



## PRESS RELEASE

# METRO REPORTS RECORD NET EARNINGS IN THE FOURTH QUARTER OF 2010

---

**(Montréal, November 17, 2010)** – METRO INC. (TSX: MRU.A) today announced record results for the fourth quarter and fiscal year ended September 25, 2010.

### 2010 FOURTH QUARTER HIGHLIGHTS

- Net earnings of \$93.4 million, up 10.7% or 8.7% on an adjusted basis<sup>(1)</sup>
- Fully diluted net earnings per share of \$0.88, up 14.3% or 12.8% on an adjusted basis<sup>(1)</sup>
- Sales of \$2,559.9 million, up 1.1%
- Declared dividend of \$0.17 per share, up 23.6%

### FISCAL 2010 HIGHLIGHTS

- Net earnings of \$391.8 million, up 10.6%
- Adjusted net earnings<sup>(1)</sup> of \$382.4 million, up 6.5%
- Adjusted fully diluted net earnings<sup>(1)</sup> per share of \$3.56, up 10.2%
- Sales of \$11,342.9 million, up 1.3%
- Repurchase of nearly 4 million shares

*“We are very satisfied with our 2010 financial results considering the challenges of persistent deflation in certain product categories and continuing consumer caution. Dunnhumby Canada, our joint venture created in the fall of 2009, and our Metro & Moi loyalty program rolled out across Québec at the end of the fiscal year, laid the groundwork for a renewed customer-based approach that will allow us to differentiate ourselves in the coming years. Although the economic and competitive environments remain challenging, we are confident that we can continue<sup>(2)</sup> to grow in 2011,”* stated Eric R. La Flèche, President and Chief Executive Officer.

<sup>(1)</sup> See section on “Non-GAAP measurements”

<sup>(2)</sup> See section on “Forward-looking information”

## SALES

2010 fourth quarter sales reached \$2,559.9 million compared to \$2,532.5 million last year, an increase of 1.1%. Sales for fiscal 2010 reached \$11,342.9 million, up 1.3% compared to sales of \$11,196.0 million for fiscal 2009.

These increases were achieved despite a slight drop in the value of our basket, whereas last year, high food price inflation and the temporary closing of several stores of a competitor due to a labour conflict had a positive impact on our sales. Same-store sales declined 0.5% due to deflation in certain product categories.

## EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)<sup>(1)</sup>

Fourth quarter EBITDA<sup>(1)</sup> in 2010 was \$185.6 million, up 5.6% from \$175.8 million for the same quarter last year. Fourth quarter EBITDA<sup>(1)</sup> represented 7.3% of sales versus 6.9% last year. Excluding non-recurring costs of \$2.3 million before taxes to convert our Ontario supermarkets to the Metro banner, adjusted EBITDA<sup>(1)</sup> for the fourth quarter of 2009 represented 7.0% of sales.

EBITDA<sup>(1)</sup> for fiscal 2010 was \$787.0 million or 6.9% of sales compared to \$741.6 million or 6.6% of sales for fiscal 2009. Excluding non-recurring costs of \$0.9 million and \$11.0 million before taxes to convert our Ontario supermarkets to the Metro banner in fiscal 2010 and 2009 respectively, adjusted EBITDA<sup>(1)</sup> represented 6.9% of sales in 2010 and 6.7% in 2009.

Our share of earnings from our investment in Alimentation Couche-Tard for the fourth quarter and fiscal 2010 were \$15.1 million and \$40.4 million respectively, compared to \$11.7 million and \$37.4 million for the corresponding periods of fiscal 2009. Excluding non-recurring items as well as our share of earnings from our investment in Alimentation Couche-Tard, our adjusted EBITDA<sup>(1)</sup> for the fourth quarter and fiscal 2010 were \$170.5 million and \$747.5 million respectively or 6.7% and 6.6% of sales versus \$166.4 million or 6.6% of sales for the fourth quarter of 2009 and \$715.2 million or 6.4% for fiscal 2009.

