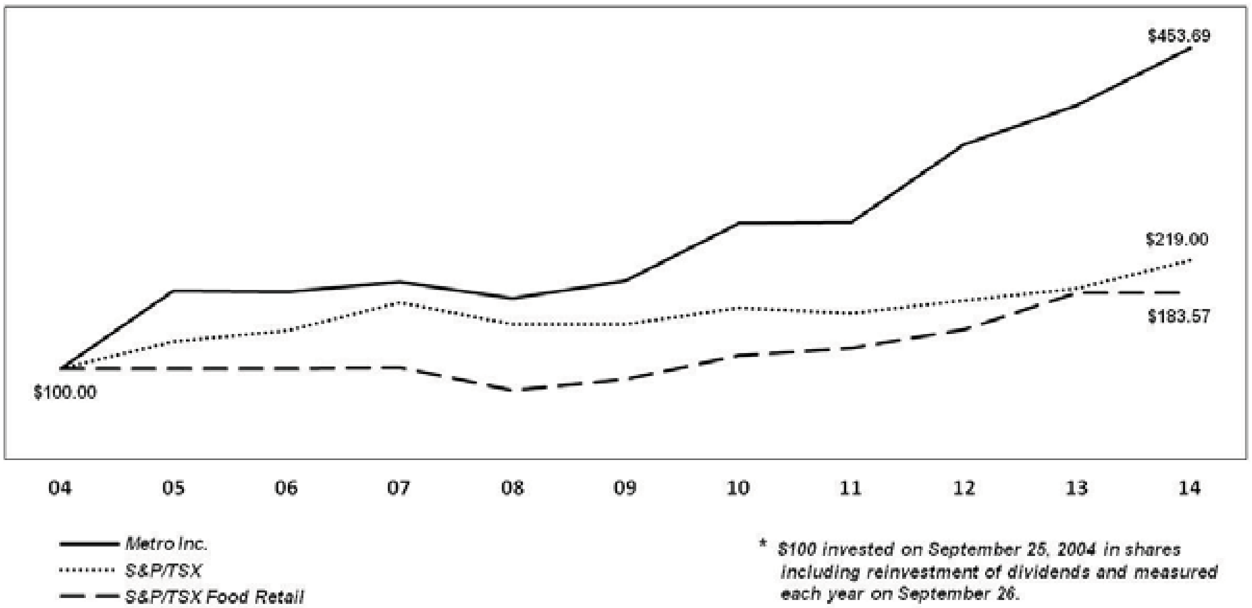
Given our strong financial position, the Board of Directors has approved a change in the Corporation's dividend policy. The annual dividend payout represents a target range of 20% to 30% of the adjusted net earnings(4) of the previous fiscal year, with a target of 25% as opposed to the previous target of 20%. For the 20th consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 19.2%, to $1.1500 per share compared to $0.9650 in 2013, for total dividends of $100.6 million in 2014 compared to $91.5 million in 2013. Dividends paid in 2014 represented 21.8% of adjusted net earnings from continuing operations(4) of the preceding fiscal year compared to 20.4% in 2013.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

SHARE TRADING

The value of METRO shares remained in the $60.00 to $74.80 range throughout fiscal 2014 ($56.52 to $75.81 in 2013). A total of 71.7 million shares traded on the TSX during this fiscal year (73.8 million in 2013). The closing price on Friday, September 26, 2014 was $73.87, compared to $64.74 at the end of fiscal 2013. Since fiscal year-end, the value of METRO shares has remained in the $72.80 to $91.46 range. The closing price on November 28, 2014 was $89.31. 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.

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



SOURCES OF FINANCING

Our operating activities as well as increased non-current debt generated respectively cash flows in the amount of $432.3 million and $396.3 million in 2014. These major cash flows were used to finance our investing activities, including $207.4 million in fixed and intangible assets acquisition and $100.3 million in business acquisitions, to redeem shares for an amount of $459.7 million, to pay dividends of $100.6 million, and to carry out other investing and financing activities.

At 2014 fiscal year-end, our financial position mainly consisted of cash and cash equivalents in the amount of $36.0 million, Series A Notes in the amount of $200.0 million maturing in 2015, a revolving credit facility of $600.0 million maturing in 2019, $391.7 million of which were used, and Series B Notes in the amount of $400.0 million maturing in 2035.

We believe that cash flows from next year's operating activities should be sufficient to finance the Corporation's investing activities, including approximately $300 million(3) in fixed and intangible asset acquisitions.

The Corporation deemed market conditions to be favourable to long-term financing. On December 1, 2014, the Corporation issued a private placement of $300.0 million aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% and maturing December 1, 2021, and $300.0 million aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

The Corporation decided to allocate the proceeds to repayment of existing debt, working capital and other general corporate purposes. On December 5, 2014, the Corporation paid off its $335.0 million unsecured renewable revolving credit facility which had a weighted average rate of 2.39%. The Corporation also decided to redeem its $200.0 million aggregate principal amount of Series A notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015; the redemption date is December 31, 2014. Redemption fees will be $5.9 million. After this repayment and this redemption, the Corporation's financial position will be comprised of:

- an unused authorized revolving credit facility to a maximum of $600.0 million;
- Series C notes in the amount of $300.0 million, bearing interest at a fixed nominal rate of 3.20% and maturing December 1, 2021;
- Series B notes in the amount of $400.0 million, bearing interest at a fixed nominal rate of 5.97% and maturing October 15, 2035;
- Series D notes in the amount of $300.0 million, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044.

CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

(Millions of dollars)	Facility and loans	Notes	Finance lease commitments	Service contract commitments	Operating lease commitments	Lease and sublease commitments[8]	Total
2015	9.0	44.5	6.7	79.0	172.5	43.3	355.0
2016	3.0	48.6	6.5	63.7	168.0	42.3	332.1
2017	2.1	48.6	5.9	58.2	159.0	40.8	314.6
2018	1.4	48.6	5.4	55.7	142.8	37.9	291.8
2019	1.0	48.6	4.5	56.0	120.8	35.5	266.4
2020 and thereafter	23.3	1,782.5	25.7	26.2	495.3	236.5	2,589.5
	39.8	2,021.4	54.7	338.8	1,258.4	436.3	4,149.4

(8) The Corporation has lease commitments with varying terms through 2035, to lease premises which it sublets to clients, generally under the same conditions.

The event after the reporting period, described in the Sources of Financing section, was taken into consideration in the above table.

RELATED PARTY TRANSACTIONS

During fiscal 2014, we supplied supermarkets held by a member of the Board of Directors and paid fees to Dunnhumby Canada, a joint venture, for analysis of our customer sales data. These transactions were carried out in the normal course of business and recorded at exchange value. They are itemized in note 28 to the consolidated financial statements.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

FOURTH QUARTER

(Millions of dollars, except for net earnings per share)	**2014**	2013	Change %
Sales	**2,712.2**	2,611.0	3.9
Operating income before depreciation and amortization and associate's earnings[4]	**188.4**	143.7	31.1
Adjusted operating income before depreciation and amortization and associate's earnings[1][4]	**188.4**	183.7	2.6
Net earnings	**115.6**	79.5	45.4
Adjusted net earnings[4][5]	**115.6**	108.9	6.2
Fully diluted net earnings per share	**1.32**	0.83	59.0
Adjusted fully diluted net earnings per share[4][5]	**1.32**	1.15	14.8
Cash flows from:			
Operating activities	**128.5**	159.6	—
Investing activities	**(162.1)**	(44.1)	—
Financing activities	**35.3**	(123.1)	—

SALES

Sales in the fourth quarter of 2014 totalled $2,712.2 million, up 3.9% compared to $2,611.0 million for the same quarter last year. Same-store sales were up 3.1%. Our aggregate food basket experienced inflation of 2.5%. In a market that remains intensely competitive, our merchandising strategies and investments as well as the reorganization of our Ontario store network enabled us to increase sales. The fourth quarter acquisition of Première Moisson accounted for 0.5% of our sales increase.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS[4]

Operating income before depreciation and amortization and associate's earnings[4] for the fourth quarter of 2014 totalled $188.4 million or 6.9% of sales versus $143.7 million or 5.5% of sales for the same quarter last year. Excluding Ontario store network restructuring costs of $40.0 million, adjusted operating income before depreciation and amortization and associate’s earnings[1][4] for the fourth quarter of 2013 were $183.7 million or 7.0% of sales.

In the fourth quarter of 2014, gross margin on sales was 19.3% versus 19.2% for the same quarter of 2013. The operating expenses as a percentage of sales ratio was 12.3% for the fourth quarter of 2014 versus 12.1% for the corresponding quarter of 2013. The acquisition of Première Moisson led to this difference in ratios.

Operating income before depreciation and amortization and associate's earnings adjustments (OI)[4]

	12 weeks					
	2014			2013		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	**(%)**	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	**188.4**	**2,712.2**	**6.9**	143.7	2,611.0	5.5
Restructuring charges	**—**			40.0		
Adjusted operating income before depreciation and amortization and associate's earnings[4]	**188.4**	**2,712.2**	**6.9**	183.7	2,611.0	7.0

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter amounted to $40.1 million versus $41.3 million in 2013. Net financial costs for the fourth quarter of 2014 totalled $12.1 million compared to $10.5 million for the corresponding quarter last year.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $16.6 million for the fourth quarter of 2014 versus $15.0 million for the corresponding quarter of 2013.

INCOME TAXES

2014 fourth quarter income tax expense of $37.2 million represented an effective tax rate of 24.3% compared with $27.4 million and 25.6% for the corresponding quarter of 2013.

NET EARNINGS

Net earnings for the fourth quarter of 2014 were $115.6 million, an increase of 45.4% over net earnings of $79.5 million for the same quarter of 2013. Fully diluted net earnings per share rose 59.0% to $1.32 from $0.83 last year.

ADJUSTED NET EARNINGS(4)

Excluding the 2013 fourth quarter $29.4 million after-tax restructuring costs for the reorganization of our Ontario store network, net earnings of $115.6 million were up 6.2% in the fourth quarter of 2014. Fourth quarter fully diluted net earnings per share in 2014 were up 14.8% on an adjusted basis.

Net earnings adjustments

	12 weeks					
	2014		2013		Change *(%)*	
	(Millions of dollars)	**Fully diluted EPS *(Dollars)***	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	**115.6**	**1.32**	79.5	0.83	45.4	59.0
Restructuring charges after taxes	**—**	**—**	29.4	0.32		
Adjusted net earnings(4)	**115.6**	**1.32**	108.9	1.15	6.2	14.8

CASH POSITION

Operating activities

Operating activities generated cash flows of $128.5 million in the fourth quarter of 2014 compared to $159.6 million in the same quarter of 2013. The fourth quarter decrease is attributable mainly to changes in non-cash working capital items.

Investing activities

Investing activities required outflows of $162.1 million in the fourth quarter of 2014 versus $44.1 million in the same quarter of 2013. This increase is mainly due to business acquisitions.

Financing activities

In the fourth quarter of 2014, financing activities generated cash flows of $35.3 million versus outflows of $123.1 million required in the same quarter of 2013. This change is largely attributable to the lower redemption of shares in 2014, in the amount of $68.0 million versus $98.3 million for the same quarter of 2013, and also to a $128.9 million increase in our debt in the fourth quarter of 2014 versus a $0.7 million increase in the fourth quarter of 2013.

(1) *See table on "Operating income before depreciation and amortization and associate's earnings adjustments"*
(2) *See table on "Net earnings from continuing operations adjustments"*
(3) *See section on "Forward-looking information"*
(4) *See section on "IFRS and non-IFRS measurements"*
(5) *See table on "Net earnings adjustments"*

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation 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. During fiscal 2014, the Corporation used derivative financial instruments as described in notes 2 and 30 to the consolidated financial statements.

NEW ACCOUNTING POLICIES

ADOPTED IN 2014

In fiscal 2014, the Corporation adopted the new accounting policies described below.

