INTERIM REPORT

12-week period ended September 28, 2019

4th Quarter 2019 and Fiscal 2019

HIGHLIGHTS

2019 FOURTH QUARTER

- **Sales of $3,858.9 million, up 3.3%**
- **Food same-store sales up 4.1%**
- **Pharmacy same-store sales up 3.4%**
- **Net earnings of $167.4 million, up 15.4%**
- **Adjusted net earnings[1] of $174.0 million, up 8.1%**
- **Fully diluted net earnings per share of $0.66**
- **Adjusted fully diluted net earnings per share[1] of $0.68, up 7.9%**
- **Synergies of $18 million related to the Jean Coutu Group acquisition, $65 million[3] on an annualized basis**

FISCAL 2019

- **Sales of $16,767.5 million, up 16.6% and up 3.2% when excluding the Jean Coutu Group**
- **Net earnings of $714.4 million**
- **Adjusted net earnings[1] of $731.6 million, up 26.3%**
- **Fully diluted net earnings per share of $2.78**
- **Adjusted fully diluted net earnings per share[1] of $2.84, up 17.8%**
- **Synergies of $58 million related to the Jean Coutu Group acquisition**
- **Dividend increase of 11.0% on an annualized basis**

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metro

REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the fourth quarter of fiscal 2019 ended September 28, 2019.

Sales in the fourth quarter of fiscal 2019 reached $3,858.9 million, up 3.3% compared to $3,736.2 million in the fourth quarter of fiscal 2018. Food same-store sales were up 4.1% (2.1% in 2018) and inflation in our food basket was approximately 2.8% (0.8% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 3.4% increase in prescription drugs (number of prescriptions were up 2.4%) and a 3.4% increase in front-store sales.

Fourth quarter net earnings were $167.4 million in fiscal 2019 compared with $145.0 million in the same quarter of fiscal 2018, an increase of 15.4%, and fully diluted net earnings per share were $0.66 compared with $0.56 in 2018. Taking into account adjustments for the 2019 and 2018 fourth quarters, primarily items related to the Jean Coutu Group acquisition, adjusted net earnings[(1)] for the fourth quarter of fiscal 2019 totalled $174.0 million compared with $161.0 million for the corresponding quarter of fiscal 2018, and adjusted fully diluted net earnings per share[(1)] amounted to $0.68 versus $0.63, up 8.1% and 7.9%, respectively.

On September 30, 2019, the Board of Directors declared a quarterly dividend of $0.20 per share, an increase of 11.1% over the dividend declared for the same quarter last year.

We are very pleased with our fourth quarter results, capping an outstanding fiscal 2019. We achieved strong comparable store sales in food and pharmacy, while delivering solid margins and improved customer satisfaction metrics. Our first full year with the Jean Coutu Group was successful and we are well on track to meet our $75 million[(3)] synergy target. I thank all members of the METRO team for their contribution to our performance. Despite an intense competitive environment, we are confident that we can continue[(3)] to grow by staying customer-focused, investing in our store network and infrastructure, and executing well on our business plans.

Eric R. La Flèche
President and Chief Executive Officer

November 20, 2019

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
(2) See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
(3) See section on "Forward-looking Information"

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on September 28, 2019 and for the 12-week period and fiscal year then ended. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes in this interim report.

The unaudited interim condensed consolidated financial statements for the 12-week period and fiscal year ended September 28, 2019 have been prepared by management in accordance with IAS 34 *Interim Financial Reporting*. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes and the MD&A presented in the Corporation's 2018 Annual Report. Unless otherwise stated, the interim report is based on information as at November 8, 2019.

Additional information, including the Certification of Interim Filings letters for fiscal year ended September 28, 2019 signed by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Treasurer, will also be available in December on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

The Jean Coutu Group (PJC) Inc. ("Jean Coutu Group") acquisition was completed on May 11, 2018, and its results were consolidated with the Corporation's results as of that date. As such, the fourth quarter results of 2019 are comparable with the fourth quarter results of 2018. However, the fiscal 2018 results include the results of the Jean Coutu Group for slightly more than 20 weeks. In addition, the results for the first quarter of 2018 include significant gains following the disposal of our investment in Alimentation Couche-Tard (ACT).

SALES

Sales in the fourth quarter of fiscal 2019 reached $3,858.9 million, up 3.3% compared to $3,736.2 million in the fourth quarter of fiscal 2018. Food same-store sales were up 4.1% (2.1% in 2018) and inflation in our food basket was approximately 2.8% (0.8% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 3.4% increase in prescription drugs (number of prescriptions were up 2.4%) and a 3.4% increase in front-store sales.

Sales for fiscal 2019 totalled $16,767.5 million versus $14,383.4 million for fiscal 2018, an increase of 16.6%. Excluding from fiscal 2019 and fiscal 2018 sales of $3,121.8 million and $1,157.7 million, respectively, generated by the Jean Coutu Group, sales were up 3.2%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATES' EARNINGS

This earnings measurement excludes financial costs, taxes, depreciation and amortization, the share of earnings and gain on disposal of investments in associates as well as the gain on revaluation and disposal of an investment at fair value.

Operating income before depreciation and amortization and associates' earnings for the fourth quarter of fiscal 2019 totalled $321.6 million, or 8.3% of sales, versus $266.5 million, or 7.1% of sales, for the fourth quarter last year. During the fourth quarter of fiscal 2018, we recorded pharmacy network closure and restructuring expenses of $31.4 million. Excluding this item, adjusted operating income before depreciation and amortization and associates' earnings[(2)] for the fourth quarter of fiscal 2018 totalled $297.9 million, or 8.0% of sales.

Operating income before depreciation and amortization and associates' earnings for fiscal 2019 totalled $1,321.5 million or 7.9% of sales compared with $1,011.1 million or 7.0% of sales for fiscal 2018. During fiscal 2019, we recorded retail network restructuring expenses of $36.0 million and generated a net gain of $6.0 million on the divestiture of pharmacies while for fiscal 2018, we recorded pharmacy network closure and restructuring expenses of $31.4 million, a $28.7 million expense related to the Jean Coutu Group acquisition and a $11.4 million expense for distribution network modernization. Excluding those items, adjusted operating income before depreciation and amortization and associates' earnings[(2)] for fiscal 2019 totalled $1,351.5 million or 8.1% of sales, compared with $1,082.6 million or 7.5% of sales for fiscal 2018. This increase was largely driven by the Jean Coutu Group acquisition.

Synergies related to the Jean Coutu acquisition generated for the fourth quarter and fiscal 2019 amounted to $18 million and $58 million, respectively, and to date, we have generated annualized synergies of $65 million[(3)].

[(1)] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[(2)] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[(3)] See section on "Forward-looking Information"

Operating income before depreciation and amortization and associates' earnings adjustments (OI)[2]

	12 weeks / Fiscal Year					
	2019			2018		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associates' earnings	**321.6**	**3,858.9**	**8.3**	266.5	3,736.2	7.1
Pharmacy network closure and restructuring expenses	**—**			31.4		
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**321.6**	**3,858.9**	**8.3**	297.9	3,736.2	8.0

	52 weeks / Fiscal Year					
	2019			2018		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associates' earnings	**1,321.5**	**16,767.5**	**7.9**	1,011.1	14,383.4	7.0
Retail network restructuring expenses	**36.0**			—		
Gain on divestiture of pharmacies	**(6.0)**			—		
Pharmacy network closure and restructuring expenses	**—**			31.4		
Business acquisition-related expenses	**—**			28.7		
Distribution network modernization project expenses	**—**			11.4		
Adjusted operating income before depreciation and amortization and associates' earnings[2]	**1,351.5**	**16,767.5**	**8.1**	1,082.6	14,383.4	7.5

Gross margin on sales for the fourth quarter and fiscal 2019 were 20.2% and 19.9% versus 19.7% for the corresponding periods of fiscal 2018.

Operating expenses as a percentage of sales for the fourth quarter of 2019 were 11.9% versus 12.6% for the corresponding quarter of fiscal 2018 (11.7% excluding the pharmacy network closure and restructuring expenses of $31.4 million). This variation resulted from the inclusion of the Jean Coutu Group partially offset by higher transportation costs.