These increases are due mainly to an increase in our gross margins driven by our improved store operations.

## EBITDA<sup>(1)</sup> Adjustments

	12 weeks / Fiscal Year					
	2010			2009		
<i>(Millions of dollars, unless otherwise indicated)</i>	EBITDA	Sales	EBITDA/Sales (%)	EBITDA	Sales	EBITDA/Sales (%)
EBITDA	185.6	2,559.9	7.3	175.8	2,532.5	6.9
Banner conversion costs	—	—	—	2.3	—	—
Adjusted EBITDA	185.6	2,559.9	7.3	178.1	2,532.5	7.0
Share of earnings from our investment in Alimentation Couche-Tard	(15.1)	—	—	(11.7)	—	—
Adjusted EBITDA excluding share of earnings	170.5	2,559.9	6.7	166.4	2,532.5	6.6

<sup>(1)</sup> See section on "Non-GAAP measurements"

<sup>(2)</sup> See section on "Forward-looking information"

	Fiscal Year					
	2010			2009		
<i>(Millions of dollars, unless otherwise indicated)</i>	EBITDA	Sales	EBITDA/Sales (%)	EBITDA	Sales	EBITDA/Sales (%)
EBITDA	787.0	11,342.9	6.9	741.6	11,196.0	6.6
Banner conversion costs	0.9	—		11.0	—	
Adjusted EBITDA	787.9	11,342.9	6.9	752.6	11,196.0	6.7
Share of earnings from our investment in Alimentation Couche-Tard	(40.4)	—		(37.4)	—	
Adjusted EBITDA excluding share of earnings	747.5	11,342.9	6.6	715.2	11,196.0	6.4

#### DEPRECIATION AND AMORTIZATION AND FINANCIAL COSTS

Total amortization expenses for the fourth quarter and fiscal 2010 amounted to \$45.3 million and \$201.2 million respectively, compared with \$46.3 million and \$189.1 million for the same periods of 2009. Fourth quarter financial costs totalled \$9.5 million in 2010 versus \$10.1 million last year, while financial costs for fiscal 2010 totalled \$44.7 million versus \$48.0 million last year. Interest rates for fiscal 2010 averaged 4.0% versus 4.4% last year.

#### INCOME TAXES

The 2010 fourth quarter and fiscal 2010 income tax expenses of \$37.4 million and \$149.3 million represented effective tax rates of 28.6% and 27.6% respectively. In the first quarter of 2010, we benefited from a \$10.0 million reduction in our future income tax liabilities and income tax expense. Excluding this reduction, our effective tax rate for fiscal 2010 was 29.4%. The 2009 fourth quarter and fiscal 2009 income tax expenses were \$35.0 million and \$150.1 million respectively and the tax rates were 29.3% and 29.8% respectively. In the third quarter of 2009, the Québec government reduced the tax rate on investment income and this reduction cut our future income tax liabilities by \$2.7 million and our tax expenses by the same amount. Excluding this reduction, our effective fiscal 2009 tax rate was 30.3%.

#### NET EARNINGS

The 2010 fourth quarter net earnings were \$93.4 million compared to \$84.4 million for the corresponding quarter last year, an increase of 10.7%. Fully diluted net earnings per share rose 14.3% to \$0.88 from \$0.77 last year. Excluding banner conversion costs of \$2.3 million before taxes recorded in the fourth quarter of 2009, our 2010 fourth quarter net earnings and fully diluted net earnings per share were up 8.7% and 12.8% respectively.