Employee benefits

IAS 19 “Employee Benefits” (IAS 19R) was amended. IAS 19R eliminates the corridor method for recognizing changes (actuarial gains and losses) in defined benefit obligations and plan assets and requires that they be recognized in other comprehensive income when they occur. Application of this amendment had no impact, as the Corporation has used immediate recognition of actuarial gains and losses in other comprehensive income since the transition to International Financial Reporting Standards (IFRS).

IAS 19R eliminates the possibility of deferring recognition of past service costs related to unvested benefits and requires their immediate recognition in the income statement. Application of this amendment had no impact for the Corporation, as no past service costs have been deferred since the transition to IFRS.

Under IAS 19, the employee benefit expense includes interest income corresponding to management’s expected return on plan assets. IAS 19R eliminates the return on plan assets component and requires recognition of interest on the difference between defined benefit obligations and plan assets based on the discount rate for measuring obligations. This net interest is no longer presented as an employee benefit expense but as part of financial costs.

IAS 19R also requires additional disclosures to present the characteristics of defined benefit plans which is presented in note 25 of annual consolidated financial statements.

IAS 19R has been applied retroactively with restatement of prior periods’ annual consolidated financial statements.

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

Offsetting financial assets and financial liabilities

IAS 32 “Financial Instruments: Presentation” was amended to clarify the requirements for offsetting financial assets and financial liabilities. It specifies that the right of set-off has to be legally enforceable even in the event of bankruptcy. IFRS 7 “Financial Instruments: Disclosures” was also amended to improve disclosures on offsetting of financial assets and financial liabilities. These amendments did not impact the Corporation's annual consolidated financial statements, but additional information is disclosed in note 19 of these financial statements.

Fair value measurement

IFRS 13 “Fair Value Measurement” establishes a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of more information on fair value measurements. This new standard did not impact the Corporation's annual consolidated financial statements, but additional information is disclosed in notes 11, 12, 15, 16 and 30 of these financial statements.

Impairment of assets

IAS 36 “Impairment of Assets” was amended to require disclosures about assets or cash generating units for which an impairment loss was recognized or reversed during the period. Additional information is disclosed in note 6 to the annual consolidated financial statements.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

Consolidated financial statements

IFRS 10 “Consolidated Financial Statements” replaces SIC-12 “Consolidation - Special Interest Entities” and certain parts of IAS 27 “Consolidated and Separate Financial Statements”. This standard eliminates the risk/benefit-based approach and uses control as the sole basis for consolidation. An investor controls an investee if and only if the investor has all of the following elements:

a) power over the investee;
b) exposure or rights to variable returns from involvement with the investee;
c) the ability to use power over the investee to affect the amount of the investor's returns.

This new standard did not impact the Corporation's annual consolidated financial statements.

Joint arrangements

IFRS 11 “Joint Arrangements” supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities - Non-Monetary Contributions by Venturers”. This standard describes two types of joint arrangements which differ according to the rights and obligations of the partners: joint operations and joint ventures. IFRS 11 eliminates the proportionate consolidation method for joint ventures and requires the equity method. For joint operations, it requires recognition of a joint operator’s share of each of the items comprising the joint arrangement. This new standard did not impact the Corporation's annual consolidated financial statements.

Disclosure of interests in other entities

IFRS 12 “Disclosure of Interests in Other Entities” requires that an entity disclose more information on the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) and the effects of those interests on its financial statements. Additional information is disclosed in notes 4 and 12 of annual consolidated financial statements.

RECENTLY ISSUED

Financial instruments

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 “Financial Instruments”. This new standard replaces the various rules of IAS 39 “Financial Instruments: Recognition and Measurement” with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statement users to better understand an entity’s risk exposure and its risk management activities.

In July 2014, the IASB issued a new impairment model for financial assets based on expected credit losses. IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” which is a replacement of IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

FORWARD-LOOKING INFORMATION

We have used, throughout this annual report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as “continue”, “maintain”, “carry on”, “remain”, “anticipate”, “expect”, “estimate”, 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 2015 action plan.

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

IFRS AND NON-IFRS MEASUREMENTS

We have included certain IFRS and non-IFRS earnings measurements. These measurements are presented for information purposes only. They do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measurements presented by other public companies.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

Operating income before depreciation and amortization and associate's earnings is a measurement of earnings before financial costs, taxes, depreciation and amortization **(EBITDA)** and associate's earnings. It is an IFRS measurement and it is presented separately in the consolidated statements of income. We believe that this measurement helps readers of financial statements to better evaluate the Corporation's operational cash-generating capacity.

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS, ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS, ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization and associate's earnings, adjusted net earnings from continuing operations, adjusted fully diluted net earnings per share from continuing operations, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude non-recurring items. They are non-IFRS measurements. 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 Corporation's performance and judge its future outlook.

CONTROLS AND PROCEDURES

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

An evaluation was completed under their supervision in order to measure the effectiveness of DC&P and ICFR. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President, Chief Financial Officer and Treasurer of the Corporation concluded that the DC&P and the ICFR were effective as at the end of the fiscal year ended September 27, 2014.

(1) *See table on "Operating income before depreciation and amortization and associate's earnings adjustments"*
(2) *See table on "Net earnings from continuing operations adjustments"*
(3) *See section on "Forward-looking information"*
(4) *See section on "IFRS and non-IFRS measurements"*
(5) *See table on "Net earnings adjustments"*

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

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

SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Consolidation of structured entities

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

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

The Corporation also has an agreement with a distributor that operates a plant exclusively for the needs and according to the specifications of the Corporation’s, which assumes all costs. For these reasons, the Corporation consolidates this distributor in its financial statements.

Investment in an associate

The Corporation holds less than 20% of the voting rights in an associate, but one of its representatives sits on the associate’s board of directors and is involved in financial and operating policy decisions. Management has concluded that the Corporation exercises significant influence over the associate; so the Corporation in its financial statements, accounts for its investment in the associate using the equity method.

ESTIMATES

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

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free licence methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rate. The key assumptions are disclosed in notes 16 and 17 to the annual consolidated financial statements.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 25 to the annual consolidated financial statements.

Non-controlling interests

The non-controlling interest-related liability is calculated in relation to the price to be paid by the Corporation for the non-controlling interest, which price is based mainly on the future earnings of Adonis, Phoenicia and Première Moisson at the date the options will become exercisable. Given the uncertainty associated with the estimation of these future earnings, the Corporation used, at the end of the fiscal year, its most probable estimate and various other assumptions, including the discount rate, growth rate and capital investments. Additional information is presented in note 30 to the annual consolidated financial statements.

RISK MANAGEMENT

The Board of Directors, Audit Committee and Steering Committee monitor business risks closely. Internal Audit has the mandate to audit all business risks triennially. Hence, each segment is audited every three years to ensure that controls have been implemented to deal with the business risks related to its business area.

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

FOOD SAFETY

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

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

CRISIS MANAGEMENT

Events outside our control that could seriously affect our operations may arise. We have set up business recovery plans for all our operations. These plans provide for several disaster recovery sites, generators in case of power outages and back-up computers as powerful as the Corporation's existing computers. A steering committee oversees and regularly reviews all our recovery plans. We have also developed a contingency plan in the event of a pandemic to minimize its impact.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

LABOUR RELATIONS

The majority of our store and distribution centre employees are unionized. Collective bargaining may give rise to work stoppages or slowdowns that could hurt us. We negotiate agreements with different maturity dates, conditions that ensure our competitiveness and terms that promote a positive work environment in all our business segments. We have experienced some minor labour conflicts over the last few years but expect[(3)] to maintain good labour relations in the future.

OCCUPATIONAL HEALTH AND SAFETY

Workplace accidents may occur at one of our sites. To minimize this risk, we developed an accident prevention policy. Furthermore at all of our sites, we established workplace health and safety committees responsible for accident prevention.

CORPORATE RESPONSIBILITY

If our actions do not respect our environmental, social and economic responsibilities, we are exposed to criticism, claims, boycotts and even lawsuits, should we fail to adhere to our legal obligations.

We are aware that our business operations affect society and have increased our efforts regarding corporate responsibility. In 2012, we published our first Corporate Responsibility Report which was developed based on a prioritization process that considered both internal and external issues and trends impacting our sector and business. In 2013, we published an update to the report and in 2014, we published our second report detailing our latest corporate responsibility developments. The Fédération des chambres de commerce du Québec awarded the Corporation first prize in Sustainable Development-Large Company. Our Corporate Responsibility Report is available on our website *www.metro.ca*.

REGULATIONS

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

MARKET AND COMPETITION

Intensifying competition, the possible arrival of new competitors and changing consumer needs are constant concerns for us.

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

We have also developed a successful market segmentation strategy. Our grocery banners: the conventional Metro supermarkets, Super C and Food Basics discount banners, and Adonis ethnic food stores, target three different market segments. In fiscal 2014, we acquired Première Moisson, a company specializing in artisan breads and pastries to enhance our product offering. In the pharmacy market, we have large, medium, and small pharmacies under the Brunet Plus, Brunet, Brunet Clinique, Brunet Target, Clini Plus, Pharmacy, and Drug Basics banners.

With the *metro&moi* and *Air Miles*® loyalty programs in our Metro and Metro Plus supermarkets and our partner Dunnhumby Canada Limited, we are able to know the buying habits of loyal customers, offer them personalized promotions and increase their purchases at our stores.

PRICE OF FUEL, ENERGY AND UTILITIES

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

SUPPLIERS

Negative events could affect a supplier and lead to service breakdowns and store delivery delays. As a remedy for this situation, we deal with several suppliers. In the event of a supplier's service breakdown, we can turn to another supplier reasonably quickly.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
(2) See table on "Net earnings from continuing operations adjustments"
(3) See section on "Forward-looking information"
(4) See section on "IFRS and non-IFRS measurements"
(5) See table on "Net earnings adjustments"

FRANCHISEES AND AFFILIATES

Some of our franchisees and affiliates might breach prescribed clauses of franchise or affiliation contracts, such as purchasing policies and marketing plans. Non-compliance with such clauses may have an impact on us. A team of retail operations advisers ensures our operating standards' consistent application in all of these stores.

FINANCIAL INSTRUMENTS

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

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

We are also exposed to liquidity risk mainly through our non-current debt and creditors. We evaluate our cash position regularly and estimate[(3)] that cash flows generated by our operating activities are sufficient to provide for all outflows required by our financing activities.

Montréal, Canada, December 12, 2014

[(1)] See table on "Operating income before depreciation and amortization and associate's earnings adjustments"
[(2)] See table on "Net earnings from continuing operations adjustments"
[(3)] See section on "Forward-looking information"
[(4)] See section on "IFRS and non-IFRS measurements"
[(5)] See table on "Net earnings adjustments"

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

Eric R. La Flèche
President and Chief Executive Officer

François Thibault
Senior Vice-President,
Chief Financial Officer and Treasurer

December 12, 2014

INDEPENDENT AUDITORS' REPORT

To the shareholders of **METRO INC.**

We have audited the accompanying consolidated financial statements of METRO INC., which comprise the consolidated statements of financial position as at September 27, 2014 and September 28, 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of METRO INC. as at September 27, 2014 and September 28, 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada
December 12, 2014

[1] CPA auditor, CA, public accountancy permit no. A120803

EY

A member firm of Ernst & Young Global Limited

This page intentionally left blank

metro

Annual Consolidated Financial Statements

METRO INC.