For fiscal 2019, operating expenses as a percentage of sales was 12.0% compared with 12.6% for fiscal 2018. Excluding from fiscal 2019 the retail network restructuring expenses of $36.0 million and the $6.0 million net gain generated from the divestiture of pharmacies, and excluding from fiscal 2018 the $31.4 million for pharmacy network closure and restructuring expenses, the $28.7 million expense related to the Jean Coutu Group acquisition and the $11.4 million expense for distribution network modernization, operating expenses as a percentage of sales was 11.8% in 2019 compared with 12.1% in 2018. This difference is attributable to the inclusion of the Jean Coutu Group, partially offset by higher transportation costs.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter and fiscal 2019 were $68.5 million and $286.4 million respectively versus $65.0 million and $233.5 million for the corresponding periods of fiscal 2018. Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition amounted to $9.0 million for the fourth quarter and $38.7 million for fiscal 2019 compared with $9.0 million and $15.0 million for the corresponding periods of fiscal 2018.

Net financial costs for the fourth quarter and fiscal 2019 were $23.4 million and $103.8 million respectively compared with $23.9 million and $80.2 million for the corresponding periods of fiscal 2018. Those increases stemmed primarily from the notes issued for the Jean Coutu Group acquisition.

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[2] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[3] See section on "Forward-looking Information"

SHARE OF EARNINGS, GAIN ON DISPOSAL OF INVESTMENTS IN ASSOCIATES AND GAIN ON REVALUATION AND DISPOSAL OF AN INVESTMENT AT FAIR VALUE

During fiscal 2019, the Company disposed of its investment in Colo-D Inc., an associate presented in other assets, for a total cash consideration of $59.0 million. A gain before income taxes of $36.4 million on the disposal of this investment was recognized in earnings.

During the first quarter of fiscal 2018, to fund a portion of the Jean Coutu Group acquisition, we disposed of most of our investment in ACT, and recorded a gain of $1,107.4 million. As a result of this disposal, the Corporation no longer has significant influence over ACT. Consequently, the investment was revalued at fair value and the Corporation recorded a $241.1 million fair value revaluation gain in net earnings. In the fourth quarter of fiscal 2018, we disposed of the majority of this investment at fair value and entered into a forward agreement with a financial institution for the disposal of the remaining shares. The disposal was completed in the first quarter of fiscal 2019 and the final revaluation of the financial liability resulted in a gain of $1.5 million recognized in net earnings.

No share of an associate's earnings was recorded in fiscal 2019 in comparison with a $30.8 million share recorded in fiscal 2018.

INCOME TAXES

The income tax expense of $62.3 million for the fourth quarter of fiscal 2019 represented an effective tax rate of 27.1% compared with an income tax expense of $48.1 million in the fourth quarter of fiscal 2018 which represented an effective tax rate of 24.9%. The lower rate for the fourth quarter of fiscal 2018 is related to the disposal of the investment in ACT.

The income tax expense of $254.8 million for fiscal 2019 and $358.2 million for fiscal 2018 represented an effective tax rate of 26.3% and 17.2% respectively. The low effective rate in 2018 resulted from the gain on disposal of the majority of our investment in ACT and the gain on fair value revaluation and disposal of our residual investment.

NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for the fourth quarter of fiscal 2019 were $167.4 million, an increase of 15.4% from $145.0 million for the fourth quarter of fiscal 2018, while fully diluted net earnings per share were $0.66, compared with $0.56 for the corresponding quarter of fiscal 2018. Excluding the specific items shown in the table below, adjusted net earnings[1] for the fourth quarter of fiscal 2019 totalled $174.0 million compared with $161.0 million for the corresponding quarter of fiscal 2018, and adjusted fully diluted net earnings per share[1] amounted to $0.68 versus $0.63, up 8.1% and 7.9%, respectively.

Net earnings for fiscal 2019 were $714.4 million, a decrease of 58.4% from $1,718.5 million for fiscal 2018. Fully diluted net earnings per share were $2.78 compared with $7.16, down 61.2%. Excluding the specific items shown in the table below, adjusted net earnings[1] for fiscal 2019 totalled $731.6 million compared with $579.2 million for fiscal 2018, and adjusted fully diluted net earnings per share[1] amounted to $2.84 versus $2.41, up 26.3% and 17.8%, respectively.

Net earnings adjustments[1]

	12 weeks / Fiscal Year					
	2019		2018		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**167.4**	**0.66**	145.0	0.56	15.4	17.9
Pharmacy network closure and restructuring expenses, after taxes	**—**		23.0			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**		6.6			
Gain on revaluation and disposal of an investment at fair value, after taxes	**—**		(13.6)			
Adjusted net earnings[1]	**174.0**	**0.68**	161.0	0.63	8.1	7.9

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[2] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[3] See section on "Forward-looking Information"

	52 weeks / Fiscal Year					
	2019		2018		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**714.4**	**2.78**	1,718.5	7.16	(58.4)	(61.2)
Retail network restructuring expenses, after taxes	**26.4**		—			
Gain on divestiture of pharmacies, after taxes	**(4.7)**		—			
Pharmacy network closure and restructuring expenses, after taxes	**—**		23.0			
Business acquisition-related expenses, after taxes	**—**		22.7			
Distribution network modernization project expenses, after taxes	**—**		8.4			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**28.5**		11.0			
Income on business acquisition-related short-term investments and security deposits, after taxes	**—**		(15.6)			
Interest on notes issued in connection with a business acquisition, after taxes	**—**		14.0			
Financial costs on the balance payable for the buyout of minority interests, after taxes	**—**		1.3			
Gain on the disposal of investments in associates after taxes	**(31.9)**		(968.1)			
Gain on revaluation and disposal of an investment at fair value, after taxes	**(1.1)**		(209.3)			
Share of an associate's earnings, after taxes	**—**		(26.7)			
Adjusted net earnings[1]	**731.6**	**2.84**	579.2	2.41	26.3	17.8

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[2] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[3] See section on "Forward-looking Information"

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2019**	2018	Change *(%)*
Sales			
Q4[4]	**3,858.9**	3,736.2	3.3
Q3[5]	**5,229.3**	4,636.4	12.8
Q2[4]	**3,701.6**	2,899.0	27.7
Q1[4]	**3,977.7**	3,111.8	27.8
Fiscal	**16,767.5**	14,383.4	16.6
Net earnings			
Q4[4]	**167.4**	145.0	15.4
Q3[5]	**222.4**	167.5	32.8
Q2[4]	**121.5**	106.9	13.7
Q1[4]	**203.1**	1,299.1	(84.4)
Fiscal	**714.4**	1,718.5	(58.4)
Adjusted net earnings[1]			
Q4[4]	**174.0**	161.0	8.1
Q3[5]	**230.3**	183.4	25.6
Q2[4]	**155.1**	108.1	43.5
Q1[4]	**172.2**	126.7	35.9
Fiscal	**731.6**	579.2	26.3
Fully diluted net earnings per share ***(Dollars)***			
Q4[4]	**0.66**	0.56	17.9
Q3[5]	**0.86**	0.69	24.6
Q2[4]	**0.47**	0.47	—
Q1[4]	**0.79**	5.67	(86.1)
Fiscal	**2.78**	7.16	(61.2)
Adjusted fully diluted net earnings per share[1] ***(Dollars)***			
Q4[4]	**0.68**	0.63	7.9
Q3[5]	**0.90**	0.75	20.0
Q2[4]	**0.60**	0.47	27.7
Q1[4]	**0.67**	0.55	21.8
Fiscal	**2.84**	2.41	17.8

[4] 12 weeks
[5] 16 weeks

Sales in the fourth quarter of fiscal 2019 reached $3,858.9 million, up 3.3% compared to $3,736.2 million in the fourth quarter of fiscal 2018. Food same-store sales were up 4.1% (2.1% in 2018) and inflation in our food basket was approximately 2.8% (0.8% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 3.4% increase in prescription drugs (number of prescriptions were up 2.4%) and a 3.4% increase in front-store sales.

Sales in the third quarter of fiscal 2019 reached $5,229.3 million, up 12.8% compared to $4,636.4 million in the third quarter of fiscal 2018. Excluding from 2019 and 2018 sales of $965.4 million and $467.0 million, respectively, generated by the Jean Coutu Group, sales were up 2.3%. Food same-store sales were up 3.1% (2.0% in 2018) and inflation in our food basket was approximately 2.5% (0.5% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 2.9% increase in prescription drugs (number of prescriptions were up 2.7%) and a 4.3% increase in front-store sales.

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
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[3] See section on "Forward-looking Information"

Sales in the second quarter of fiscal 2019 reached $3,701.6 million, up 27.7% compared to $2,899.0 million in the second quarter of fiscal 2018. Excluding $686.4 million in sales for the second quarter of 2019 resulting from the Jean Coutu Group, sales were up 4.0%. In the second quarter, food same-store sales were up 4.3% and inflation in our food basket was approximately 2.5%. Pharmacy same-store sales were up 1.1%, with a 0.1% decline in prescription drugs (number of prescriptions were up 2.2%) and a 3.6% increase in front-store sales.