Net earnings for fiscal 2010 reached \$391.8 million versus \$354.4 million last year, up 10.6%. Fully diluted net earnings per share were \$3.65 compared to \$3.19 last year, an increase of 14.4%. Excluding the 2010 first quarter and 2009 third quarter income tax expense decreases of \$10.0 million and \$2.7 million respectively and pre-tax banner conversion costs of \$0.9 million in 2010 and \$11.0 million in 2009, adjusted net earnings<sup>(1)</sup> for fiscal 2010 were \$382.4 million, up 6.5% from the \$359.0 million for fiscal 2009. Adjusted fully diluted net earnings per share<sup>(1)</sup> were \$3.56, up 10.2% from \$3.23 last year.

<sup>(1)</sup> See section on "Non-GAAP measurements"

<sup>(2)</sup> See section on "Forward-looking information"

## Net Earnings Adjustments

	12 weeks / Fiscal Year					
	2010		2009		Change (%)	
	<i>(Millions of dollars)</i>	<b>Fully diluted EPS (Dollars)</b>	<i>(Millions of dollars)</i>	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	<b>93.4</b>	<b>0.88</b>	84.4	0.77	10.7	14.3
Banner conversion costs after taxes	—	—	1.5	0.01		
Adjusted net earnings <sup>(1)</sup>	<b>93.4</b>	<b>0.88</b>	85.9	0.78	8.7	12.8

	Fiscal Year					
	2010		2009		Change (%)	
	<i>(Millions of dollars)</i>	<b>Fully diluted EPS (Dollars)</b>	<i>(Millions of dollars)</i>	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	<b>391.8</b>	<b>3.65</b>	354.4	3.19	10.6	14.4
Banner conversion costs after taxes	<b>0.6</b>	—	7.3	0.06		
Decrease in tax expense	<b>(10.0)</b>	<b>(0.09)</b>	(2.7)	(0.02)		
Adjusted net earnings <sup>(1)</sup>	<b>382.4</b>	<b>3.56</b>	359.0	3.23	6.5	10.2

<sup>(1)</sup> See section on "Non-GAAP measurements"

<sup>(2)</sup> See section on "Forward-looking information"

## Quarterly Highlights

<i>(Millions of dollars, unless otherwise indicated)</i>	2010	2009	Change (%)
<b>Sales</b>			
Q1	<b>2,645.0</b>	2,600.5	1.7
Q2	<b>2,576.7</b>	2,549.7	1.1
Q3	<b>3,561.3</b>	3,513.3	1.4
Q4	<b>2,559.9</b>	2,532.5	1.1
Fiscal	<b>11,342.9</b>	11,196.0	1.3
<b>Net earnings</b>			
Q1	<b>98.1</b>	81.1	21.0
Q2	<b>80.3</b>	76.3	5.2
Q3	<b>120.0</b>	112.6	6.6
Q4	<b>93.4</b>	84.4	10.7
Fiscal	<b>391.8</b>	354.4	10.6
<b>Adjusted net earnings<sup>(1)</sup></b>			
Q1	<b>88.7</b>	84.1	5.5
Q2	<b>80.3</b>	77.2	4.0
Q3	<b>120.0</b>	111.8	7.3
Q4	<b>93.4</b>	85.9	8.7
Fiscal	<b>382.4</b>	359.0	6.5
<b>Fully diluted net earnings per share</b> <i>(Dollars)</i>			
Q1	<b>0.91</b>	0.73	24.7
Q2	<b>0.74</b>	0.68	8.8
Q3	<b>1.12</b>	1.01	10.9
Q4	<b>0.88</b>	0.77	14.3
Fiscal	<b>3.65</b>	3.19	14.4
<b>Adjusted fully diluted net earnings per share<sup>(1)</sup></b> <i>(Dollars)</i>			
Q1	<b>0.82</b>	0.76	7.9
Q2	<b>0.74</b>	0.68	8.8
Q3	<b>1.12</b>	1.01	10.9
Q4	<b>0.88</b>	0.78	12.8
Fiscal	<b>3.56</b>	3.23	10.2

First, second, third and fourth quarter sales for 2010 were up 1.7%, 1.1%, 1.4% and 1.1% respectively over those in fiscal 2009. These increases were achieved despite persistent deflation in certain product categories in 2010, whereas last year, high food price inflation and the temporary closing of several stores of a competitor due to a labour conflict had a positive impact on our sales for the corresponding quarters.