September 27, 2014

Table of contents

metro

Consolidated statements of income

Years ended September 27, 2014 and September 28, 2013
(Millions of dollars, except for net earnings per share)

	2014	2013 *(Restated - note 3)*
Continuing operations		
Sales *(notes 6 and 28)*	**11,590.4**	11,399.9
Cost of sales and operating expenses *(notes 6 and 28)*	**(10,802.5)**	(10,594.6)
Closure expenses and restructuring charges *(note 6)*	**(6.4)**	(40.0)
Operating income before depreciation and amortization and associate's earnings	**781.5**	765.3
Depreciation and amortization *(note 6)*	**(175.8)**	(179.6)
Financial costs, net *(note 6)*	**(49.1)**	(49.4)
Share of an associate's earnings *(notes 6 and 12)*	**49.8**	50.8
Gain on disposal of a portion of the investment in an associate *(notes 6 and 12)*	**—**	307.8
Earnings before income taxes from continuing operations	**606.4**	894.9
Income taxes *(note 7)*	**(150.2)**	(197.2)
Net earnings from continuing operations	**456.2**	697.7
Discontinued operation		
Net earnings from discontinued operation *(note 8)*	**—**	6.2
Net earnings	**456.2**	703.9
Attributable to:		
Equity holders of the parent	**447.1**	695.2
Non-controlling interests	**9.1**	8.7
	456.2	703.9
Net earnings per share *(Dollars) (note 9)*		
Continuing operations and discontinued operation		
Basic	**5.11**	7.33
Fully diluted	**5.07**	7.28
Continuing operations		
Basic	**5.11**	7.27
Fully diluted	**5.07**	7.22

See accompanying notes

metro

Consolidated statements of comprehensive income

Years ended September 27, 2014 and September 28, 2013

(Millions of dollars)

	2014	2013 *(Restated - note 3)*
Net earnings	**456.2**	703.9
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (losses)	**(35.0)**	117.0
Asset ceiling effect	**4.7**	(6.5)
Minimum funding requirement	**8.0**	(2.1)
Corresponding income taxes	**5.8**	(28.9)
	(16.5)	79.5
Items that may be reclassified later to net earnings		
Share of an associate's other comprehensive income	**0.1**	—
	(16.4)	79.5
Comprehensive income	**439.8**	783.4
Attributable to:		
Equity holders of the parent	**430.7**	774.7
Non-controlling interests	**9.1**	8.7
	439.8	783.4

See accompanying notes

metro

Consolidated statements of financial position

As at September 27, 2014, September 28, 2013 and September 29, 2012

(Millions of dollars)

	2014	2013 *(Restated - note 3)*	2012 *(Restated - note 3)*
ASSETS			
Current assets			
Cash and cash equivalents	**36.0**	80.8	73.3
Accounts receivable *(notes 13 and 28)*	**310.1**	300.2	329.1
Inventories *(note 10)*	**820.7**	781.3	784.4
Prepaid expenses	**15.8**	15.3	6.6
Current taxes	**8.5**	10.9	13.9
	1,191.1	1,188.5	1,207.3
Assets held for sale *(note 11)*	**5.2**	0.9	0.6
	1,196.3	1,189.4	1,207.9
Non-current assets			
Investment in an associate *(note 12)*	**251.4**	206.4	324.5
Other financial assets *(note 13)*	**29.5**	27.5	25.8
Fixed assets *(note 14)*	**1,405.8**	1,328.4	1,280.3
Investment properties *(note 15)*	**27.0**	20.7	22.1
Intangible assets *(note 16)*	**346.2**	365.1	373.1
Goodwill *(note 17)*	**1,946.6**	1,855.6	1,859.5
Deferred taxes *(note 7)*	**58.1**	56.6	60.3
Defined benefit assets *(note 25)*	**18.6**	14.5	1.4
	5,279.5	5,064.2	5,154.9
LIABILITIES AND EQUITY			
Current liabilities			
Bank loans *(note 18)*	**1.5**	2.0	0.3
Accounts payable *(notes 19 and 28)*	**982.7**	1,004.9	1,086.9
Current taxes	**66.6**	147.3	60.5
Provisions *(note 20)*	**13.7**	39.7	11.2
Current portion of debt *(note 21)*	**12.4**	12.4	12.1
	1,076.9	1,206.3	1,171.0
Non-current liabilities			
Debt *(note 21)*	**1,044.7**	650.0	973.9
Defined benefit liabilities *(note 25)*	**101.8**	80.1	173.7
Provisions *(note 20)*	**7.0**	4.5	3.1
Deferred taxes *(note 7)*	**162.2**	148.9	147.3
Other liabilities *(note 22)*	**10.6**	14.1	13.9
Non-controlling interests *(note 30)*	**192.2**	160.5	139.3
	2,595.4	2,264.4	2,622.2
Equity			
Capital stock *(note 23)*	**599.2**	640.4	666.3
Treasury shares *(note 23)*	**(15.2)**	(14.4)	(12.2)
Contributed surplus	**15.8**	14.6	16.2
Retained earnings	**2,068.6**	2,157.8	1,861.5
Accumulated other comprehensive income	**0.2**	0.1	0.1
Equity attributable to equity holders of the parent	**2,668.6**	2,798.5	2,531.9
Non-controlling interests	**15.5**	1.3	0.8
	2,684.1	2,799.8	2,532.7
	5,279.5	5,064.2	5,154.9

Commitments and contingencies *(notes 26 and 27)*
Event after the reporting period *(note 31)*
See accompanying notes

On behalf of the Board:

ERIC R. LA FLÈCHE	MICHEL LABONTÉ
Director	Director

metro

Consolidated statements of changes in equity

Years ended September 27, 2014 and September 28, 2013

(Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 23)*	Treasury shares *(note 23)*	Contributed surplus	Retained earnings *(Restated - note 3)*	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 28, 2013	**640.4**	**(14.4)**	**14.6**	**2,157.8**	**0.1**	**2,798.5**	**1.3**	**2,799.8**
Net earnings	—	—	—	**447.1**	—	**447.1**	**9.1**	**456.2**
Other comprehensive income	—	—	—	**(16.5)**	**0.1**	**(16.4)**	—	**(16.4)**
Comprehensive income	—	—	—	**430.6**	**0.1**	**430.7**	**9.1**	**439.8**
Stock options exercised	**8.6**	—	**(1.6)**	—	—	**7.0**	—	**7.0**
Shares redeemed	**(49.8)**	—	—	—	—	**(49.8)**	—	**(49.8)**
Share redemption premium	—	—	—	**(409.9)**	—	**(409.9)**	—	**(409.9)**
Acquisition of treasury shares	—	**(4.6)**	—	—	—	**(4.6)**	—	**(4.6)**
Share-based compensation cost	—	—	**6.6**	—	—	**6.6**	—	**6.6**
Performance share units settlement	—	**3.8**	**(3.8)**	**(0.3)**	—	**(0.3)**	—	**(0.3)**
Dividends *(note 24)*	—	—	—	**(100.6)**	—	**(100.6)**	**(8.7)**	**(109.3)**
Change in fair value of non-controlling interests liability *(note 30)*	—	—	—	**(9.7)**	—	**(9.7)**	—	**(9.7)**
Reclassification of non-controlling interests liability	—	—	—	**0.7**	—	**0.7**	**(0.7)**	—
Business acquisitions *(note 5)*	—	—	—	—	—	—	**14.5**	**14.5**
	(41.2)	**(0.8)**	**1.2**	**(519.8)**	—	**(560.6)**	**5.1**	**(555.5)**
Balance as at September 27, 2014	**599.2**	**(15.2)**	**15.8**	**2,068.6**	**0.2**	**2,668.6**	**15.5**	**2,684.1**

See accompanying notes

metro

Consolidated statements of changes in equity

Years ended September 27, 2014 and September 28, 2013

(Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 23)*	Treasury shares *(note 23)*	Contributed surplus	Retained earnings *(Restated - note 3)*	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 29, 2012	666.3	(12.2)	16.2	1,861.5	0.1	2,531.9	0.8	2,532.7
Net earnings	—	—	—	695.2	—	695.2	8.7	703.9
Other comprehensive income	—	—	—	79.5	—	79.5	—	79.5
Comprehensive income	—	—	—	774.7	—	774.7	8.7	783.4
Stock options exercised	17.4	—	(3.5)	—	—	13.9	—	13.9
Shares redeemed	(43.3)	—	—	—	—	(43.3)	—	(43.3)
Share redemption premium	—	—	—	(366.1)	—	(366.1)	—	(366.1)
Acquisition of treasury shares	—	(6.3)	—	—	—	(6.3)	—	(6.3)
Share-based compensation cost	—	—	5.7	—	—	5.7	—	5.7
Performance share units settlement	—	4.1	(3.8)	(0.6)	—	(0.3)	—	(0.3)
Dividends *(note 24)*	—	—	—	(91.5)	—	(91.5)	(7.2)	(98.7)
Change in fair value of non-controlling interests liability *(note 30)*	—	—	—	(21.2)	—	(21.2)	—	(21.2)
Reclassification of non-controlling interests liability	—	—	—	1.0	—	1.0	(1.0)	—
	(25.9)	(2.2)	(1.6)	(478.4)	—	(508.1)	(8.2)	(516.3)
Balance as at September 28, 2013	640.4	(14.4)	14.6	2,157.8	0.1	2,798.5	1.3	2,799.8

See accompanying notes

metro

Consolidated statements of cash flows

Years ended September 27, 2014 and September 28, 2013

(Millions of dollars)

	2014	2013 *(Restated - note 3)*
Operating activities		
Earnings before income taxes from continuing operations	**606.4**	894.9
Earnings before income taxes from discontinued operation *(note 8)*	**—**	8.5
	606.4	903.4
Non-cash items		
Share of an associate's earnings	**(49.8)**	(50.8)
Closure expenses and restructuring charges *(note 6)*	**6.4**	40.0
Depreciation and amortization	**175.8**	179.6
Loss on disposal and write-offs of fixed and intangible assets and investment properties	**0.1**	1.5
Gain on disposal of a portion of the investment in an associate *(note 12)*	**—**	(307.8)
Gain on disposal of an operation *(note 8)*	**—**	(8.9)
Impairment losses on fixed and intangible assets	**11.6**	12.8
Impairment loss reversals on fixed and intangible assets	**(4.1)**	(7.6)
Share-based compensation cost	**6.6**	5.7
Difference between amounts paid for employee benefits and current period cost	**(4.7)**	1.8
Financial costs, net	**49.1**	49.4
	797.4	819.1
Net change in non-cash working capital items	**(99.5)**	(77.2)
Interest paid	**(50.7)**	(42.5)
Income taxes paid	**(214.9)**	(133.4)
	432.3	566.0
Investing activities		
Business acquisitions, net of cash acquired totalling $1.3 in 2014 *(note 5)*	**(100.3)**	(11.6)
Proceeds on disposal of an operation *(note 8)*	**—**	22.7
Proceeds on disposal of assets held for sale *(note 11)*	**0.9**	—
Proceeds on disposal of a portion of the investment in an associate *(note 12)*	**—**	472.6
Net change in other financial assets	**(2.0)**	0.6
Dividends from an associate	**4.9**	4.1
Additions to fixed assets	**(190.6)**	(208.4)
Proceeds on disposal of fixed assets	**3.9**	1.2
Proceeds on disposal of investment properties	**0.2**	2.5
Additions to intangible assets and goodwill	**(16.8)**	(19.4)
	(299.8)	264.3
Financing activities		
Net change in bank loans	**(0.5)**	1.7
Shares issued *(note 23)*	**7.0**	13.9
Shares redeemed *(note 23)*	**(459.7)**	(409.4)
Acquisition of treasury shares *(note 23)*	**(4.6)**	(6.3)
Performance share units cash settlement	**(0.3)**	(0.3)
Increase in debt	**396.3**	6.2
Repayment of debt	**(11.4)**	(337.3)
Net change in other liabilities	**(3.5)**	0.2
Dividends *(note 24)*	**(100.6)**	(91.5)
	(177.3)	(822.8)
Net change in cash and cash equivalents	**(44.8)**	7.5
Cash and cash equivalents – beginning of year	**80.8**	73.3
Cash and cash equivalents – end of year	**36.0**	80.8

See accompanying notes

1. DESCRIPTION OF BUSINESS

METRO INC. (the Corporation) is a company incorporated under the laws of Québec. The Corporation is one of Canada’s leading food retailers and distributors and operates a network of supermarkets, discount stores and drugstores. Its head office is located at 11011 Maurice-Duplessis Blvd., Montréal, Québec, Canada, H1C 1V6. Its various components constitute a single operating segment.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

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

Sales recognition

Sales come essentially from the sale of goods. Retail sales made by corporate stores and stores that are structured entities are recognized at the time of sale to the customer, and sales to affiliated stores and other customers when the goods are delivered. The rebates granted by the Corporation to its retailers are recorded as a reduction in sales.