Sales in the first quarter of fiscal 2019 reached $3,977.7 million, up 27.8% compared with $3,111.8 million in the first quarter of fiscal 2018. Excluding $757.1 million in sales for the first quarter of 2019 resulting from the Jean Coutu Group, sales were up 3.5%. In the first quarter, food same-store sales were up 3.2% and inflation in our food basket was approximately 1.8%. Pharmacy same-store sales were up 1.5%, 0.8% for prescription drugs (2.2% for number of prescriptions) and 2.0% for front store sales.

Net earnings for the fourth quarter of fiscal 2019 were $167.4 million, an increase of 15.4% from $145.0 million for the fourth quarter of fiscal 2018, while fully diluted net earnings per share were $0.66, compared with $0.56 for the corresponding quarter of fiscal 2018. Excluding from the fourth quarter of 2019 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $9.0 million and from the fourth quarter of fiscal 2018 the pharmacy network closure and restructuring expenses of $31.4 million, the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $9.0 million, the gain on revaluation and disposal on an investment at fair value of $15.5 million, as well as income taxes relating to all these items, adjusted net earnings[(1)] for the fourth quarter of fiscal 2019 totalled $174.0 million compared with $161.0 million for the corresponding quarter of fiscal 2018 and adjusted fully diluted net earnings per share[(1)] amounted to $0.68 compared with $0.63, up 8.1% and 7.9%, respectively.

Net earnings for the third quarter of fiscal 2019 were $222.4 million, an increase of 32.8% from $167.5 million for the third quarter of fiscal 2018, while fully diluted net earnings per share were $0.86, compared with $0.69 for the corresponding quarter of fiscal 2018. Excluding from the third quarter of 2019 the $1.0 million gain resulting from the selling price adjustment related to the investment in associate Colo-D Inc. and $11.9 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, and excluding from the third quarter of fiscal 2018 $25.1 million expenses related to the Jean Coutu Group acquisition, $6.0 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, $6.3 million in interest income on business acquisition-related short-term investments and security deposits and $7.1 million in interest expense on the notes issued to complete the acquisition, as well as income taxes relating to all these items, adjusted net earnings[(1)] for the third quarter of fiscal 2019 totalled $230.3 million compared with $183.4 million for the corresponding quarter of fiscal 2018 and adjusted fully diluted net earnings per share[(1)] amounted to $0.90 compared with $0.75, up 25.6% and 20.0%, respectively.

Net earnings for the second quarter of fiscal 2019 were $121.5 million, an increase of 13.7% from $106.9 million for the second quarter of fiscal 2018, while fully diluted net earnings per share were $0.47, the same as for the corresponding quarter of fiscal 2018. Excluding from the second quarter of 2019 the retail network restructuring expenses of $36.0 million, the $1.4 million loss on divestiture of pharmacies and $8.8 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, and excluding from the second quarter of fiscal 2018 $1.6 million expenses related to the Jean Coutu Group acquisition, $9.7 million in interest income on business acquisition-related short-term investments and security deposits and $9.8 million in interest expense on the notes issued to complete the acquisition, as well as income taxes relating to all these items, adjusted net earnings[(1)] for the second quarter of fiscal 2019 totalled $155.1 million compared with $108.1 million for the corresponding quarter of fiscal 2018 and adjusted fully diluted net earnings per share[(1)] amounted to $0.60 compared with $0.47, up 43.5% and 27.7%, respectively.

Net earnings for the first quarter of fiscal 2019 were $203.1 million, a decrease of 84.4% from $1,299.1 million for the first quarter of fiscal 2018. Fully diluted net earnings per share decreased by 86.1% to $0.79 from $5.67 in 2018. Excluding from the first quarter of fiscal 2019 the $7.4 million gain on divestiture of pharmacies, $9.0 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, the $35.4 million gain on disposal of the investment in associate Colo-D Inc., and the $1.5 million gain on revaluation and disposal of an investment at fair value, and excluding from the first quarter of fiscal 2018 business acquisition-related expenses of $2.0 million, distribution network modernization project expenses of $11.4 million, the $1,107.4 million gain on disposal of the majority of our investment in ACT, the $225.6 million fair value revaluation gain on our residual investment in ACT, the $30.8 million share of an associate's earnings (ACT), $5.3 million in interest income on business acquisition-related short-term investments and security deposits, $2.2 million in interest expense on the notes issued to complete the acquisition, $1.8 million in financial costs on the balance payable in connection with the buyout of minority interests in Adonis and Phoenicia, as well as income taxes relating to all these items, adjusted net earnings[(1)] for the first quarter of fiscal 2019

[(1)] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[(2)] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[(3)] See section on "Forward-looking Information"

totalled $172.2 million compared with $126.7 million for the corresponding quarter of fiscal 2018 and adjusted fully diluted net earnings per share[1] amounted to $0.67 compared with $0.55, up 35.9% and 21.8%, respectively.

	2019				2018			
(Millions of dollars)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Net earnings	**167.4**	**222.4**	**121.5**	**203.1**	145.0	167.5	106.9	1,299.1
Retail network restructuring expenses, after taxes	**—**	**—**	**26.4**	**—**	—	—	—	—
Loss (gain) on divestiture of pharmacies, after taxes	**—**	**—**	**0.7**	**(5.4)**	—	—	—	—
Pharmacy network closure and restructuring expenses, after taxes	**—**	**—**	**—**	**—**	23.0	—	—	—
Business acquisition-related expenses, after taxes	**—**	**—**	**—**	**—**	—	20.1	1.1	1.5
Distribution network modernization project expenses, after taxes	**—**	**—**	**—**	**—**	—	—	—	8.4
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**	**8.8**	**6.5**	**6.6**	6.6	4.4	—	—
Income on business acquisition-related short-term investments and security deposits, after taxes	**—**	**—**	**—**	**—**	—	(4.6)	(7.1)	(3.9)
Interest on notes issued in connection with a business acquisition, after taxes	**—**	**—**	**—**	**—**	—	5.2	7.2	1.6
Financial costs on the balance payable for the buyout of minority interests, after taxes	**—**	**—**	**—**	**—**	—	—	—	1.3
Gain on disposal of investments in associates, after taxes	**—**	**(0.9)**	**—**	**(31.0)**	—	(9.2)	—	(958.9)
Gain on revaluation and disposal of an investment at fair value, after taxes	**—**	**—**	**—**	**(1.1)**	(13.6)	—	—	(195.7)
Share of an associate's earnings, after taxes	**—**	**—**	**—**	**—**	—	—	—	(26.7)
Adjusted net earnings[1]	**174.0**	**230.3**	**155.1**	**172.2**	161.0	183.4	108.1	126.7

	2019				2018			
(Dollars)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Fully diluted net earnings per share	**0.66**	**0.86**	**0.47**	**0.79**	0.56	0.69	0.47	5.67
Adjustments impact	**0.02**	**0.04**	**0.13**	**(0.12)**	0.07	0.06	—	(5.12)
Adjusted fully diluted net earnings per share[1]	**0.68**	**0.90**	**0.60**	**0.67**	0.63	0.75	0.47	0.55

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash inflows of $228.9 million in the fourth quarter compared with $250.9 million for the corresponding quarter of fiscal 2018. This difference is mainly due to a significant contribution to a pension plan.

Operating activities generated cash inflows of $687.7 million in fiscal 2019 compared with $750.4 million in fiscal 2018. The difference resulted primarily from the payment, in the first quarter of 2019, of taxes payable as at September 29, 2018, which were higher due to the gain realized on the disposal of our investment in ACT in fiscal 2018.

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[2] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[3] See section on "Forward-looking Information"

INVESTING ACTIVITIES

Investing activities required cash outflows of $146.1 million for the fourth quarter of fiscal 2019 compared with cash inflows of $207.1 million for the corresponding quarter of fiscal 2018. The difference stemmed mainly from the disposal, in 2018, of a portion of the investment at fair value in ACT and the equity forward agreement entered into for the remaining shares of this investment which generated cash flows of $257.6 million and $68.4 million, respectively.

In fiscal 2019, investing activities required cash outflows of $308.5 million compared with $1,677.5 million for fiscal 2018. This variation stemmed mainly from the $3,033.0 million business acquisition, net of cash acquired, the $221.2 million settlement of the buyout of minority interests in Adonis and Phoenicia, and $1,791.6 million in net proceeds on disposal of the investment in ACT, all in 2018, compared with $59.0 million in proceeds on disposal of the investment in associate Colo-D Inc. in 2019.