First quarter net earnings and fully diluted net earnings per share for 2010 were up 21.0% and 24.7% respectively over those in fiscal 2009. Excluding banner conversion costs of \$0.9 million and \$4.5 million before taxes recorded respectively in the first quarters of 2010 and 2009, as well as the income tax expense decrease of \$10.0 million in the first quarter of 2010 further to future decreases in the Ontario tax rate, adjusted net earnings<sup>(1)</sup> were up 5.5% and adjusted fully diluted net earnings per share<sup>(1)</sup> were up 7.9%.

Second quarter net earnings and fully diluted net earnings per share for 2010 were up 5.2% and 8.8% respectively from those in 2009.

<sup>(1)</sup> See section on "Non-GAAP measurements"

<sup>(2)</sup> See section on "Forward-looking information"

Third quarter net earnings and fully diluted net earnings per share in 2010 were up 6.6% and 10.9% respectively from 2009. Excluding non-recurring items recorded in the third quarter of 2009, namely \$2.9 million before taxes to convert our Ontario supermarkets to the Metro banner as well as an income tax expense decrease of \$2.7 million, net earnings and fully diluted net earnings per share for the third quarter of 2010 were up 7.3% and 10.9%, compared to adjusted net earnings<sup>(1)</sup> and adjusted fully diluted net earnings per share<sup>(1)</sup> for the third quarter of 2009.

Fourth quarter net earnings and fully diluted net earnings per share in 2010 were up 10.7% and 14.3% over those for 2009. Excluding 2009 fourth quarter banner conversion costs of \$2.3 million before taxes, net earnings and fully diluted net earnings per share for the fourth quarter of 2010 were up 8.7% and 12.8% over adjusted net earnings<sup>(1)</sup> and adjusted fully diluted net earnings per share<sup>(1)</sup> for the fourth quarter of 2009.

	2010					2009				
	Q1	Q2	Q3	Q4	Fiscal	Q1	Q2	Q3	Q4	Fiscal
<i>(Millions of dollars)</i>										
Net earnings	98.1	80.3	120.0	93.4	391.8	81.1	76.3	112.6	84.4	354.4
Banner conversion costs after taxes	0.6	—	—	—	0.6	3.0	0.9	1.9	1.5	7.3
Decrease in tax expense	(10.0)	—	—	—	(10.0)	—	—	(2.7)	—	(2.7)
Adjusted net earnings <sup>(1)</sup>	88.7	80.3	120.0	93.4	382.4	84.1	77.2	111.8	85.9	359.0

	2010					2009				
	Q1	Q2	Q3	Q4	Fiscal	Q1	Q2	Q3	Q4	Fiscal
<i>(Dollars and per share)</i>										
Fully diluted net earnings	0.91	0.74	1.12	0.88	3.65	0.73	0.68	1.01	0.77	3.19
Banner conversion costs after taxes	—	—	—	—	—	0.03	—	0.02	0.01	0.06
Decrease in tax expense	(0.09)	—	—	—	(0.09)	—	—	(0.02)	—	(0.02)
Adjusted fully diluted net earnings <sup>(1)</sup>	0.82	0.74	1.12	0.88	3.56	0.76	0.68	1.01	0.78	3.23

## Cash Position

### OPERATING ACTIVITIES

Operating activities generated cash flows of \$179.3 million in the fourth quarter and \$547.8 million for fiscal 2010, compared to \$230.8 million in the fourth quarter of 2009 and \$520.1 million for fiscal 2009. The variations in generated cash are due primarily to increased net earnings and variations in non-cash working capital.