Recognition of consideration from vendors

In some cases, a cash consideration from vendors is 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 Corporation to promote the vendor's products or a payment for assets or services delivered to vendors. This other consideration from vendors is accounted for, according to its nature, under sales or as a reduction of the cost of sales and operating expenses when receipt is considered likely and can be reasonably estimated.

Loyalty programs

The Corporation has two loyalty programs.

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

The second program belongs to the Corporation. At the time of a sale to the customer, part of it is recorded in accounts payable as deferred revenue equal to the fair value of the program's issued points, as determined based on the exchange value of the points awarded and the expected redemption rate which are regularly remeasured, and recognized as sales when the points are redeemed.

Foreign currency translation

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

Income taxes

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

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

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

Share-based payment

A share-based compensation expense is recognized for the stock option and performance share unit (PSU) plans offered to certain employees.

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

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

Net earnings per share

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, highly liquid investments (with an initial term of three months or less), outstanding deposits and cheques in transit. They are classified as “Financial assets at fair value through net earnings” and measured at fair value, with revaluation at the end of each period. Resulting gains or losses are recorded in net earnings.

Accounts receivable

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Warehouse inventories cost is determined 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. All costs incurred in bringing the inventories to their present location and condition are included in the cost of warehouse and retail inventories.

Assets held for sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the sale must be highly probable, assets must be available for immediate sale in their present condition, and management must be committed to a plan to sell assets that should be expected to close within one year from the date of classification. Assets held for sale are recognized at the lower of their carrying amount and fair value less costs to sell. They are not depreciated.

Investment in an associate

The Corporation's investment in its associate is accounted for using the equity method. An associate is an entity in which the Corporation has significant influence.

Investment in a joint venture

The Corporation has an interest in a joint venture, whereby the venturers have a contractual agreement that establishes joint control over the economic activities of the entity. This investment is accounted for using the equity method. The Corporation's share in the joint venture's earnings is recorded in the cost of sales and operating expenses. The financial information related to this investment is not material and is not presented separately.

Fixed assets

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

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

Leases

Leases are classified as finance leases if substantially all risks and rewards incidental to ownership are transferred to the lessee. At the moment of initial recognition, the lessee records the leased item as an asset at the lower of the fair value of the asset and the present value of the minimum lease payments. A corresponding liability to the lessor is recorded in the consolidated statement of financial position as a finance lease obligation. In subsequent periods, the asset is depreciated on a straight-line basis over the term of the lease and interest on the obligation is expensed through net earnings.

Leases are classified as operating leases if substantially all risks and rewards incidental to ownership are not transferred to the lessee. The lease payments are recognized as an expense on a straight-line basis over the lease term.

Investment properties

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

Intangible assets

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

Leasehold rights	20 to 40 years
Software	3 to 10 years
Improvements and development of retail network loyalty	5 to 30 years
Prescription files	10 years

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

Goodwill

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

Impairment of non financial assets

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

Impairment testing is conducted at the level of the asset itself, a cash generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each store is a separate CGU. Impairment testing of warehouses is conducted at the level of the different groups of CGUs. As for goodwill and corporate assets that cannot be allocated wholly to a single CGU, impairment testing is conducted at the level of the unique operating segment. Impairment testing of investment properties, investment in an associate, banners, private labels and loyalty programs is conducted at the level of the asset itself.

To test for impairment, the carrying amount of an asset, CGU or group of CGUs is compared with its recoverable amount. Generally, the recoverable amount is the higher of the value in use and the fair value less costs of disposal. The value in use corresponds to the pre-tax cash flow projections from the management-approved budgets. These projections reflect past experience and are discounted at a pre-tax rate corresponding to the expected market rate for this type of investment. The recoverable amount of investment properties, investment in an associate, banners, private labels and loyalty programs is these assets' fair value less costs of disposal. If the carrying amount exceeds the recoverable amount, an impairment loss in the amount of the excess is recognized in net earnings. CGU or group of CGUs' impairment losses are allocated pro rata to the assets of the CGU or group of CGUs, without however reducing the carrying amount of the assets below the highest of their fair value less costs of disposal, their value in use, and zero.

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

Deferred financing costs

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

Employee benefits

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

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

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

Provisions

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

Present obligations resulting from onerous contracts are accounted for and measured as provisions. A contract is said to be onerous when the costs involved in fulfilling the terms and conditions of the contract are higher than the contract's expected economic benefits.

Other financial liabilities

Bank loans, accounts payable, credit facility, notes and loans payable 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 Corporation, the measured amount generally corresponds to cost.

Non-controlling interests

Non-controlling interests are generally recognized in equity. However, with respect to its interests in Adonis, Phoenicia and Première Moisson, the Corporation has the option to buy out the minority interests and the minority shareholders in these companies have the option to be bought out by the Corporation under certain conditions on the options' exercisable dates. Given these options, the non-controlling interests become a financial liability. It is classified as "Financial liabilities held for trading" and measured at fair value with gains or losses resulting from the revaluation at the end of each period recorded in net earnings or in retained earnings. The Corporation elected to record them in retained earnings.

Derivative financial instruments

In accordance with its risk management strategy, the Corporation uses derivative financial instruments for hedging purposes. On inception of a hedging relationship, the Corporation indicates whether or not it will apply hedge accounting to the relationship. Should there be any, the Corporation formally documents several factors, such as the election to apply hedge accounting, the hedged item, the hedging item, the risks being hedged and the term over which the relationship is expected to be effective, as well as risk management objectives and strategy.

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

The Corporation uses foreign exchange forward contracts to hedge against foreign exchange rate fluctuations in respect of future foreign-denominated purchases of goods and services. Given their short-term maturity, the Corporation elected not to apply hedge accounting to its foreign exchange forward contracts. These derivative financial instruments are classified as "Financial assets or liabilities at fair value through net earnings" and measured at fair value with revaluation at the end of each period. Resulting gains or losses are recorded in net earnings.

Fair value measurements hierarchy

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

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

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal years ended September 27, 2014 and September 28, 2013 included 52 weeks of operations.

(Millions of dollars, unless otherwise indicated)

3. NEW ACCOUNTING POLICIES

ADOPTED IN 2014

In fiscal 2014, the Corporation adopted the new accounting policies described below.

Employee benefits

IAS 19 "Employee Benefits" (IAS 19R) was amended. IAS 19R eliminates the corridor method for recognizing changes (actuarial gains and losses) in defined benefit obligations and plan assets and requires that they be recognized in other comprehensive income when they occur. Application of this amendment had no impact, as the Corporation has used immediate recognition of actuarial gains and losses in other comprehensive income since the transition to IFRS.

IAS 19R eliminates the possibility of deferring recognition of past service costs related to unvested benefits and requires their immediate recognition in the income statement. Application of this amendment had no impact for the Corporation, as no past service costs have been deferred since the transition to IFRS.

Under IAS 19, the employee benefit expense includes interest income corresponding to management's expected return on plan assets. IAS 19R eliminates the return on plan assets component and requires recognition of interest on the difference between defined benefit obligations and plan assets based on the discount rate for measuring obligations. This net interest is no longer presented as an employee benefit expense but as part of financial costs.

IAS 19R also requires additional disclosures to present the characteristics of defined benefit plans which is presented in note 25.

IAS 19R has been applied retroactively with restatement of prior periods' annual consolidated financial statements.

The Corporation recorded the following adjustments:

FINANCIAL POSITION ITEMS

Increase (decrease)	As at September 28, 2013	As at September 29, 2012
Defined benefit liabilities	10.3	16.8
Deferred tax assets	2.7	4.0
Deferred tax liabilities	—	(0.4)
Retained earnings	(7.6)	(12.4)

INCOME AND COMPREHENSIVE INCOME ITEMS

Increase (decrease)	2013
Cost of sales and operating expenses	15.9
Financial costs, net	8.3
Income taxes	(6.5)
Net earnings	(17.7)
Basic net earnings per share	(0.19)
Fully diluted net earnings per share	(0.18)
Basic net earnings per share from continuing operations	(0.19)
Fully diluted net earnings per share from continuing operations	(0.18)
Other comprehensive income, net of income taxes	22.5

Offsetting financial assets and financial liabilities

IAS 32 “Financial Instruments: Presentation” was amended to clarify the requirements for offsetting financial assets and financial liabilities. It specifies that the right of set-off has to be legally enforceable even in the event of bankruptcy. IFRS 7 “Financial Instruments: Disclosures” was also amended to improve disclosures on offsetting of financial assets and financial liabilities. These amendments did not impact the Corporation's annual consolidated financial statements, but additional information is disclosed in note 19.

Fair value measurement

IFRS 13 “Fair Value Measurement” establishes a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of more information on fair value measurements. This new standard did not impact the Corporation's annual consolidated financial statements, but additional information is disclosed in notes 11, 12, 15, 16 and 30.

Impairment of assets

IAS 36 “Impairment of Assets” was amended to require disclosures about assets or CGUs for which an impairment loss was recognized or reversed during the period. Additional information is disclosed in note 6.

Consolidated financial statements

IFRS 10 “Consolidated Financial Statements” replaces SIC-12 “Consolidation - Special Interest Entities” and certain parts of IAS 27 “Consolidated and Separate Financial Statements”. This standard eliminates the risk/benefit-based approach and uses control as the sole basis for consolidation. An investor controls an investee if and only if the investor has all of the following elements:

a) power over the investee;
b) exposure or rights to variable returns from involvement with the investee;
c) the ability to use power over the investee to affect the amount of the investor's returns.

This new standard did not impact the Corporation's annual consolidated financial statements.

Joint arrangements

IFRS 11 “Joint Arrangements” supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities - Non-Monetary Contributions by Venturers”. This standard describes two types of joint arrangements which differ according to the rights and obligations of the partners: joint operations and joint ventures. IFRS 11 eliminates the proportionate consolidation method for joint ventures and requires the equity method. For joint operations, it requires recognition of a joint operator’s share of each of the items comprising the joint arrangement. This new standard did not impact the Corporation's annual consolidated financial statements.

Disclosure of interests in other entities

IFRS 12 “Disclosure of Interests in Other Entities” requires that an entity disclose more information on the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) and the effects of those interests on its financial statements. Additional information is disclosed in notes 4 and 12.

RECENTLY ISSUED

Financial instruments

In November 2009, the IASB issued IFRS 9 “Financial Instruments”. This new standard replaces the various rules of IAS 39 “Financial Instruments: Recognition and Measurement” with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statement users to better understand an entity's risk exposure and its risk management activities.

In July 2014, the IASB issued a new impairment model for financial assets based on expected credit losses. IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” which is a replacement of IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Consolidation of structured entities

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

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

The Corporation also has an agreement with a distributor that operates a plant exclusively for the needs and according to the specifications of the Corporation's, which assumes all costs. For these reasons, the Corporation consolidates this distributor in its financial statements.

Investment in an associate

The Corporation holds less than 20% of the voting rights in an associate, but one of its representatives sits on the associate's board of directors and is involved in financial and operating policy decisions. Management has concluded that the Corporation exercises significant influence over the associate; so the Corporation in its financial statements, accounts for its investment in the associate using the equity method.

(Millions of dollars, unless otherwise indicated)

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free licence methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rate. The key assumptions are disclosed in notes 16 and 17.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 25.

Non-controlling interests

The non-controlling interest-related liability is calculated in relation to the price to be paid by the Corporation for the non-controlling interest, which price is based mainly on the future earnings of Adonis, Phoenicia and Première Moisson at the date the options will become exercisable. Given the uncertainty associated with the estimation of these future earnings, the Corporation used, at the end of the fiscal year, its most probable estimate and various other assumptions, including the discount rate, growth rate and capital investments. Additional information is presented in note 30.