During fiscal 2019, we and our retailers opened 8 stores and carried out major expansions and renovations of 20 stores, 2 stores were relocated and 9 stores were closed for a net decrease of 11,800 square feet or 0.1% of our food retail network.

FINANCING ACTIVITIES

In the fourth quarter of 2019, financing activities required cash outflows of $72.7 million compared with $350.8 million in the corresponding quarter of 2018. This difference resulted primarily from a $302.9 million net decrease in debt in 2018 and $28.2 million in share repurchases in 2019.

In fiscal 2019, financing activities required cash outflows of $332.7 million compared with cash inflows of $1,005.1 million in fiscal 2018. This difference stemmed primarily from a $1,173.6 million net increase in debt in 2018 owing to the issuance of Series F, G and H notes and to the term credit facility used to partly finance the Jean Coutu Group acquisition and $145.9 million in share repurchase in 2019.

FINANCIAL POSITION

We do not anticipate[3] any liquidity risk and consider our financial position at the end of fiscal 2019 as very solid. We had an unused authorized revolving credit facility of $600.0 million. Our non-current debt represented 30.6% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of fiscal 2019, the main elements of our non-current debt were as follows:

	Interest Rate	Maturity	Balance *(Millions of dollars)*
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	November 3, 2024	—
Series E Notes	Rates fluctuate with changes in bankers' acceptance rates	February 27, 2020	400.0
Series C Notes	3.20% fixed rate	December 1, 2021	300.0
Series F Notes	2.68% fixed rate	December 5, 2022	300.0
Series G Notes	3.39% fixed rate	December 6, 2027	450.0
Series B Notes	5.97% fixed rate	October 15, 2035	400.0
Series D Notes	5.03% fixed rate	December 1, 2044	300.0
Series H Notes	4.27% fixed rate	December 4, 2047	450.0

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
(2) See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
(3) See section on "Forward-looking Information"

Our main financial ratios were as follows:

	As at September 28, 2019	As at September 29, 2018
Financial structure		
Non-current debt *(Millions of dollars)*	**2,629.0**	2,630.4
Equity *(Millions of dollars)*	**5,968.6**	5,656.0
Non-current debt/total capital *(%)*	**30.6**	31.7

Since the Corporation intends to refinance the Series E Notes presented under non-current debt, the amount of $400.0 million was added to non-current debt when calculating the ratio of non-current debt to total capital.

	52 weeks / Fiscal Year	
	2019	2018
Results		
Operating income before depreciation and amortization and associates' earnings/Financial costs *(Times)*	**12.7**	12.6

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at September 28, 2019	As at September 29, 2018
Number of Common Shares outstanding *(Thousands)*	**253,863**	255,650
Stock options:		
Number outstanding *(Thousands)*	**2,281**	3,067
Exercise prices *(Dollars)*	**20.30 to 48.68**	17.72 to 44.73
Weighted average exercise price *(Dollars)*	**37.30**	30.30
Performance share units:		
Number outstanding *(Thousands)*	**605**	579

BUYOUT OF NON-CONTROLLING INTEREST

The Corporation will acquire the minority interest in Groupe Première Moisson Inc. effective at the end of fiscal 2019. Consequently, the liability for this non-controlling interest has been reclassified in current liabilities.

NORMAL COURSE ISSUER BID PROGRAM

Under the current normal course issuer bid program, the Corporation may repurchase up to 7,000,000 of its Common Shares between November 23, 2018 and November 22, 2019. Between November 23, 2018 and November 8, 2019, the Corporation has repurchased 3,175,000 Common Shares at an average price of 50.31 $, for a total consideration of $159.7 million. The Corporation intends to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On September 30, 2019, the Corporation's Board of Directors declared a quarterly dividend of $0.20 per Common Share payable on November 12, 2019, an increase of 11.1% over the dividend declared for the same quarter last year.

SHARE TRADING

The value of METRO shares remained in the $39.04 to $58.94 range over fiscal 2019. During this period, a total of 139.6 million shares were traded on the Toronto Stock Exchange. The closing price on November 8, 2019 was $55.91 compared with $57.91 at the end of fiscal 2019.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
(2) See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
(3) See section on "Forward-looking Information"

CONTINGENCY

In the normal course of business, the Corporation is exposed to various contingencies as described in the Corporation's audited annual consolidated financial statements dated September 29, 2018.

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec against a large group of defendants including a subsidiary of the Corporation, Pro Doc Ltée. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. These proposed class actions contain allegations of breach of the Competition Act, of fraudulent misrepresentation and deceit, and of negligence. The province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario and Québec proposed claims seek recovery of damages on behalf of opioid users directly. The Corporation believes these proceedings are without merit and that, in certain cases, there is no jurisdiction. However, since any litigation involves uncertainty, it is not possible to predict the outcome of this litigation or the amount of potential losses. No accruals or provisions for these matters have been recorded in the interim period condensed consolidated financial statements.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases* and related interpretations. Under IFRS 16, which provides a single accounting model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. The accounting requirements for lessors remain similar to those under IAS 17. IFRS 16 applies to fiscal years beginning on or after January 1, 2019, which for the Corporation is fiscal year beginning on September 29, 2019.

Under IFRS 16 transitional provisions, the Corporation will adopt the standard using a modified retrospective approach, and the cumulative impact of the initial application of the standard will be recognized as an adjustment to equity on transition.

As a lessee, the Corporation will recognize right-of-use assets and lease liabilities in respect of operating leases for property, vehicles and equipment. Depreciation expense for right-of-use assets and interest expense on lease liabilities will replace rental expense previously recognized under IAS 17 on a straight-line basis over the lease term. The lease liabilities will be measured at the present value of the remaining lease payments and the right-of-use assets will be measured using the modified retrospective approach. The discount rate used will be the Corporation's incremental borrowing rate on the transition date of September 29, 2019.

As an intermediate lessor under several leases, the Corporation has assessed the classification of its sublease agreements based on the right-of-use asset related to the main lease and not on the underlying asset. As a result of this change, the Corporation expects an increase in current and non-current receivables recorded for leases that should be classified as finance leases.

The Corporation will use the following practical expedients as permitted by IFRS 16 at the initial application date:

- apply IFRS 16 only to contracts that were previously identified as leases under IAS 17.
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Rely on an existing assessment to determine whether a lease is onerous, instead of performing a review of the impairment of the right-of-use assets.
- exclude leases which end within 12 months of the date of the initial application.
- elect not to apply IFRS 16 to leases for which the underlying asset is of low value.
- Exclude initial direct costs from the measurement of right-of-use assets.
- Use hindsight, such as in determining the lease term where the contract contains options to extend or terminate the lease.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
(2) See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
(3) See section on "Forward-looking Information"

We expect[3] increases in liabilities ranging from $2.1 billion to $2.3 billion and in assets, including right-of-use assets as well as receivables (current and non-current) related to sublease agreements, ranging from $1.9 billion to $2.1 billion with the net impact recorded in opening retained earnings. Actual results from the initial application of IFRS 16 may differ from estimated amounts, the Corporation continues to perfect the estimates and input data that will be used in the calculations.

ACCOUNTING STANDARDS ADOPTED IN 2019

Financial instruments

Effective the first quarter of 2019, the Corporation adopted IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Corporation adopted the new classification and valuation, impairment and general hedging requirements on September 30, 2018 by applying the classification and valuation, including impairment, requirements retrospectively, with the cumulative effect of initially applying the standard recognized in opening retained earnings as at September 30, 2018 and without restatement of comparative information.

Classification of financial instruments
The adoption of IFRS 9 changes the Corporation's accounting policies with respect to the classification of financial instruments.

Following adoption, the Corporation's classification is as follows:

- Cash and cash equivalents were classified as "Financial assets at fair value through profit and loss" before the adoption of IFRS 9 and are now classified as subsequently measured at amortized cost.
- Accounts receivable and loans to certain customers were classified as "Loans and receivables" before the adoption of IFRS 9 and are now classified as subsequently measured at amortized cost.
- The investment at fair value was classified as an "Available-for-sale financial asset" before the adoption of IFRS 9 and is now classified as subsequently measured at fair value through other comprehensive income. Accumulated other comprehensive income of $4.9 million was therefore reclassified to retained earnings as at September 30, 2018.
- Bank loans, accounts payable excluding deferred revenues, the revolving credit facility, notes and loans payable were classified as "Other financial liabilities" before the adoption of IFRS 9 and are now classified as subsequently measured at amortized cost.
- Non-controlling interests were classified as "Financial liabilities held for trading" before the adoption of IFRS 9 and are now classified as subsequently measured at fair value through profit and loss. Gains or losses resulting from the revaluation at the end of each period recorded may be recognized in net earnings or retained earnings. The Corporation has elected to record them in retained earnings.
- Derivative financial instruments not designated as hedges were classified as "Financial assets and liabilities at fair value through profit and loss" before the adoption of IFRS 9 and are now classified as subsequently measured at fair value through profit and loss.