### INVESTING ACTIVITIES

Investing activities required outflows of \$30.2 million in the fourth quarter and \$339.8 million for fiscal 2010 versus \$94.8 million in the fourth quarter of 2009 and \$258.8 million for fiscal 2009. The decrease in fourth quarter outflows in 2010 compared with 2009 is due primarily to reduced acquisition of fixed assets in 2010, while the increase in outflows for fiscal 2010 compared with fiscal 2009 is attributable to the 2010 acquisition of 18 stores for valuable cash consideration of \$152.3 million (net of cash acquired totalling \$0.3 million).

During fiscal 2010, the Company and its retailers invested \$278.7 million in our retail network, for a net expansion of 364,100 square feet or 1.9%. Major renovations and expansions of 35 stores were completed, and 13 new stores were opened.

<sup>(1)</sup> See section on "Non-GAAP measurements"

<sup>(2)</sup> See section on "Forward-looking information"

## FINANCING ACTIVITIES

Financing activities required outflows of \$54.6 million in the fourth quarter of 2010 compared to \$58.7 million in the fourth quarter of 2009.

Financing activities required outflows of \$234.7 million for fiscal 2010 versus \$171.6 million for fiscal 2009. The increase of outflows is attributable to a greater number of Class A Subordinate shares being repurchased, higher dividends, and a decrease in issuance of shares in 2010 compared to 2009.

## Financial Position

Despite the difficult economic environment, we do not anticipate<sup>(2)</sup> any liquidity risk and consider our financial position at the end of fiscal 2010 as very solid. We had an unused authorized revolving line of credit of \$400.0 million. Our long-term debt corresponded to 29.1% of the combined total of long-term debt and shareholders' equity (long-term debt/total capital).

At the end of fiscal 2010, the main elements of our long-term debt were as follows:

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

At the end of fiscal 2010, one interest rate swap agreement in the notional amount of \$50.0 million was outstanding under our Credit A Facility. This agreement provides for the exchange of variable interest payment for fixed interest payment according to the following term:

Fixed Rate	Notional Amount (Millions of dollars)	Maturity
4.0425%	50.0	December 16, 2010

Giving effect to this swap agreement, at the end of fiscal 2010, long-term indebtedness comprised \$650.0 million at fixed rates ranging from 4.4925% to 5.97% and \$319.3 million at variable rates which fluctuate with changes in bankers' acceptance rates.

At the end of fiscal 2010, we also had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future U.S. dollar denominated purchases. The fair value of these short-term foreign exchange forward contracts was insignificant.

## FINANCIAL RATIOS

	As at September 25, 2010	As at September 26, 2009
Financial structure		
Long-term debt (Millions of dollars)	1,004.3	1,004.3
Shareholders' equity (Millions of dollars)	2,442.8	2,264.1
Long-term debt/total capital (%)	29.1	30.7
	<b>Fiscal 2010</b>	Fiscal 2009
Results		
EBITDA <sup>(1)</sup> /Financial costs (Times)	17.6	15.5

<sup>(1)</sup> See section on "Non-GAAP measurements"

<sup>(2)</sup> See section on "Forward-looking information"

## CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at September 25, 2010	As at September 26, 2009
Number of Class A Subordinate Shares outstanding <i>(Thousands)</i>	104,438	107,830
Number of Class B Shares outstanding <i>(Thousands)</i>	631	718
Stock options:		
Number outstanding <i>(Thousands)</i>	1,777	1,864
Exercise prices <i>(Dollars)</i>	20.20 to 44.19	17.23 to 39.17
Weighted average exercise price <i>(Dollars)</i>	32.29	28.53
Performance share units:		
Number outstanding <i>(Thousands)</i>	309	268
Weighted average maturity <i>(Months)</i>	16	18