5. BUSINESS ACQUISITIONS

Première Moisson and stores from a competitor

In 2014, the Corporation acquired 75% of the net assets of Première Moisson, which has 23 stores and three production centres in Québec, and 100% of the net assets, including real estate, of two food stores from a competitor in Ontario. The purchase price of these interests totalled $101.6. The acquisitions were accounted for using the purchase method. The Corporation controls the acquired businesses and consolidated their earnings as of their respective acquisition dates. The preliminary total purchase price allocations were as follows:

Net assets acquired at their fair value	
Cash	1.3
Current assets	13.9
Fixed assets	49.2
Investment property	0.9
Goodwill	91.1
Current and non-current liabilities assumed	(14.3)
Deferred tax liabilities	(4.0)
Non-controlling interests	(14.5)
	123.6
Cash consideration	101.6
Non-controlling interests	22.0
	123.6

Management is currently carrying out more detailed analysis and, in the next fiscal year, changes may be made to the value of net assets acquired. The related operating results may also vary from the amounts initially recorded.

Once the purchase price allocations are finalized, the goodwill from the acquisitions will correspond, on the one hand, to the possibility for the Corporation to further differentiate itself by offering customers a broader range of premium bakery products made by Première Moisson and, on the other hand, to an increase in customers buying from new food stores. In the goodwill's tax treatment, 75% of the goodwill will be treated as eligible assets with related tax deductions and 25% as non-deductible.

Between their acquisition dates and September 27, 2014, the acquired businesses have increased Corporation sales and net earnings by $16.1 and $1.4 respectively. If their acquisitions had taken place at the beginning of the year, the acquired businesses would have increased Corporation sales and net earnings by an additional $124.9 and $10.7 respectively for the year ended September 27, 2014.

In fiscal 2014, acquired-related costs of $1.2 were recorded in operating expenses.

Adonis et Phoenicia

On October 23, 2011, the Corporation acquired 55% of the net assets of Adonis, a Montréal-area retailer with four existing stores and a fifth one under construction that was opened in December 2011, as well as Phoenicia, an importer and wholesaler with a distribution centre in Montréal and another in the Greater Toronto Area. These businesses specialize in perishable and ethnic food products. The final purchase price paid by the Corporation for the 55% interest was $161.4 and the remaining balance of $11.6, as at September 29, 2012, has been paid during fiscal 2013.

(Millions of dollars, unless otherwise indicated)

6. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	2014	2013 *(Restated - note 3)*
Continuing operations		
Sales	**11,590.4**	11,399.9
Cost of sales and operating expenses		
Cost of sales	**(9,375.6)**	(9,200.8)
Wages and fringe benefits	**(645.6)**	(642.2)
Employee benefits expense *(note 25)*	**(63.7)**	(63.3)
Rents, taxes and common costs	**(265.6)**	(259.3)
Electricity and natural gas	**(124.6)**	(118.3)
Impairment losses on fixed and intangible assets *(notes 14 and 16)*	**(11.6)**	(12.8)
Impairment loss reversals on fixed and intangible assets *(notes 14 and 16)*	**4.1**	7.6
Other expenses	**(319.9)**	(305.5)
	(10,802.5)	(10,594.6)
Closure expenses and restructuring charges	**(6.4)**	(40.0)
Operating income before depreciation and amortization and associate's earnings	**781.5**	765.3
Depreciation and amortization		
Fixed assets *(note 14)*	**(144.3)**	(147.0)
Intangible assets *(note 16)*	**(31.5)**	(32.6)
	(175.8)	(179.6)
Financing costs, net		
Current interest	**(4.1)**	(2.1)
Non-current interest	**(41.9)**	(40.5)
Interests on defined benefit obligations net of plan assets *(note 25)*	**(3.9)**	(8.3)
Amortization of deferred financing costs	**(0.8)**	(0.8)
Interest income	**1.9**	2.7
Passage of time	**(0.3)**	(0.4)
	(49.1)	(49.4)
Share of an associate's earnings	**49.8**	50.8
Gain on disposal of a portion of the investment in an associate *(note 12)*	**—**	307.8
Earnings before income taxes from continuing operations	**606.4**	894.9

Impairment losses and impairment loss reversals were on food stores assets where cash flows decreased or increased due to local competition. As at September 27, 2014, the recoverable amount for stores on which the Corporation recorded an impairment loss or impairment loss reversal was $34.9.

On November 28, 2013, the Corporation announced the spring 2014 closure of its Québec City produce distribution centre. During fiscal 2014, non-recurring closure costs of $6.4 before taxes were recorded for severances, assets write-offs and others.

During fiscal 2013, restructuring charges of $40.0 before taxes were recorded for severances, vacant leases provisions, assets write-offs and others.

(Millions of dollars, unless otherwise indicated)

7. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	**2014**	2013 (Restated - note 3)
Combined statutory income tax rate	**26.9**	26.9
Changes		
Share of an associate's earnings	**(1.3)**	(0.9)
Gain on disposal of a portion of the investment in an associate	**—**	(4.6)
Others	**(0.8)**	0.6
	24.8	22.0

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

Consolidated income statements

	2014	2013 (Restated - note 3)
Current		
Current tax expense	**136.6**	220.9
Deferred		
Adjustment related to temporary differences	**13.6**	(23.7)
	150.2	197.2

Consolidated comprehensive income statements

	2014	2013 (Restated - note 3)
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial gains (losses)	**(9.2)**	31.2
Asset ceiling effect	**1.3**	(1.7)
Minimum funding requirement	**2.1**	(0.6)
	(5.8)	28.9

(Millions of dollars, unless otherwise indicated)

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

	Consolidated statements of financial position		Consolidated statements of income	
	As at September 27, 2014	As at September 28, 2013 *(Restated - note 3)*	**2014**	2013 *(Restated - note 3)*
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	**4.8**	2.9	**1.9**	5.3
Deferred tax losses	**3.6**	1.7	**1.9**	0.1
Inventories	**(9.5)**	(9.2)	**(0.3)**	0.2
Excess of tax value over net carrying value of buildings under finance leases	**4.5**	4.7	**(0.2)**	(0.5)
Employee benefits	**21.1**	16.6	**(1.3)**	(0.7)
Investment in an associate	**(33.4)**	(27.4)	**(6.0)**	12.3
Excess of net carrying value over tax value				
Fixed assets	**(8.4)**	1.4	**(5.8)**	11.0
Investment properties	**0.7**	0.8	**(0.1)**	—
Intangible assets	**(55.2)**	(56.0)	**0.8**	—
Goodwill	**(32.3)**	(27.8)	**(4.5)**	(4.0)
	(104.1)	(92.3)	**(13.6)**	23.7

Deferred tax assets	**58.1**	56.6
Deferred tax liabilities	**(162.2)**	(148.9)
	(104.1)	(92.3)

(Millions of dollars, unless otherwise indicated)

8. DISCONTINUED OPERATION

On December 17, 2012, the Corporation disposed of its food service operation, the Distagro division, which supplied restaurant chains and convenience stores belonging to and operated by gas station chains. The final disposal price of this operation was $23.6 with a balance receivable as at September 28, 2013 of $0.9 presented in assets held for sale.

Sales and other income statement items of this division for fiscal ended September 28, 2013 were presented in the consolidated statement of income in the "Discontinued operation" section.

The discontinued operation's net earnings were fully attributed to equity holders of the parent and were itemized below:

	2013
Sales	96.1
Cost of sales and operating expenses	(96.5)
Loss before income taxes	(0.4)
Income taxes	0.1
	(0.3)
Gain on disposal of an operation	8.9
Income taxes	(2.4)
	6.2

The discontinued operation's basic net earnings per share and fully diluted net earnings per share were as follows:

(Dollars)	2013
Basic	0.06
Fully diluted	0.06

The disposal price was itemized below:

Assets	
Accounts receivable	10.0
Inventories	11.6
Other financial assets	1.4
Fixed assets	0.7
Goodwill	4.0
	27.7
Liabilities	
Accounts payable	(13.0)
Gain on disposal of an operation	8.9
Cash consideration	23.6

The discontinued operation's operating activities generated inflows of $3.6 for fiscal 2013.

9. 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)	**2014**	2013
Weighted average number of shares outstanding – Basic	**87.5**	94.8
Dilutive effect under:		
Stock option plan	**0.3**	0.5
Performance share unit plan	**0.3**	0.2
Weighted average number of shares outstanding – Fully diluted	**88.1**	95.5

10. INVENTORIES

	2014	2013
Wholesale inventories	**351.8**	338.2
Retail inventories	**468.9**	443.1
	820.7	781.3

11. ASSETS HELD FOR SALE

As at September 27, 2014, the Corporation was committed to sell assets for the amount of $5.2 ($0.9 as at September 28, 2013). They were reclassified as assets held for sale in the consolidated statements of financial position and measured at the lower of carrying amount and fair value less costs to sell. A loss of $3.7 was recorded on these assets during fiscal 2014.

The fair value of the assets held for sale was $5.2 as at September 27, 2014 ($0.9 as at September 28, 2013). The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs, i.e. offers from third-party buyers for these assets or similar assets.

12. INVESTMENT IN AN ASSOCIATE

The Corporation has a 5.7% (5.7% in 2013) interest in a publicly traded associate in the convenience store industry, which is Alimentation Couche-Tard. On January 22, 2013, the Corporation sold close to half of its investment in Alimentation Couche-Tard to three financial institutions for a cash consideration of $479.0 and for proceeds, net of fees and commissions, of $472.6. A net before-tax gain of $307.8 ($266.4 after-taxes) was recorded in the Corporation's 2013 results.

The investment associate's fair value, corresponding to its quoted market value, was $1,139.2 as at September 27, 2014 ($698.3 as at September 28, 2013). The Corporation categorized the fair value measurement in Level 1, as it is derived from quoted prices in active markets.

The associate's consolidated financial statements reporting date is the last Sunday of April of every year. The Corporation applied the equity method, using the associate’s most recent condensed consolidated financial statements in US$ as at July 20, 2014 (July 21, 2013).

(Millions of dollars, unless otherwise indicated)

The summarized financial information, according to the associate's consolidated statements of financial position converted at the exchange rate at the reporting date, was as follows:

	As at July 20, 2014	As at July 21, 2013
Current assets	**3,484.2**	3,542.6
Non-current assets	**7,723.2**	7,521.3
Current liabilities	**(3,024.7)**	(2,843.5)
Non-current liabilities	**(3,757.9)**	(4,731.0)
Net assets of the associate	**4,424.8**	3,489.4

The summarized financial information, according to the associate's consolidated statements of income converted at the average exchange rate, was as follows:

	2014	2013
Sales	**40,988.5**	38,686.8
Net earnings	**884.3**	732.2
Other comprehensive income	**(9.9)**	51.5
Comprehensive income	**873.3**	783.7

These amounts are the totals of the associate's previous fiscal year second, third and fourth quarters and current fiscal year first quarter.