The changes in classification and measurement criteria resulting from the adoption of IFRS 9 had no impact on the measurement of financial instruments.

Impairment of financial assets
The adoption of IFRS 9 changes the method used to calculate the impairment of accounts receivable and loans to certain customers.

At each reporting date, the Corporation estimates expected credit losses based on its credit loss history. Those expected loses are adjusted to reflect factors that are specific to the accounts receivable and loans to certain customers, general economic conditions as well as an assessment of both current and forecasted economic conditions at the reporting date, including time value of money when appropriate. The evaluation is calculated using the simplified method for cash and current assets and the general method for loans. The net change in expected credit losses on accounts receivable and loans to certain customers is recognized in net earnings.

The adoption of IFRS 9 had no impact on the impairment of accounts receivable and loans to certain customers.

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[2] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[3] See section on "Forward-looking Information"

Revenue from contracts with customers

Effective the first quarter of 2019, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Corporation adopted IFRS 15 retrospectively in accordance with the transitional provisions thereof. The application of IFRS 15 had no impact on the amounts recognized in the Corporation's interim condensed consolidated financial statements, and no amounts have been reclassified or restated.

Under IFRS 15, revenue is recognized when control of the goods or services is transferred to the customer. Retail sales made by corporate stores and by stores qualifying as structured entities are recognized at the time of sale to the customer, and sales to affiliated or franchised stores and to other customers are recognized when the goods are delivered to them. Rebates granted by the Corporation are recorded as a reduction in sales.

FORWARD-LOOKING INFORMATION

We have used, throughout this report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained herein that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "annualize", "continue", “anticipate”, "expect" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2020 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. The arrival of a new competitor is an example described under the “Risk Management” section of the 2018 Annual Report which could have an impact on these statements. We believe these statements to be reasonable and pertinent as at the date of publication of this report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

NON-IFRS MEASUREMENTS

In addition to the International Financial Reporting Standards (IFRS) earnings measurements provided, we have included certain 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.

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATES' EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization and associates' earnings, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude some items that must be recognized under IFRS. They are non-IFRS measurements. We believe that presenting earnings without these items, which are not necessarily reflective of the Corporation's performance, leaves readers of financial statements better informed as to the current period and corresponding prior year's period's operating earnings, thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and judge its future outlook. The exclusion of these items does not imply that they are non-recurring.

OUTLOOK

We are very pleased with our fourth quarter results, capping an outstanding fiscal 2019. We achieved strong comparable store sales in food and pharmacy, while delivering solid margins and improved customer satisfaction metrics. Our first full year with the Jean Coutu Group was successful and we are well on track to meet our $75 million[(3)] synergy target. Despite an intense competitive environment, we are confident that we can continue[(3)] to grow by staying customer-focused, investing in our store network and infrastructure, and executing well on our business plans.

Montréal, November 20, 2019

[(1)] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[(2)] See table on "Operating income before depreciation and amortization and associates' earnings adjustments" and section on "Non-IFRS Measurements"
[(3)] See section on "Forward-looking Information"

Interim Condensed Consolidated Financial Statements

METRO INC.

September 28, 2019

metro

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Condensed consolidated statements of income

Periods ended September 28, 2019 and September 29, 2018

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

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2019	2018	**2019**	2018
Sales	**3,858.9**	3,736.2	**16,767.5**	14,383.4
Cost of sales and operating expenses *(note 3)*	**(3,537.3)**	(3,438.3)	**(15,416.0)**	(13,329.5)
Retail network restructuring expenses *(note 3)*	**—**	—	**(36.0)**	—
Gain on divestiture of pharmacies *(note 3)*	**—**	—	**6.0**	—
Pharmacy network closure and restructuring expenses *(note 3)*	**—**	(31.4)	**—**	(31.4)
Distribution network modernization project expenses *(note 3)*	**—**	—	**—**	(11.4)
Operating income before depreciation and amortization and associates' earnings	**321.6**	266.5	**1,321.5**	1,011.1
Depreciation and amortization *(note 3)*	**(68.5)**	(65.0)	**(286.4)**	(233.5)
Financial costs, net *(note 3)*	**(23.4)**	(23.9)	**(103.8)**	(80.2)
Gain on disposal of investments in associates *(note 3)*	**—**	—	**36.4**	1,107.4
Gain on revaluation and disposal of an investment at fair value *(note 3)*	**—**	15.5	**1.5**	241.1
Share of an associate's earnings	**—**	—	**—**	30.8
Earnings before income taxes	**229.7**	193.1	**969.2**	2,076.7
Income taxes *(note 4)*	**(62.3)**	(48.1)	**(254.8)**	(358.2)
Net earnings	**167.4**	145.0	**714.4**	1,718.5
Attributable to:				
Equity holders of the parent	**167.2**	144.8	**711.6**	1,716.5
Non-controlling interests	**0.2**	0.2	**2.8**	2.0
	167.4	145.0	**714.4**	1,718.5
Net earnings per share *(Dollars) (note 5)*				
Basic	**0.66**	0.57	**2.79**	7.20
Fully diluted	**0.66**	0.56	**2.78**	7.16

See accompanying notes

metro

Condensed consolidated statements of comprehensive income

Periods ended September 28, 2019 and September 29, 2018

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2019	2018	**2019**	2018
Net earnings	**167.4**	145.0	**714.4**	1,718.5
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (losses)	**(12.4)**	55.5	**(97.9)**	37.2
Asset ceiling effect	**(0.4)**	(6.6)	**4.3**	(2.1)
Minimum funding requirement	**(0.8)**	(0.2)	**(0.6)**	(0.2)
Loss on disposal of the investment at fair value *(note 3)*	**—**	—	**(1.3)**	—
Corresponding income taxes	**3.6**	(12.9)	**25.2**	(9.2)
	(10.0)	35.8	**(70.3)**	25.7
Items that will be reclassified later to net earnings				
Fair value revaluation of investment	**—**	37.7	**—**	22.8
Reclassification of the change in investment at fair value to net earnings following the disposal of a portion of the investment *(note 3)*	**—**	(17.1)	**—**	(17.1)
Share of an associate's other comprehensive income	**—**	—	**—**	(3.9)
Corresponding income taxes	**—**	(2.7)	**—**	(0.4)
	—	17.9	**—**	1.4
	(10.0)	53.7	**(70.3)**	27.1
Comprehensive income	**157.4**	198.7	**644.1**	1,745.6
Attributable to:				
Equity holders of the parent	**157.2**	198.5	**641.3**	1,743.6
Non-controlling interests	**0.2**	0.2	**2.8**	2.0
	157.4	198.7	**644.1**	1,745.6

See accompanying notes

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Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at September 28, 2019	As at September 29, 2018
ASSETS		
Current assets		
Cash and cash equivalents	**273.4**	226.9
Accounts receivable	**611.2**	538.1
Inventories	**1,126.0**	1,099.1
Prepaid expenses	**33.2**	32.1
Current taxes	**44.5**	20.6
	2,088.3	1,916.8
Non-current assets		
Fixed assets	**2,657.8**	2,523.4
Investment properties	**41.5**	46.1
Intangible assets	**2,889.0**	2,914.4
Goodwill	**3,306.5**	3,302.2
Deferred taxes	**2.8**	4.5
Defined benefit assets	**25.6**	55.1
Investment at fair value *(note 3)*	**—**	66.9
Other assets *(note 3)*	**62.4**	92.8
	11,073.9	10,922.2
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	**—**	0.1
Accounts payable	**1,353.7**	1,358.5
Current taxes	**33.3**	254.8
Provisions *(note 3)*	**10.9**	8.0
Current portion of debt	**428.6**	13.3
Non-controlling interests *(note 8)*	**51.1**	—
	1,877.6	1,634.7
Non-current liabilities		
Debt	**2,229.0**	2,630.4
Defined benefit liabilities	**113.0**	81.3
Provisions *(note 3)*	**30.2**	22.3
Deferred taxes	**842.7**	846.5
Other liabilities	**12.8**	11.7
Non-controlling interests *(note 8)*	**—**	39.3
	5,105.3	5,266.2
Equity		
Attributable to equity holders of the parent	**5,955.2**	5,642.8
Attributable to non-controlling interests	**13.4**	13.2
	5,968.6	5,656.0
	11,073.9	10,922.2