### NORMAL COURSE ISSUER BID PROGRAM

The Company decided to renew the issuer bid program as an additional option for using excess funds. Thus, we will be able to decide, in the shareholders' best interest, to reimburse debt or to repurchase Company shares. The Board of Directors authorized the Company to repurchase, in the normal course of business, between September 8, 2010 and September 7, 2011, up to 6,000,000 of its Class A Subordinate Shares representing approximately 5.7% of its issued and outstanding shares at the close of the Toronto Stock Exchange on August 6, 2010. Repurchases will be made through the stock exchange at market price, in accordance with its policies and regulations, as well as by other means as may be permitted by TSX and any other securities regulatory authorities, including by private agreements. The Class A Subordinate Shares so repurchased will be cancelled. Under the normal course issuer bid program covering the period from September 8, 2009 to September 7, 2010, the Company repurchased 4,030,600 Class A Subordinate shares at an average price of \$40.42 per share for a total of \$162.9 million. Under the existing program covering the period from September 8, 2010 to September 7, 2011, the Company has repurchased, as of November 5, 2010, 623,800 Class A Subordinate shares at an average price of \$45.04 per share for a total of \$28.1 million.

### DIVIDENDS

On September 21, 2010, the Company's Board of Directors declared a quarterly dividend of \$0.17 per Class A Subordinate Share and Class B Share payable November 16, 2010, an increase of 23.6% over last year. On an annualized basis, this dividend represents 20.2% of 2009 net earnings.

### SHARE TRADING

The value of METRO shares remained in the \$33.02 to \$47.01 range in fiscal 2010. During this period, a total of 72.3 million shares traded on the Toronto Stock Exchange. The closing price on Friday, September 24, 2010 was \$45.15, compared with \$34.73 at the end of fiscal 2009. The closing price on November 5, 2010 was \$46.52.

### Press Release

This press release sets out the financial position and consolidated results of METRO INC. on September 25, 2010. It should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes in this press release along with the consolidated financial statements for the fiscal year ended September 26, 2009 and related notes and MD&A presented in the Company's 2009 Annual Report. This press release is based upon information as at November 5, 2010 unless otherwise stated.

### Non-GAAP Measurements

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

(1) See section on "Non-GAAP measurements"

(2) See section on "Forward-looking information"

### **Earnings before financial costs, taxes, depreciation and amortization (EBITDA)**

EBITDA is a measurement of earnings that excludes financial costs, taxes, depreciation and amortization. We believe that EBITDA is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial expenses.

### **Adjusted EBITDA, adjusted net earnings and adjusted fully diluted net earnings per share**

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

### **Forward-looking Information**

We have used, throughout this interim 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, which does not constitute a historical fact, may be deemed a forward-looking statement. Expressions such as "continue", "anticipate" 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 2011 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Company and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession, or the arrival of a new competitor, are examples described under the "Risk Management" section of the 2009 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 interim report and represent our expectations. The Company does not intend to update any forward-looking statement contained herein, except as required by applicable law.

### **Conference Call**

Financial analysts and institutional investors are invited to participate in a conference call on the 2010 fourth quarter and fiscal year results at **10:00 a.m. (EST) on Wednesday, November 17, 2010**. To access the conference call, please dial (514) 807-9895 or (647) 427-7450 or (888) 231-8191. The media and investing public are invited to listen to the call in real time or delayed time on the METRO INC. Web site at [www.metro.ca](http://www.metro.ca).

<b>SOURCE:</b>	METRO INC.
<b>INFORMATION:</b>	Richard Dufresne Senior Vice-President, Chief Financial Officer and Treasurer Tel.: (514) 643-1003
<b>INVESTOR RELATIONS DEPARTMENT:</b>	Tel.: (514) 643-1055 E-mail: <a href="mailto:finance@metro.ca">finance@metro.ca</a>

METRO INC.'s corporate information and press releases are available on the Internet at: [www.metro.ca](http://www.metro.ca)

(1) See section on "Non-GAAP measurements"

(2) See section on "Forward-looking information"