The reconciliation of the summarized financial information and the carrying amount of the Corporation's investment in the associate was as follows:

	2014	2013
Net assets of the associate	**4,424.8**	3,489.4
Corporation's share of the associate	**5.7%**	5.7%
	252.2	198.9
Other adjustments - changes in the investment	**(0.8)**	7.5
Investment in an associate	**251.4**	206.4

13. OTHER FINANCIAL ASSETS

	2014	2013
Loans to certain customers, bearing interest at floating rates, repayable in monthly instalments, maturing through 2030	**29.2**	25.8
Other assets	**2.6**	3.4
	31.8	29.2
Current portion included in accounts receivable	**2.3**	1.7
	29.5	27.5

(Millions of dollars, unless otherwise indicated)

14. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Buildings under finance leases	Total
Cost						
Balance as at September 29, 2012	191.7	477.5	1,185.2	633.6	55.6	2,543.6
Acquisitions	22.5	59.2	88.3	38.4	—	208.4
Disposals and write-offs	—	—	(47.0)	(76.8)	—	(123.8)
Disposals related to the discontinued operation *(note 8)*	—	—	(8.2)	(4.3)	—	(12.5)
Balance as at September 28, 2013	**214.2**	**536.7**	**1,218.3**	**590.9**	**55.6**	**2,615.7**
Acquisitions	**13.4**	**59.4**	**83.4**	**42.0**	**1.6**	**199.8**
Acquisitions through business combinations *(note 5)*	**4.4**	**20.5**	**16.8**	**7.4**	**0.1**	**49.2**
Transfers	**(6.2)**	**(11.0)**	**(4.0)**	**—**	**—**	**(21.2)**
Disposals and write-offs	**(2.8)**	**(0.2)**	**(46.2)**	**(15.3)**	**(6.6)**	**(71.1)**
Balance as at September 27, 2014	**223.0**	**605.4**	**1,268.3**	**625.0**	**50.7**	**2,772.4**
Accumulated depreciation and impairment						
Balance as at September 29, 2012	(1.2)	(124.4)	(759.4)	(354.4)	(23.9)	(1,263.3)
Depreciation	—	(14.1)	(81.5)	(47.9)	(3.5)	(147.0)
Disposals and write-offs	—	—	47.0	68.3	—	115.3
Disposals related to the discontinued operation *(note 8)*	—	—	7.5	4.3	—	11.8
Impairment losses	—	—	(6.8)	(3.5)	—	(10.3)
Impairment loss reversals	0.8	1.5	2.5	1.4	—	6.2
Balance as at September 28, 2013	**(0.4)**	**(137.0)**	**(790.7)**	**(331.8)**	**(27.4)**	**(1,287.3)**
Depreciation	**—**	**(19.9)**	**(77.1)**	**(44.3)**	**(3.0)**	**(144.3)**
Transfers	**—**	**5.1**	**1.7**	**—**	**—**	**6.8**
Disposals and write-offs	**—**	**—**	**41.9**	**15.3**	**6.5**	**63.7**
Impairment losses	**—**	**(0.1)**	**(4.6)**	**(3.5)**	**(0.7)**	**(8.9)**
Impairment loss reversals	**0.3**	**0.7**	**1.4**	**1.0**	**—**	**3.4**
Balance as at September 27, 2014	**(0.1)**	**(151.2)**	**(827.4)**	**(363.3)**	**(24.6)**	**(1,366.6)**
Net carrying value						
Balance as at September 28, 2013	213.8	399.7	427.6	259.1	28.2	1,328.4
Balance as at September 27, 2014	**222.9**	**454.2**	**440.9**	**261.7**	**26.1**	**1,405.8**

Net additions of fixed assets excluded from the consolidated statement of cash flows amounted to $9.2 in 2014 (nil in 2013).

Transfers represent transfers from fixed assets to assets held for sale and investment properties.

(Millions of dollars, unless otherwise indicated)

15. INVESTMENT PROPERTIES

	Cost	Accumulated depreciation	Net carrying value
Balance as at September 29, 2012	33.9	(11.8)	22.1
Transfers	0.6	—	0.6
Disposals and write-offs	(2.3)	0.3	(2.0)
Balance as at September 28, 2013	**32.2**	**(11.5)**	**20.7**
Acquisitions through business combinations *(note 5)*	**0.9**	**—**	**0.9**
Transfers from fixed assets	**5.5**	**—**	**5.5**
Disposals and write-offs	**(0.4)**	**0.3**	**(0.1)**
Balance as at September 27, 2014	**38.2**	**(11.2)**	**27.0**

The fair value of investment properties was $35.2 as at September 27, 2014 ($27.0 as at September 28, 2013). The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs, i.e. recent transactions on these assets or similar assets.

(Millions of dollars, unless otherwise indicated)

16. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Leasehold rights	Software	Improvements and development of retail network loyalty	Prescription files	Total
Cost					
Balance as at September 29, 2012	76.4	174.6	247.2	8.9	507.1
Acquisitions	—	4.0	22.8	—	26.8
Disposals and write-offs	(5.6)	(4.1)	(23.3)	(0.5)	(33.5)
Disposals related to the discontinued operation *(note 8)*	—	(12.2)	(5.3)	—	(17.5)
Balance as at September 28, 2013	**70.8**	**162.3**	**241.4**	**8.4**	**482.9**
Acquisitions	**—**	**3.6**	**16.8**	**—**	**20.4**
Disposals and write-offs	**(7.9)**	**(0.8)**	**(20.8)**	**(0.3)**	**(29.8)**
Balance as at September 27, 2014	**62.9**	**165.1**	**237.4**	**8.1**	**473.5**
Accumulated amortization and impairment					
Balance as at September 29, 2012	(46.4)	(148.2)	(107.8)	(4.9)	(307.3)
Amortization	(1.4)	(10.9)	(19.5)	(0.8)	(32.6)
Disposals and write-offs	5.6	4.1	22.5	0.2	32.4
Disposals related to the discontinued operation *(note 8)*	—	12.2	5.3	—	17.5
Impairment losses	(2.4)	—	(0.1)	—	(2.5)
Impairment loss reversals	1.4	—	—	—	1.4
Balance as at September 28, 2013	**(43.2)**	**(142.8)**	**(99.6)**	**(5.5)**	**(291.1)**
Amortization	**(2.0)**	**(9.0)**	**(19.8)**	**(0.7)**	**(31.5)**
Disposals and write-offs	**5.2**	**0.8**	**17.7**	**0.3**	**24.0**
Impairment losses	**(2.7)**	**—**	**—**	**—**	**(2.7)**
Impairment loss reversals	**0.7**	**—**	**—**	**—**	**0.7**
Balance as at September 27, 2014	**(42.0)**	**(151.0)**	**(101.7)**	**(5.9)**	**(300.6)**
Net carrying value					
Balance as at September 28, 2013	27.6	19.5	141.8	2.9	191.8
Balance as at September 27, 2014	**20.9**	**14.1**	**135.7**	**2.2**	**172.9**

(Millions of dollars, unless otherwise indicated)

Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balance as at September 28, 2013 and September 27, 2014	**110.3**	**39.5**	**23.5**	**173.3**

Net additions of intangible assets excluded from the consolidated statement of cash flows amounted to $3.6 in 2014 ($7.5 in 2013).

Impairment testing of loyalty programs and certain private labels was conducted at the level of the asset itself. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the capitalized excess EBIT method. The estimated EBIT directly allocated to the programs and private labels, after deduction of the return on contributory assets, was based on historical data reflecting past experience. For loyalty programs, the earnings multiple used was 6.7 considering a growth rate of 2.0% corresponding to the consumer price index. For these private labels, the earnings multiple used was 7.3 considering a growth rate of 2.0% corresponding to the consumer price index. The Corporation categorized the fair value measurement in Level 3, as it is derived from unobservable market inputs.

Impairment testing of banners and certain private labels were conducted at the level of the asset itself. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the royalty-free licence method. The estimated royalty rate was based on information from external sources and historical data reflecting past experience. For the banners, the earnings multiples used were 7.3 and 11.8 considering growth rate of 2.0% corresponding to the consumer price index. For these private labels, the earnings multiple used was 12.5 considering a growth rate of 2.0% corresponding to the consumer price index. The Corporation categorized the fair value measurement in Level 3, as it is derived from unobservable market inputs.

Key assumptions for fiscal 2014 and 2013 are similar. No reasonably possible change of any of these assumptions would result in a carrying amount higher than the recoverable amount.

(Millions of dollars, unless otherwise indicated)

17. GOODWILL

	2014	2013
Balance – beginning of year	**1,855.6**	1,859.5
Acquisitions	**—**	0.1
Acquisitions through business combinations *(note 5)*	**91.1**	—
Disposals related to the discontinued operation *(note 8)*	**—**	(4.0)
Disposals	**(0.1)**	—
Balance – end of year	**1,946.6**	1,855.6

For impairment testing, the carrying amount of goodwill was allocated to the unique operating segment of the Corporation. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets. The forecasts reflected past experience. A pre-tax discount rate of 14.1% was used and any growth rate was taken into consideration. Key assumptions for fiscal 2014 and 2013 were similar. No reasonably possible change of any of these assumptions would result in a carrying amount higher than the recoverable amount.

18. BANK LOANS

As at September 27, 2014 and September 28, 2013, the Corporation's only bank loans were the credit margins of structured entities. The consolidated structured entities have credit margins totaling $7.9 ($7.7 as at September 28, 2013), bearing interest at prime, unsecured and maturing on various dates through 2015. As at September 27, 2014, $1.5 ($2.0 as at September 28, 2013) had been drawn down under credit margins at an interest rate of 3.5% (3.0% as at September 28, 2013).

19. OFFSETTING

	2014	2013
Accounts payable (gross)	**1,033.7**	1,052.4
Vendor rebate receivables	**(51.0)**	(47.5)
Accounts payable (net)	**982.7**	1,004.9

(Millions of dollars, unless otherwise indicated)

20. PROVISIONS

	Onerous leases	Restructuring charges *(note 6)*	Other	Total
Balance as at September 29, 2012	4.4	—	9.9	14.3
Additional provisions	1.1	34.3	7.8	43.2
Amounts used	(1.7)	—	(11.6)	(13.3)
Balance as at September 28, 2013	3.8	34.3	6.1	44.2
Current provisions	2.1	31.5	6.1	39.7
Non-current provisions	1.7	2.8	—	4.5
Balance as at September 28, 2013	3.8	34.3	6.1	44.2
Balance as at September 28, 2013	**3.8**	**34.3**	**6.1**	**44.2**
Additional provisions	**1.3**	**—**	**7.9**	**9.2**
Amounts used	**(2.7)**	**(17.0)**	**(13.0)**	**(32.7)**
Transfers	**12.6**	**(12.6)**	**—**	**—**
Balance as at September 27, 2014	**15.0**	**4.7**	**1.0**	**20.7**
Current provisions	**8.0**	**4.7**	**1.0**	**13.7**
Non-current provisions	**7.0**	**—**	**—**	**7.0**
Balance as at September 27, 2014	**15.0**	**4.7**	**1.0**	**20.7**

Onerous leases correspond to leases for premises that are no longer used for the Corporation's operations, including those related to stores closed during the year with the reorganization of the Ontario store network. The amount of the provision for these leases equals the discounted present value of the future lease payments less the estimated future sublease income. The estimate may vary with the sublease assumptions. The remaining terms of these leases are from one to 12 years.

The restructuring provision is related to the reorganization of the Ontario store network, in which, certain Metro supermarkets are converted into Food Basics discount stores, collective agreements are bought out, early exit packages are offered to some employees and closure of stores.

Other provisions include amounts concerning provincial worker’s compensation plans as well as a provision for costs related to the closure of the Québec City produce distribution centre which occurred in fiscal 2014.

(Millions of dollars, unless otherwise indicated)

21. DEBT

	2014	2013
Revolving Credit Facility, bearing interest at a weighted average rate of 2.50% (2.47% in 2013), repayable on November 3, 2019 or earlier	**391.7**	—
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 2027, bearing interest at an average rate of 3.08% (3.16% in 2013)	**32.4**	28.1
Obligations under finance leases, bearing interest at an effective rate of 8.5% (8.6% in 2013)	**36.9**	39.0
Deferred financing costs	**(3.9)**	(4.7)
	1,057.1	662.4
Current portion	**12.4**	12.4
	1,044.7	650.0

The revolving credit facility with a maximum of $600.0 bears interest at rates that fluctuate with changes in bankers' acceptance rates and is unsecured. As at September 27, 2014, the unused authorized revolving credit facility was $208.3 ($600.0 as at September 28, 2013). Given that the Corporation frequently increases and decreases this credit facility through bankers' acceptances with a minimum of 30 days and to simplify its presentation, the Corporation found that it is preferable for the understanding of its financing activities to present the consolidated statement of cash flows solely with net annual changes.

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

	Facility and loans	Notes	Obligations under finance leases	Total
2015	8.4	—	6.7	15.1
2016	2.2	200.0	6.5	208.7
2017	1.7	—	5.9	7.6
2018	0.9	—	5.4	6.3
2019	0.7	—	4.5	5.2
2020 and thereafter	410.2	400.0	25.7	835.9
	424.1	600.0	54.7	1,078.8

The minimum payments in respect of the obligations under finance leases included interest amounting to $17.8 on these obligations in 2014 ($20.8 in 2013).

On August 22, 2014, the maturity of the revolving credit facility was extended to November 3, 2019.

On December 5, 2014, the Corporation reimbursed its revolving credit facility. Also, on December 31, 2014, the Corporation will redeem its $200.0 aggregate principal amount of Series A notes.These changes are not taken into consideration in the above tables (note 31 - Event after the reporting period).