See accompanying notes

metro

Condensed consolidated statements of changes in equity

Periods ended September 28, 2019 and September 29, 2018

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 6)*	Treasury shares *(note 6)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 29, 2018	**1,724.1**	**(24.9)**	**20.3**	**3,918.4**	**4.9**	**5,642.8**	**13.2**	**5,656.0**
Net earnings	**—**	**—**	**—**	**711.6**	**—**	**711.6**	**2.8**	**714.4**
Other comprehensive income	**—**	**—**	**—**	**(70.3)**	**—**	**(70.3)**	**—**	**(70.3)**
Comprehensive income	**—**	**—**	**—**	**641.3**	**—**	**641.3**	**2.8**	**644.1**
Stock options exercised	**28.0**	**—**	**(4.0)**	**—**	**—**	**24.0**	**—**	**24.0**
Shares redeemed	**(19.8)**	**—**	**—**	**—**	**—**	**(19.8)**	**—**	**(19.8)**
Share redemption premium	**—**	**—**	**—**	**(126.1)**	**—**	**(126.1)**	**—**	**(126.1)**
Acquisition of treasury shares	**—**	**(5.6)**	**—**	**—**	**—**	**(5.6)**	**—**	**(5.6)**
Share-based compensation cost	**—**	**—**	**8.6**	**—**	**—**	**8.6**	**—**	**8.6**
Performance share units settlement	**—**	**5.9**	**(5.7)**	**(0.2)**	**—**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**(198.9)**	**—**	**(198.9)**	**(2.1)**	**(201.0)**
Adoption of IFRS 9 "Financial instruments" on the investment at fair value *(note 2)*	**—**	**—**	**—**	**4.9**	**(4.9)**	**—**	**—**	**—**
Change in fair value of non-controlling interests liability	**—**	**—**	**—**	**(11.1)**	**—**	**(11.1)**	**(0.7)**	**(11.8)**
Sale of shares in joint ventures	**—**	**—**	**—**	**—**	**—**	**—**	**0.2**	**0.2**
	8.2	**0.3**	**(1.1)**	**(331.4)**	**(4.9)**	**(328.9)**	**(2.6)**	**(331.5)**
Balance as at September 28, 2019	**1,732.3**	**(24.6)**	**19.2**	**4,228.3**	**—**	**5,955.2**	**13.4**	**5,968.6**

metro

Condensed consolidated statements of changes in equity

Periods ended September 28, 2019 and September 29, 2018

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 30, 2017	565.8	(21.9)	19.8	2,343.9	3.5	2,911.1	12.8	2,923.9
Net earnings	—	—	—	1,716.5	—	1,716.5	2.0	1,718.5
Other comprehensive income	—	—	—	25.7	1.4	27.1	—	27.1
Comprehensive income	—	—	—	1,742.2	1.4	1,743.6	2.0	1,745.6
Shares issued	1,147.9	—	—	(0.2)	—	1,147.7	—	1,147.7
Stock options exercised	10.4	—	(1.6)	—	—	8.8	—	8.8
Acquisition of treasury shares	—	(10.2)	—	—	—	(10.2)	—	(10.2)
Share-based compensation cost	—	—	9.1	—	—	9.1	—	9.1
Performance share units settlement	—	7.2	(7.0)	(0.2)	—	—	—	—
Dividends	—	—	—	(164.8)	—	(164.8)	(4.8)	(169.6)
Change in fair value of non-controlling interests liability	—	—	—	(2.5)	—	(2.5)	2.9	0.4
Sale of shares in joint ventures	—	—	—	—	—	—	0.3	0.3
	1,158.3	(3.0)	0.5	(167.7)	—	988.1	(1.6)	986.5
Balance as at September 29, 2018	1,724.1	(24.9)	20.3	3,918.4	4.9	5,642.8	13.2	5,656.0

See accompanying notes

metro

Condensed consolidated statements of cash flows

Periods ended September 28, 2019 and September 29, 2018

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2019	2018	**2019**	2018
Operating activities				
Earnings before income taxes	**229.7**	193.1	**969.2**	2,076.7
Non-cash items				
Gain on disposal of investments in associates *(note 3)*	**—**	—	**(36.4)**	(1,107.4)
Gain on revaluation and disposal of an investment at fair value *(note 3)*	**—**	(15.5)	**(1.5)**	(241.1)
Share of an associate's earnings	**—**	—	**—**	(30.8)
Gain on divestiture of pharmacies *(note 3)*	**—**	—	**(6.0)**	—
Depreciation and amortization	**68.5**	65.0	**286.4**	233.5
Gain on disposal and write-offs of fixed and intangible assets and investment properties	**(1.9)**	(5.0)	**(0.8)**	(15.7)
Impairment losses on fixed assets	**0.5**	2.0	**2.1**	7.8
Impairment loss reversals on fixed assets	**—**	(1.9)	**(0.1)**	(1.9)
Share-based compensation cost	**1.6**	2.1	**8.6**	9.1
Difference between amounts paid for employee benefits and current period cost	**(38.2)**	3.3	**(35.1)**	4.2
Retail network restructuring expenses (note 3)	**—**	—	**36.0**	—
Pharmacy network closure and restructuring expenses *(note 3)*	**—**	31.4	**—**	31.4
Distribution network modernization project expenses *(note 3)*	**—**	—	**—**	11.4
Financial costs, net	**23.4**	23.9	**103.8**	80.2
	283.6	298.4	**1,326.2**	1,057.4
Net change in non-cash working capital items	**4.4**	(3.8)	**(54.5)**	(54.3)
Interest paid	**(3.5)**	(4.3)	**(106.9)**	(90.5)
Income taxes paid	**(55.6)**	(39.4)	**(477.1)**	(162.2)
	228.9	250.9	**687.7**	750.4
Investing activities				
Business acquisitions, net of cash acquired	**—**	—	**—**	(3,033.0)
Net proceeds on disposal of investments in associates *(note 3)*	**—**	257.6	**59.0**	1,791.6
Equity forward transaction on the investment at fair value *(note 3)*	**—**	68.4	**—**	68.4
Proceeds on divestiture of pharmacies *(note 3)*	**—**	—	**14.0**	—
Sale of shares in joint ventures	**—**	—	**0.2**	0.1
Buyout of minority interests	**—**	—	**—**	(221.2)
Net change in other assets	**1.5**	(2.6)	**9.2**	(0.6)
Additions to fixed assets and investment properties	**(142.1)**	(113.9)	**(356.9)**	(286.1)
Disposal of fixed assets and investment properties	**4.8**	8.5	**5.4**	34.6
Additions to intangible assets	**(10.3)**	(10.9)	**(39.4)**	(31.3)
	(146.1)	207.1	**(308.5)**	(1,677.5)
Financing activities				
Net change in bank loans	**(0.1)**	(0.2)	**(0.1)**	(1.0)
Shares issued	**9.1**	0.1	**24.0**	8.8
Shares redeemed	**(28.2)**	—	**(145.9)**	—
Acquisition of treasury shares *(note 6)*	**—**	—	**(5.6)**	(10.2)
Increase in debt	**0.8**	—	**46.6**	2,168.8
Repayment of debt	**(4.0)**	(302.9)	**(53.9)**	(995.2)
Net change in other liabilities	**0.5**	(1.8)	**1.1**	(1.3)
Dividends	**(50.8)**	(46.0)	**(198.9)**	(164.8)
	(72.7)	(350.8)	**(332.7)**	1,005.1
Net change in cash and cash equivalents	**10.1**	107.2	**46.5**	78.0
Cash and cash equivalents — beginning of period	**263.3**	119.7	**226.9**	148.9
Cash and cash equivalents — end of period	**273.4**	226.9	**273.4**	226.9

See accompanying notes

1. STATEMENT PRESENTATION

METRO INC. (the Corporation) is a company incorporated under the laws of Québec. One of Canada's leading food and pharmacy retailers and distributors, the Corporation 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 two business segments, food operations and pharmacy operations, are combined into one reportable operating segment due to the similar nature of their operations.