## Consolidated Statements of Earnings

Periods ended September 25, 2010 and September 26, 2009  
(Unaudited) (Millions of dollars, except for net earnings per share)

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2010	2009	2010	2009
<b>Sales</b>	<b>\$ 2,559.9</b>	\$ 2,532.5	<b>\$ 11,342.9</b>	\$ 11,196.0
Cost of sales and operating expenses (note 8)	<b>(2,389.4)</b>	(2,366.1)	<b>(10,595.4)</b>	(10,480.8)
Share of earnings in a public company subject to significant influence	<b>15.1</b>	11.7	<b>40.4</b>	37.4
Banner conversion costs (note 3)	<b>—</b>	(2.3)	<b>(0.9)</b>	(11.0)
<b>Earnings before financial costs, taxes, depreciation and amortization</b>	<b>185.6</b>	175.8	<b>787.0</b>	741.6
Depreciation and amortization	<b>(45.3)</b>	(46.3)	<b>(201.2)</b>	(189.1)
<b>Operating income</b>	<b>140.3</b>	129.5	<b>585.8</b>	552.5
Financial costs, net (note 5)	<b>(9.5)</b>	(10.1)	<b>(44.7)</b>	(48.0)
<b>Earnings before income taxes</b>	<b>130.8</b>	119.4	<b>541.1</b>	504.5
Income taxes (note 6)	<b>(37.4)</b>	(35.0)	<b>(149.3)</b>	(150.1)
<b>Net earnings</b>	<b>\$ 93.4</b>	\$ 84.4	<b>\$ 391.8</b>	\$ 354.4
<b>Net earnings per share (Dollars) (note 7)</b>				
Basic	<b>0.89</b>	0.77	<b>3.67</b>	3.21
Fully diluted	<b>0.88</b>	0.77	<b>3.65</b>	3.19
<i>See accompanying notes</i>				

## Consolidated Balance Sheets

(Unaudited) (Millions of dollars)

	As at September 25, 2010	As at September 26, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 214.7	\$ 241.4
Accounts receivable	311.3	315.8
Inventories (note 8)	699.3	681.3
Prepaid expenses	9.7	8.3
Income taxes receivable	1.7	6.6
Future income taxes	12.3	22.6
	<b>1,249.0</b>	1,276.0
Investments and other assets	235.3	204.0
Fixed assets	1,319.1	1,305.8
Intangible assets	315.7	325.4
Goodwill	1,603.7	1,478.6
Future income taxes	26.0	2.7
Accrued benefit asset	72.8	65.6
	<b>\$ 4,821.6</b>	<b>\$ 4,658.1</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank loans	\$ 1.0	\$ 0.8
Accounts payable	1,073.3	1,111.2
Income taxes payable	50.8	24.8
Future income taxes	12.8	10.7
Current portion of long-term debt	4.7	6.4
	<b>1,142.6</b>	1,153.9
Long-term debt	1,004.3	1,004.3
Accrued benefit liability	48.5	49.0
Future income taxes	162.2	155.4
Other long-term liabilities	21.2	31.4
	<b>2,378.8</b>	2,394.0
<b>Shareholders' equity</b>		
Capital stock (note 9)	702.1	716.7
Contributed surplus (note 10)	6.1	3.7
Retained earnings	1,734.9	1,545.7
Accumulated other comprehensive income (note 11)	(0.3)	(2.0)
	<b>2,442.8</b>	2,264.1
	<b>\$ 4,821.6</b>	<b>\$ 4,658.1</b>
See accompanying notes		