22. OTHER LIABILITIES

	2014	2013
Lease liabilities	**9.3**	11.2
Other liabilities	**1.3**	2.9
	10.6	14.1

23. CAPITAL STOCK

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

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

Common Shares issued

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

	Number *(Thousands)*	
Balance as at September 29, 2012	97,444	666.3
Shares redeemed for cash, excluding premium of $366.1	(6,241)	(43.3)
Stock options exercised	445	17.4
Balance as at September 28, 2013	**91,648**	**640.4**
Shares redeemed for cash, excluding premium of $409.9	**(7,093)**	**(49.8)**
Stock options exercised	**189**	**8.6**
Balance as at September 27, 2014	**84,744**	**599.2**

Treasury shares

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

	Number *(Thousands)*	
Balance as at September 29, 2012	258	(12.2)
Acquisition	94	(6.3)
Release	(90)	4.1
Balance as at September 28, 2013	**262**	**(14.4)**
Acquisition	**75**	**(4.6)**
Release	**(83)**	**3.8**
Balance as at September 27, 2014	**254**	**(15.2)**

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

Stock option plan

The Corporation has a stock option plan for certain Corporation employees providing for the grant of options to purchase up to 10,000,000 Common Shares. As at September 27, 2014, a balance of 2,626,052 shares could be issued following the exercise of stock options (2,814,512 as at September 28, 2013). The subscription price of each Common Share under an option granted pursuant to the plan is equal to the market price of the shares on the day prior to 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, 2012	1,683	39.27
Granted	224	66.11
Exercised	(445)	31.16
Cancelled	(111)	42.54
Balance as at September 28, 2013	**1,351**	**46.12**
Granted	**248**	**66.09**
Exercised	**(189)**	**36.98**
Cancelled	**(35)**	**48.48**
Balance as at September 27, 2014	**1,375**	**50.91**

The information regarding the stock options outstanding and exercisable as at September 27, 2014 was summarized as below :

	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)*
24.73 à 29.63	146	7.3	25.29	146	25.29
34.97 à 43.64	174	21.6	38.08	109	37.64
44.19 à 53.15	560	44.1	48.63	177	47.06
58.40 à 65.70	274	75.7	64.64	7	58.41
66.29 à 74.06	221	67.6	66.73	—	—
	1,375	47.4	50.91	439	37.64

The weighted average fair value of $8.89 per option ($11.30 in 2013) for stock options granted during fiscal 2014 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 1.7% (1.2% in 2013), expected life of 5.3 years (5.4 years in 2013), expected volatility of 16.3% (21.0% in 2013) and expected dividend yield of 1.8% (1.5% in 2013). The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

Compensation expense for these options amounted to $2.2 for fiscal 2014 ($2.0 in 2013).

(Millions of dollars, unless otherwise indicated)

Performance share unit plan

The Corporation has a PSU plan. Under this program, senior executives and other key employees (participants) periodically receive a given number of PSUs which may increase if the Corporation meets certain financial performance indicators. The PSUs entitle the participant to Common Shares of the Corporation, 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, 2012	284
Granted	96
Settled	(96)
Cancelled	(27)
Balance as at September 28, 2013	**257**
Granted	**111**
Settled	**(88)**
Cancelled	**(12)**
Balance as at September 27, 2014	**268**

The weighted average fair value of $64.96 per PSU ($62.92 in 2013) for PSUs granted during the year was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all of these PSUs amounted to $4.4 for fiscal 2014 ($3.7 in 2013).

24. DIVIDENDS

In fiscal 2014, the Corporation paid $100.6 in dividends to holders of Common Shares ($91.5 in 2013), or $1.15 per share ($0.965 in 2013). On September 29, 2014, the Corporation's Board of Directors declared a quarterly dividend of $0.30 per Common Share payable November 26, 2014.

25. EMPLOYEE BENEFITS

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

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

(Millions of dollars, unless otherwise indicated)

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

	2014		2013 (Restated - note 3)	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance – beginning of year	**818.8**	**38.3**	847.4	41.5
Participant contributions	**4.8**	**—**	4.3	—
Benefits paid	**(37.8)**	**(3.5)**	(41.6)	(3.7)
Items in net earnings				
Current service cost	**31.5**	**2.1**	36.3	2.3
Interest cost	**40.4**	**1.9**	36.9	1.8
Plan amendments	**0.5**	**1.0**	—	—
Actuarial gains	**—**	**—**	—	(0.9)
	72.4	**5.0**	73.2	3.2
Items in comprehensive income				
Actuarial losses (gains) from demographic assumptions	**30.7**	**(2.0)**	0.1	(1.5)
Actuarial losses (gains) from financial assumptions	**91.5**	**2.1**	(78.4)	(1.5)
Adjustments due to experience	**0.8**	**(0.3)**	13.8	0.3
	123.0	**(0.2)**	(64.5)	(2.7)
Balance – end of year	**981.2**	**39.6**	818.8	38.3

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

	2014		2013	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Active plan participants	**61**	**74**	62	74
Deferred plan participants	**4**	**—**	4	—
Retirees	**35**	**26**	34	26

(Millions of dollars, unless otherwise indicated)

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

	2014		2013 (Restated - note 3)	
	Pension plans	**Other plans**	Pension plans	Other plans
Fair value – beginning of year	**814.4**	**—**	730.3	—
Employer contributions	**42.1**	**3.5**	42.3	3.7
Participant contributions	**4.8**	**—**	4.3	—
Benefits paid	**(37.8)**	**(3.5)**	(41.6)	(3.7)
Items in net earnings				
Interest income	**39.6**	**—**	31.0	—
Administration costs	**(1.9)**	**—**	(1.7)	—
	37.7	**—**	29.3	—
Items in comprehensive income				
Return on plan assets, excluding the amounts included in interest income	**87.8**	**—**	49.8	—
Fair value – end of year	**949.0**	**—**	814.4	—

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

	2014		2013 (Restated - note 3)	
	Asset ceiling effect	**Minimum funding requirement**	Asset ceiling effect	Minimum funding requirement
Balance - beginning of year	**(15.3)**	**(7.6)**	(8.4)	(5.3)
Interests	**(0.8)**	**(0.4)**	(0.4)	(0.2)
Change in asset ceiling effect	**4.7**	**—**	(6.5)	—
Change in the minimum funding requirement	**—**	**8.0**	—	(2.1)
Balance - end of year	**(11.4)**	**—**	(15.3)	(7.6)

The value of the economic benefit that determined the asset ceiling represents the present value of future contribution holidays, and the minimum funding requirement represents the present value of required contributions under the law, which do not result, once made, in an economic benefit for the Corporation.

(Millions of dollars, unless otherwise indicated)

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

	2014		2013 *(Restated - note 3)*	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance of defined benefit obligation – end of year	**(981.2)**	**(39.6)**	(818.8)	(38.3)
Fair value of plan assets – end of year	**949.0**	**—**	814.4	—
Funding position	**(32.2)**	**(39.6)**	(4.4)	(38.3)
Asset ceiling effect	**(11.4)**	**—**	(15.3)	—
Minimum funding requirement	**—**	**—**	(7.6)	—
	(43.6)	**(39.6)**	(27.3)	(38.3)
Defined benefit assets	**18.6**	**—**	14.5	—
Defined benefit liabilities	**(62.2)**	**(39.6)**	(41.8)	(38.3)
	(43.6)	**(39.6)**	(27.3)	(38.3)

The defined contribution and defined benefit plans expense was as follows:

	2014		2013 *(Restated - note 3)*	
	Pension plans	**Other plans**	Pension plans	Other plans
Defined contribution plans, including multi-employer plans	**26.1**	**0.6**	23.3	0.6
Defined benefit plans				
Current service cost	**31.5**	**2.1**	36.3	2.3
Past service cost	**0.5**	**1.0**	—	—
Actuarial gains	**—**	**—**	—	(0.9)
Administration costs	**1.9**	**—**	1.7	—
	33.9	**3.1**	38.0	1.4
Employee benefits expense	**60.0**	**3.7**	61.3	2.0
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in financing costs	**2.0**	**1.9**	6.5	1.8
Net total expense	**62.0**	**5.6**	67.8	3.8

The remeasurements recognized as other comprehensive income were as follows:

	2014		2013 *(Restated - note 3)*	
	Pension plans	**Other plans**	Pension plans	Other plans
Actuarial losses (gains) on obligations incurred	**123.0**	**(0.2)**	(64.5)	(2.7)
Return on plan assets	**(87.8)**	**—**	(49.8)	—
Change in asset ceiling effect	**(4.7)**	**—**	6.5	—
Change in the minimum funding requirement	**(8.0)**	**—**	2.1	—
	22.5	**(0.2)**	(105.7)	(2.7)

Total cash payments for employee benefits, consisting of cash contributed by the Corporation to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to $45.6 in 2014 ($46.0 in 2013). The Corporation plans to contribute $44.6 to the defined benefit plans during the next fiscal year and $26.0 to multi-employer plans.

Weighted average duration of defined benefit obligations was 16.4 years.

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2011 and December 2013. The next valuations will be performed between December 2014 and December 2016.

Plan assets, primarily based on quoted market prices in an active market, held in trust and their weighted average allocation as at the measurement dates were as follows:

Asset categories *(Percentage)*	**2014**	2013
Shares	**53**	56
Bonds	**40**	35
Others	**7**	9

Pension plan assets included shares issued by the Corporation with a fair value of $6.1 as at September 27, 2014 ($5.9 as at September 28, 2013).

The principal actuarial assumptions used in determining the defined benefit obligation were the following:

	2014		2013	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Discount rate	**4.20**	**4.20**	4.85	4.85
Rate of compensation increase	**3.0**	**3.0**	3.0	3.0
Mortality table	**CPM2014Priv**	**CPM2014Priv**	UP-94 Generational	UP-94 Generational

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

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

	Pension plans		Other plans	
(en millions de dollars)	1% increase	1% decrease	1% increase	1% decrease
Effect on defined benefit obligation	(139.1)	179.4	(3.3)	3.9

The assumed annual health care cost trend rate per participant was set at 6.5%. Under the assumption used, this rate should gradually decline to 4.5% in 2034 and remain at that level thereafter. A 1% change in this rate would have the following effects:

(Millions of dollars)	1% increase	1% decrease
Effect on defined benefit obligation	2.2	(1.9)

(Millions of dollars, unless otherwise indicated)

26. COMMITMENTS

Operating leases

The Corporation has operating lease commitments, with varying terms through 2037 and one to 14 five-year renewal options, to lease premises and equipment used for business purposes. The Corporation does not have an option to purchase the leased assets when the leases expire, but it has the right of first refusal in certain cases. Future minimum lease payments under these operating leases will be as follows:

	2014	2013
Under 1 year	**172.5**	171.5
Between 1 and 5 years	**590.6**	554.4
Over 5 years	**495.3**	551.7
	1,258.4	1,277.6

In addition, the Corporation has committed to leases for premises, with varying terms through 2035 and one to 15 five-year lease renewal options, which it sublets to clients generally under the same terms and conditions. Future minimum lease payments under these operating leases will be as follows:

	2014	2013
Under 1 year	**43.3**	41.3
Between 1 and 5 years	**156.5**	145.9
Over 5 years	**236.5**	240.7
	436.3	427.9

Finance leases

The Corporation has finance lease commitments, with varying terms through 2036 and three to seven five-year renewal options, to lease premises used for business purposes. The Corporation does not have an option to purchase the leased assets when the leases expire. Future minimum lease payments under these finance leases and the present value of net minimum lease payments will be as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
Under 1 year	**6.7**	6.8	**4.0**	3.8
Between 1 and 5 years	**22.3**	22.9	**14.6**	13.8
Over 5 years	**25.7**	30.1	**18.3**	21.4
Minimum lease payments	**54.7**	59.8	**36.9**	39.0
Future finance costs	**(17.8)**	(20.8)	**—**	—
Present value of minimum lease payments	**36.9**	39.0	**36.9**	39.0

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2020 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2014	2013
Under 1 year	**79.0**	67.1
Between 1 and 5 years	**233.6**	226.0
Over 5 years	**26.2**	76.6
	338.8	369.7

(Millions of dollars, unless otherwise indicated)

27. CONTINGENCIES

Guarantees

For certain customers with established business relationships, the Corporation is contingently liable as guarantor in connection with lease agreements with varying terms through 2020 for which the average annual minimum lease payments for the next five years will be $0.3 ($0.4 in 2013). The maximum contingent liability under these guarantees as at September 27, 2014 was $2.0 ($2.5 as at September 28, 2013). In addition, the Corporation has guaranteed loans granted to certain customers by financial institutions, with varying terms through 2025. The balance of these loans amounted to $22.8 as at September 27, 2014 ($22.5 as at September 28, 2013). No liability has been recorded in respect of these guarantees for the years ended September 27, 2014 and September 28, 2013.