The unaudited interim condensed consolidated financial statements for the 12 and 52-week periods ended September 28, 2019 have been prepared by management in accordance with IAS 34 *Interim Financial Reporting* and using the same accounting policies and methods of computation as those used in preparing the audited annual consolidated financial statements for the year ended September 29, 2018 except for changes presented in note 2. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2018 Annual Report.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases* and related interpretations. Under IFRS 16, which provides a single accounting model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. The accounting requirements for lessors remain similar to those under IAS 17. IFRS 16 applies to fiscal years beginning on or after January 1, 2019, which for the Corporation is fiscal year beginning on September 29, 2019.

Under IFRS 16 transitional provisions, the Corporation will adopt the standard using a modified retrospective approach, and the cumulative impact of the initial application of the standard will be recognized as an adjustment to equity on transition.

As a lessee, the Corporation will recognize right-of-use assets and lease liabilities in respect of operating leases for property, vehicles and equipment. Depreciation expense for right-of-use assets and interest expense on lease liabilities will replace rental expense previously recognized under IAS 17 on a straight-line basis over the lease term. The lease liabilities will be measured at the present value of the remaining lease payments and the right-of-use assets will be measured using the modified retrospective approach. The discount rate used will be the Corporation's incremental borrowing rate on the transition date of September 29, 2019.

As an intermediate lessor under several leases, the Corporation has assessed the classification of its sublease agreements based on the right-of-use asset related to the main lease and not on the underlying asset. As a result of this change, the Corporation expects an increase in current and non-current receivables recorded for leases that should be classified as finance leases.

The Corporation will use the following practical expedients as permitted by IFRS 16 at the initial application date:

- apply IFRS 16 only to contracts that were previously identified as leases under IAS 17.
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Rely on an existing assessment to determine whether a lease is onerous, instead of performing a review of the impairment of the right-of-use assets.
- exclude leases which end within 12 months of the date of the initial application.
- elect not to apply IFRS 16 to leases for which the underlying asset is of low value.
- Exclude initial direct costs from the measurement of right-of-use assets.
- Use hindsight, such as in determining the lease term where the contract contains options to extend or terminate the lease.

We expect[(3)] increases in liabilities ranging from $2.1 billion to $2.3 billion and in assets, including right-of-use assets as well as receivables (current and non-current) related to sublease agreements, ranging from $1.9 billion to $2.1 billion

with the net impact recorded in opening retained earnings. Actual results from the initial application of IFRS 16 may differ from estimated amounts, the Corporation continues to perfect the estimates and input data that will be used in the calculations.

ACCOUNTING STANDARDS ADOPTED IN 2019

Financial instruments

Effective the first quarter of 2019, the Corporation adopted IFRS 9, *Financial Instruments*, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

The Corporation adopted the new classification and valuation, impairment and general hedging requirements on September 30, 2018 by applying the classification and valuation, including impairment, requirements retrospectively, with the cumulative effect of initially applying the standard recognized in opening retained earnings as at September 30, 2018 and without restatement of comparative information.

Classification of financial instruments
The adoption of IFRS 9 changes the Corporation's accounting policies with respect to the classification of financial instruments.

Following adoption, the Corporation's classification is as follows:

- Cash and cash equivalents were classified as "Financial assets at fair value through profit and loss" before the adoption of IFRS 9 and are now classified as subsequently measured at amortized cost.
- Accounts receivable and loans to certain customers were classified as "Loans and receivables" before the adoption of IFRS 9 and are now classified as subsequently measured at amortized cost.
- The investment at fair value was classified as an "Available-for-sale financial asset" before the adoption of IFRS 9 and is now classified as subsequently measured at fair value through other comprehensive income. Accumulated other comprehensive income of $4.9 was therefore reclassified to retained earnings as at September 30, 2018.
- Bank loans, accounts payable excluding deferred revenues, the revolving credit facility, notes and loans payable were classified as "Other financial liabilities" before the adoption of IFRS 9 and are now classified as subsequently measured at amortized cost.
- Non-controlling interests were classified as "Financial liabilities held for trading" before the adoption of IFRS 9 and are now classified as subsequently measured at fair value through profit and loss. Gains or losses resulting from the revaluation at the end of each period recorded may be recognized in net earnings or retained earnings. The Corporation has elected to record them in retained earnings.
- Derivative financial instruments not designated as hedges were classified as "Financial assets and liabilities at fair value through profit and loss" before the adoption of IFRS 9 and are now classified as subsequently measured at fair value through profit and loss.

The changes in classification and measurement criteria resulting from the adoption of IFRS 9 had no impact on the measurement of financial instruments.

Impairment of financial assets
The adoption of IFRS 9 changes the method used to calculate the impairment of accounts receivable and loans to certain customers.

At each reporting date, the Corporation estimates expected credit losses based on its credit loss history. Those expected loses are adjusted to reflect factors that are specific to the accounts receivable and loans to certain customers, general economic conditions as well as an assessment of both current and forecasted economic conditions at the reporting date, including time value of money when appropriate. The evaluation is calculated using the simplified method for cash and current assets and the general method for loans. The net change in expected credit losses on accounts receivable and loans to certain customers is recognized in net earnings.

The adoption of IFRS 9 had no impact on the impairment of accounts receivable and loans to certain customers.

Revenue from contracts with customers

Effective the first quarter of 2019, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers*. IFRS 15 replaces IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Corporation adopted IFRS 15 retrospectively in accordance with the transitional provisions thereof. The application of IFRS 15 had no impact on the amounts recognized in the Corporation's interim condensed consolidated financial statements, and no amounts have been reclassified or restated.

Under IFRS 15, revenue is recognized when control of the goods or services is transferred to the customer. Retail sales made by corporate stores and by stores qualifying as structured entities are recognized at the time of sale to the customer, and sales to affiliated or franchised stores and to other customers are recognized when the goods are delivered to them. Rebates granted by the Corporation are recorded as a reduction in sales.

3. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks Fiscal Year				52 weeks Fiscal Year			
	2019	**%**	2018	%	**2019**	**%**	2018	%
Sales	**3,858.9**		3,736.2		**16,767.5**		14,383.4	
Cost of sales	**(3,077.8)**		(3,000.7)		**(13,438.8)**		(11,556.5)	
Gross margins	**781.1**	**20.2**	735.5	19.7	**3,328.7**	**19.9**	2,826.9	19.7
Operating expenses								
Wages and fringe benefits	**(199.2)**		(197.5)		**(880.6)**		(779.3)	
Employee benefits expense	**(21.6)**		(21.0)		**(85.8)**		(83.6)	
Rents and occupancy charges	**(126.8)**		(123.7)		**(529.2)**		(475.8)	
Retail network restructuring expenses	**—**		—		**(36.0)**		—	
Gain on divestiture of pharmacies	**—**		—		**6.0**		—	
Pharmacy network closure and restructuring expenses *(note 3)*	**—**		(31.4)		**—**		(31.4)	—
Distribution network modernization project expenses	**—**		—		**—**		(11.4)	
Others	**(111.9)**		(95.4)		**(481.6)**		(434.3)	
	(459.5)	**11.9**	(469.0)	12.6	**(2,007.2)**	**12.0**	(1,815.8)	12.6
Operating income before depreciation and amortization and associates' earnings	**321.6**	**8.3**	266.5	7.1	**1,321.5**	**7.9**	1,011.1	7.0
Depreciation and amortization								
Fixed assets	**(50.7)**		(47.6)		**(210.3)**		(185.0)	
Investment properties	**(0.2)**		(0.1)		**(0.7)**		(0.2)	
Intangible assets	**(17.6)**		(17.3)		**(75.4)**		(48.3)	
	(68.5)		(65.0)		**(286.4)**		(233.5)	
Financial costs, net								
Current interest	**(0.6)**		(0.4)		**(2.9)**		(4.3)	
Non-current interest	**(23.6)**		(24.1)		**(103.5)**		(99.0)	
Interest on defined benefit obligations net of plan assets	**(0.5)**		(0.8)		**(2.1)**		(3.2)	
Amortization of deferred financing costs	**(0.7)**		(0.6)		**(2.9)**		(2.2)	
Interest income	**2.1**		2.1		**7.8**		28.8	
Passage of time	**(0.1)**		(0.1)		**(0.2)**		(0.3)	
	(23.4)		(23.9)		**(103.8)**		(80.2)	
Gain on disposal of investments in associates	**—**		—		**36.4**		1,107.4	
Gain on revaluation and disposal of an investment at fair value	**—**		15.5		**1.5**		241.1	
Share of an associate's earnings	**—**		—		**—**		30.8	
Earnings before income taxes	**229.7**		193.1		**969.2**		2,076.7	

During the second quarter of fiscal 2019, the Corporation recorded retail network restructuring expenses of $36.0 before taxes, comprising a $24.9 provision for severance and occupancy costs and a $11.1 provision, netted against assets, for asset and inventory write-offs resulting from the conversion, relocation or closure of a dozen stores.

During the second quarter of fiscal 2019, pursuant to the agreement reached with the Competition Bureau following the Jean Coutu Group acquisition, the Corporation completed the divestiture of rights in the 10 locations where pharmacies are in operation. Consequently, the Corporation recorded in fiscal 2019 a $6.0 gain before income taxes following the disposition of leases and buildings and the termination of franchise agreements related to these pharmacies, for a total consideration in cash of $14.0.

During the first quarter of fiscal 2019, the Company disposed of its investment in Colo-D Inc., an associate presented in other assets, for a total cash consideration of $58.0 and a gain of $35.4 before income taxes ($31.0 after income taxes). A selling price adjustment was made during the third quarter, bringing the total cash consideration to $59.0 and the gain before income taxes to $36.4 ($31.9 after taxes).

In addition, during the first quarter of 2019, the Corporation finalized the disposal of the entire investment at fair value in Alimentation Couche Tard Inc. (ACT) for final proceeds of $65.7, an amount of $68.4 was received in the fourth quarter of fiscal 2018 upon entering into a forward agreement. The completion of this agreement following the disposal of the investment resulted in a revaluation gain of $1.5 before income taxes presented in earnings as a gain on revaluation and disposal of an investment at fair value. A loss on disposal of $1.3 before income taxes was recognized in accumulated other comprehensive income.

During the first quarter of fiscal 2018, to fund a portion of the Jean Coutu Group acquisition, the Corporation disposed of most of its investment in ACT, and recorded a gain of $1,107.4. As a result of this disposal, the Corporation no longer has significant influence over ACT. Consequently, the investment was revalued at fair value and the Corporation recorded a $241.1 fair value revaluation gain in net earnings.

4. INCOME TAXES

The effective income tax rates were as follows:

	12 weeks Fiscal Year		52 weeks Fiscal Year	
(Percentage)	**2019**	2018	**2019**	2018
Combined statutory income tax rate	**26.6**	26.6	**26.6**	26.7
Changes				
Gain on disposal of investments in associates *(note 3)*	**—**	—	**(0.5)**	(7.5)
Gain on revaluation and disposal of an investment at fair value *(note 3)*	**—**	(1.1)	**—**	(1.6)
Share of an associate's earnings	**—**	—	**—**	(0.2)
Others	**0.5**	(0.6)	**0.2**	(0.2)
	27.1	24.9	**26.3**	17.2

5. NET EARNINGS PER SHARE

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

	12 weeks Fiscal Year		52 weeks Fiscal Year	
(Millions)	**2019**	2018	**2019**	2018
Weighted average number of shares outstanding – Basic	**253.9**	255.7	**254.9**	238.3
Dilutive effect under:				
Stock option plan	**0.7**	0.8	**0.8**	0.9
Performance share unit plan	**0.6**	0.6	**0.6**	0.6
Weighted average number of shares outstanding – Fully diluted	**255.2**	257.1	**256.3**	239.8

6. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number *(Thousands)*	
Balance as at September 30, 2017	227,719	565.8
Shares issued	28,031	1,147.9
Stock options exercised	503	10.4
Balance as at September 29, 2018	**256,253**	**1,724.1**
Shares redeemed for cash, excluding premium of $126.1	**(2,925)**	**(19.8)**
Stock options exercised	**1,112**	**28.0**
Balance as at September 28, 2019	**254,440**	**1,732.3**

TREASURY SHARES

The treasury shares were summarized as follows:

	Number *(Thousands)*	
Balance as at September 30, 2017	579	(21.9)
Acquisition	250	(10.2)
Release	(226)	7.2
Balance as at September 29, 2018	**603**	**(24.9)**
Acquisition	**115**	**(5.6)**
Release	**(141)**	**5.9**
Balance as at September 28, 2019	**577**	**(24.6)**

The treasury shares are held in trust for the performance share unit plan (PSU). They are released into circulation when the PSUs settle.

Excluding treasury shares from the Common Shares issued, the Corporation had 253,863,000 outstanding Common Shares issued as at September 28, 2019 (255,650,000 as at September 29, 2018).

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number	Weighted average exercise price
	(Thousands)	*(Dollars)*
Balance as at September 30, 2017	3,180	26.94
Granted	390	41.16
Exercised	(503)	17.49
Balance as at September 29, 2018	**3,067**	**30.30**
Granted	**416**	**47.56**
Exercised	**(1,112)**	**21.55**
Cancelled	**(90)**	**40.71**
Balance as at September 28, 2019	**2,281**	**37.30**

The exercise prices of the outstanding options ranged from $20.30 to $48.68 as at September 28, 2019 with expiration dates up to 2026. 739,620 of those options could be exercised at a weighted average exercise price of $30.86.

The compensation expense for these options amounted to $0.5 and $2.0 for the 12-week period and fiscal year ended September 28, 2019 ($0.4 and $2.0 in 2018).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number
	(Thousands)
Balance as at September 30, 2017	547
Granted	230
Settled	(193)
Cancelled	(5)
Balance as at September 29, 2018	**579**
Granted	**226**
Settled	**(141)**
Cancelled	**(59)**
Balance as at September 28, 2019	**605**

The compensation expense for the PSU plan amounted to $1.1 and $6.6 for the 12-week period and fiscal year ended September 28, 2019 ($1.7 and $7.1 in 2018).

7. CONTINGENCIES

In the normal course of business, the Corporation is exposed to various contingencies as described in the Corporation's audited annual consolidated financial statements dated September 29, 2018.

In May 2019, two proposed class actions relating to opioids were filed in Ontario and in Québec against a large group of defendants including a subsidiary of the Corporation, Pro Doc Ltée. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. These proposed class actions contain allegations of breach of the Competition Act, of fraudulent misrepresentation and deceit, and of negligence. The province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario and Québec proposed claims seek recovery of damages on behalf of opioid users directly. The Corporation believes these proceedings are without merit and that, in certain cases, there is no jurisdiction. However, since any litigation involves uncertainty, it is not possible to predict the outcome of this litigation or the amount of potential losses. No accruals or provisions for these matters have been recorded in the interim period condensed consolidated financial statements.

8. FINANCIAL INSTRUMENTS

The non-current financial instruments' book and fair values, except for non-controlling interests, were as follows:

	As at September 28, 2019		As at September 29, 2018	
	Book value	**Fair value**	Book value	Fair value
Investment at fair value				
Asset subsequently measured at fair value through comprehensive income *(note 3)*	**—**	**—**	66.9	66.9
Other assets				
Assets measured at amortized cost				
Loans to certain customers	**62.8**	**62.8**	64.5	64.5
Non-controlling interests				
Liabilities measured at fair value through profit and loss	**—**	**—**	39.3	39.3
Debt				
Liabilities measured at amortized cost				
Series E Notes	**400.0**	**400.3**	400.0	401.2
Series C Notes	**300.0**	**305.2**	300.0	300.6
Series F Notes	**300.0**	**302.4**	300.0	292.9
Series G Notes	**450.0**	**466.8**	450.0	432.8
Series B Notes	**400.0**	**512.0**	400.0	474.7
Series D Notes	**300.0**	**362.6**	300.0	323.5
Series H Notes	**450.0**	**491.8**	450.0	432.5
Loans	**51.0**	**51.0**	35.2	35.2
	2,651.0	**2,892.1**	2,635.2	2,693.4

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

The investment's fair value was measured using the closing quoted bid price of the shares of Alimentation Couche Tard Inc. which are listed on the TSX. The Corporation categorized the fair value measurement in Level 1, as it is derived from quoted prices in active markets.

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 non-current liability is equivalent to the estimated price to be paid, which is based mainly on the discounted value of the projected future earnings of MissFresh (MissFresh and Première Moisson in 2018), as of 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. During the second quarter of fiscal 2019, the Corporation reclassified as current the liability related to the non-controlling interest in Première Moisson given that under the shareholders' agreement, the Corporation will acquire the minority interest effective at the end of fiscal 2019. The fair value of the non-controlling interest-related current liability corresponds to an estimation of price to be paid based on Première Moisson fiscal 2019 results in accordance with the agreement between the parties.

9. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week period and fiscal year ended September 28, 2019 (including comparative figures) were approved for issue by the Board of Directors on November 19, 2019.

INFORMATION

METRO INC.'s Investor Relations Department
Telephone: (514) 643-1000

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

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