Claims

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

28. RELATED PARTY TRANSACTIONS

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

Names	Country of incorporation	Percentage of interest in the capital	Percentage of voting rights
Subsidiaries			
Metro Richelieu Inc.	Canada	100.0	100.0
McMahon Distributeur pharmaceutique Inc.	Canada	100.0	100.0
Metro Ontario Inc.	Canada	100.0	100.0
Metro Québec Immobilier Inc.	Canada	100.0	100.0
Metro Ontario Real Estate Limited	Canada	100.0	100.0
Metro Ontario Pharmacies Limited	Canada	100.0	100.0
Groupe Adonis Inc.	Canada	55.0	55.0
Groupe Phoenicia Inc.	Canada	55.0	55.0
Groupe Première Moisson Inc.	Canada	75.0	75.0
Joint venture			
Dunnhumby Canada Limitée	Canada	50.0	50.0
Associate			
Alimentation Couche-Tard Inc.	Canada	5.7	17.0

(Millions of dollars, unless otherwise indicated)

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

	2014		2013	
	Sales	**Services received**	Sales	Services received
Joint venture	**—**	**11.3**	—	10.0
Companies controlled by a member of the Board of Directors	**29.1**	**—**	28.7	—
	29.1	**11.3**	28.7	10.0

	2014		2013	
	Account receivables	**Account payables**	Account receivables	Account payables
Joint venture	**1.4**	**(0.8)**	—	(0.5)
Companies controlled by a member of the Board of Directors	**1.0**	**—**	1.0	—
	2.4	**(0.8)**	1.0	(0.5)

Compensation for the principal officers was as follows:

	2014	2013
Compensation and current employee benefits	**2.4**	2.7
Post-employment benefits	**0.7**	0.8
Other long-term benefits	**1.7**	1.5
Share-based payment	**4.3**	3.6
	9.1	8.6

29. MANAGEMENT OF CAPITAL

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

- Striving for a percentage of non-current debt to total combined non-current debt and equity (non-current debt/total capital ratio) of less than 50%.
- Maintaining an adequate credit rating to obtain an investment grade rating for its term notes.
- Paying total annual dividends representing a range of 20% to 30% of the prior fiscal year's net earnings, excluding non recurring items, with a target of 25%.

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

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

The Corporation's fiscal 2014 annual results regarding its capital management objectives were as follows:

- a non-current debt/total capital ratio of 28.0% (18.8% as at September 28, 2013);
- a BBB credit rating confirmed by S&P and DBRS (same rating in 2013);
- a dividend representing 21.8% of net earnings, excluding non recurring items, for the previous fiscal year (18.7% in 2013).

The capital management objectives remain the same as for the previous fiscal year except for the total annual dividend with a target of 25% instead of 20%.

(Millions of dollars, unless otherwise indicated)

30. FINANCIAL INSTRUMENTS

FAIR VALUE

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

	2014		2013	
	Book value	**Fair value**	Book value	Fair value
Other financial assets				
Loans and receivables				
Loans to certain customers *(note 13)*	**29.2**	**29.2**	25.8	25.8
Non-controlling interests				
Financial liability held for trading	**192.2**	**192.2**	160.5	160.5
Debt *(note 21)*				
Other financial liabilities				
Revolving Credit Facility	**391.7**	**391.7**	—	—
Series A Notes	**200.0**	**206.6**	200.0	211.5
Series B Notes	**400.0**	**454.1**	400.0	417.3
Loans	**32.4**	**32.4**	28.1	28.1
Obligations under finance leases	**36.9**	**40.8**	39.0	43.9
	1,061.0	**1,125.6**	667.1	700.8

The event after the reporting period is not taken into consideration in the above table (see note 31).

The foreign exchange forward contracts, classified as “Financial assets or liabilities at fair value through net earnings”, are not shown in the above table, as they are insignificant in value.

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

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

The fair value of the non-controlling interest-related liability is equivalent to the estimated price to be paid which is based mainly on the discounted value of the projected future earnings of Adonis, Phoenicia and Première Moisson at the date the options will become exercisable. The Corporation categorized the fair value measurement in Level 3, as it is derived from data that is not observable. The projected future earnings of these entities are measured again at each period using a strategic development plan with a weighted annual growth rate of 9.6% as at September 27, 2014. A 1% increase in these earnings would result in a $2.1 increase in the fair value of the non-controlling interest-related liability.

The changes of the non-controlling interest-related liability were as follows:

	2014	2013
Balance – beginning of year	**160.5**	139.3
Issuance through business combinations *(note 5)*	**22.0**	—
Change in fair value	**9.7**	21.2
Balance – end of year	**192.2**	160.5

(Millions of dollars, unless otherwise indicated)

INTEREST RATE RISK

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

The Corporation keeps a close watch on interest rate fluctuations and, if warranted, uses derivative financial instruments such as interest rate swap contracts. As at September 27, 2014 and September 28, 2013, there were no outstanding interest rate swap contracts.

CREDIT RISK

Loans and receivables / Guarantees

The Corporation 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 Corporation grants them long-term loans or guarantees loans obtained by them from financial institutions. Hence, the Corporation is subject to credit risk.

To mitigate such risk, the Corporation performs ongoing credit evaluations of its customers and has adopted a credit policy that defines the credit conditions to be met and the required guarantees. As at September 27, 2014 and September 28, 2013, no customer accounted for over 10% of total loans and receivables.

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

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

As at September 27, 2014, the maximum potential liability under guarantees provided amounted to $22.8 ($22.5 as at September 28, 2013) and no liability had been recognized as at that date.

Financial assets at fair value through net earnings

With regard to its financial assets at fair value through net earnings, consisting of foreign exchange forward contracts, the Corporation is subject to credit risk when these contracts result in receivables from financial institutions. In accordance with its risk management policy, the Corporation entered into these agreements with major Canadian financial institutions to reduce its credit risk.

As at September 27, 2014 and September 28, 2013, the Corporation was not exposed to credit risk in respect of its foreign exchange forward contracts, as they resulted in amounts payable.

LIQUIDITY RISK

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

The Corporation regularly assesses its cash position and feels that its cash flows from operating activities are sufficient to fully cover its cash requirements as regards its financing activities. Its Series A Notes, its revolving credit facility and its Series B Notes mature only in 2015, 2019 and 2035, respectively. The Corporation also has an unused authorized balance of $208.3 on its revolving credit facility.

	Undiscounted cash flows (capital and interest)					
	Accounts payable	Facility and loans	Notes	Finance lease commitments	Non-controlling interests	Total
Maturing under 1 year	982.7	18.4	33.8	6.7	—	1,041.6
Maturing in 1 to 10 years	—	441.6	414.9	34.3	192.2	1,083.0
Maturing in 11 to 20 years	—	3.3	238.8	12.5	—	254.6
Maturing over 20 years	—	16.0	424.1	1.2	—	441.3
	982.7	479.3	1,111.6	54.7	192.2	2,820.5

The event after the reporting period is not taken into consideration in the above table (see note 31).

FOREIGN EXCHANGE RISK

Given that some of its purchases are denominated in foreign currencies, the Corporation is exposed to foreign exchange risk.

In accordance with its risk management policy, the Corporation uses derivative financial instruments, consisting of foreign exchange forward contracts, to hedge against the effect of foreign exchange rate fluctuations on its future foreign-denominated purchases of goods and services.

As at September 27, 2014 and September 28, 2013, the fair value of foreign exchange forward contracts was insignificant.

31. EVENT AFTER THE REPORTING PERIOD

The Corporation deemed market conditions to be favourable to long-term financing. On December 1, 2014, the Corporation issued a private placement of $300.0 aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% and maturing December 1, 2021, and $300.0 aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044. The Corporation decided to allocate the proceeds to repayment of existing debt, working capital and other general corporate purposes. On December 5, 2014, the Corporation paid off its $335,0 unsecured renewable revolving credit facility which had a weighted average rate of 2.39%. The Corporation also decided to redeem its $200.0 aggregate principal amount of Series A notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015; the redemption date will be December 31, 2014. Redemption fees will be $5.9.

32. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of fiscal year ended September 27, 2014 (including comparative figures) were approved for issue by the Board of Directors on December 12, 2014.

Directors and Officers

BOARD OF DIRECTORS

Marc DeSerres (1)(3)
Montréal, Québec

Claude Dussault (2)(3)
Québec City, Québec

Serge Ferland
Québec City, Québec

Paule Gauthier (2)(3)
Québec City, Québec

Paul Gobeil (3)
Montréal, Québec
Vice-Chair of the Board

Russell Goodman (1)
Lac-Tremblant-Nord, Québec

Christian W.E. Haub (2)
Greenwich, Connecticut

Michel Labonté (1)
Montréal, Québec

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

Pierre H. Lessard
Westmount, Québec
Chair of the Board

Marie-José Nadeau (1)(2)
Montréal, Québec

Réal Raymond (2)
Montréal, Québec
Lead Director

Line Rivard (1)
Montréal, Québec

Michael T. Rosicki (3)
Orillia, Ontario

MANAGEMENT OF METRO INC.

Eric R. La Flèche
President and Chief Executive Officer

François Thibault
Senior Vice President
Chief Financial Officer and Treasurer

Christian Bourbonnière
Senior Vice President
Québec Division Head

Carmine Fortino
Senior Vice President
Ontario Division Head

Serge Boulanger
Senior Vice President
National Procurement and
Corporate Brands

Martin Allaire
Vice President
Real Estate & Engineering

Geneviève Bich
Vice President
Human Resources

Jacques Couture
Vice President, Information Systems

Paul Dénommée
Vice President, Corporate Controller

Marc Giroux
Vice President and Chief Marketing and
Communications Officer

Luc Martinovitch
Vice President and General Manager
McMahon Distributeur pharmaceutique inc.

Simon Rivet
Vice President, General Counsel and
Corporate Secretary

Roberto Sbrugnera
Vice President, Treasury, Risk and
Investor Relations

Yves Vézina
National Vice President
Logistics and Distribution

(1) Member of the Audit Committee
(2) Member of the Human Resources Committee
(3) Member of the Corporate Governance and Nominating Committee

Shareholder Information

Transfer agent and registrar
Computershare Trust Corporation
of Canada

Stock listing
Toronto Stock Exchange
Ticker Symbol: MRU

Auditors
Ernst & Young LLP

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

The Annual Information Form may be obtained from the Investor Relations Department:
Tel: (514) 643-1000

Vous pouvez vous procurer la version française de ce rapport auprès du service des relations avec les investisseurs:
Tél : (514) 643-1000

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 27, 2015 at 11:00 a.m. at:
Centre Mont-Royal
2200 Mansfield Street
Montréal, Québec H3A 3R8

Dividends* 2015 Fiscal Year

Declaration Date	Record Date	Payment Date
— January 26, 2015	— February 18, 2015	— March 16, 2015
— April 21, 2015	— May 21, 2015	— June 12, 2015
— August 11, 2015	— September 1, 2015	— September 21, 2015
— September 28, 2015	— November 6, 2015	— November 25, 2015

* Subject to approval by the Board of Directors

Cabana Séguin inc.

metro.ca

METRO is committed to respecting the principles of corporate responsibility notably in terms of the environment. The Company is therefore proud to present this annual report, printed using recycled paper that includes post-consumer fibres and is certified FSC.

The FSC® (Forest Stewardship Council®) is an international certification and labeling system that guarantees that the forest products you purchase, from the forest to the shelf, come from responsibly managed sources.