## Consolidated Statements of Cash Flows

Periods ended September 25, 2010 and September 26, 2009  
(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2010	2009	2010	2009
<b>Operating activities</b>				
Net earnings	\$ 93.4	\$ 84.4	\$ 391.8	\$ 354.4
Non-cash items				
Share of earnings in a public company subject to significant influence	(15.1)	(11.7)	(40.4)	(37.4)
Depreciation and amortization	45.3	46.3	201.2	189.1
Amortization of deferred financing costs	0.2	0.4	1.8	2.0
(Gain) loss on disposal and write-off of fixed and intangible assets	(0.2)	2.7	1.1	3.0
Gain on disposal of investments	—	—	—	(0.1)
Interest income on investments	(0.1)	—	(0.2)	(0.2)
Future income taxes	20.6	8.9	27.3	32.1
Stock-based compensation cost	1.4	1.2	5.8	5.0
Difference between amounts paid for employee future benefits and current period cost	(3.6)	(17.1)	(7.7)	(26.6)
	<b>141.9</b>	115.1	<b>580.7</b>	521.3
Net change in non-cash working capital items related to operations	37.4	115.7	(32.9)	(1.2)
	<b>179.3</b>	230.8	<b>547.8</b>	520.1
<b>Investing activities</b>				
Business acquisition, net of cash acquired totalling \$0.3 (note 2)	—	—	(152.3)	—
Net change in investments and other assets	6.9	(5.4)	0.4	(4.6)
Dividends from public company subject to significant influence	0.8	0.7	3.2	2.9
Additions to fixed assets	(32.2)	(82.2)	(165.4)	(235.1)
Proceeds on disposal of fixed assets	0.5	2.1	4.9	14.8
Additions to intangible assets	(6.2)	(10.0)	(30.6)	(36.8)
	<b>(30.2)</b>	(94.8)	<b>(339.8)</b>	(258.8)
<b>Financing activities</b>				
Net change in bank loans	0.2	(0.6)	0.2	(0.1)
Issuance of shares (note 9)	0.7	0.5	8.6	44.0
Redemption of shares (note 9)	(35.5)	(43.3)	(159.5)	(142.5)
Acquisition of treasury shares (note 9)	—	—	—	(4.3)
Performance share units cash settlement (note 10)	—	—	(0.5)	(0.5)
Increase in long-term debt	0.3	0.9	3.1	5.3
Repayment of long-term debt	(1.7)	(1.9)	(10.1)	(10.2)
Net change in other long-term liabilities	(0.6)	0.7	(7.3)	(4.0)
Dividends paid	(18.0)	(15.0)	(69.2)	(59.3)
	<b>(54.6)</b>	(58.7)	<b>(234.7)</b>	(171.6)
<b>Net change in cash and cash equivalents</b>	<b>94.5</b>	77.3	<b>(26.7)</b>	89.7
Cash and cash equivalents – beginning of period	120.2	164.1	241.4	151.7
Cash and cash equivalents – end of period	\$ 214.7	\$ 241.4	\$ 214.7	\$ 241.4
<b>Supplementary information</b>				
Interest paid	2.5	2.2	44.9	47.0
Income taxes paid	30.1	18.5	114.0	105.3

See accompanying notes

## Consolidated Statements of Retained Earnings

Periods ended September 25, 2010 and September 26, 2009  
(Unaudited) (Millions of dollars)

	Fiscal Year	
	2010	2009
Balance – beginning of period	\$ 1,545.7	\$ 1,366.8
Net earnings	391.8	354.4
Dividends	(69.2)	(59.3)
Share redemption premium (note 9)	(133.4)	(116.2)
Balance – end of period	\$ 1,734.9	\$ 1,545.7

See accompanying notes

## Consolidated Statements of Comprehensive Income

Periods ended September 25, 2010 and September 26, 2009  
(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2010	2009	2010	2009
Net earnings	\$ 93.4	\$ 84.4	\$ 391.8	\$ 354.4
Other comprehensive income (note 11)				
Change in fair value of derivatives designated as cash flow hedges	0.5	0.8	2.5	(1.4)
Corresponding income taxes	(0.2)	(0.2)	(0.8)	0.4
Comprehensive income	\$ 93.7	\$ 85.0	\$ 393.5	\$ 353.4

See accompanying notes

## Notes to Interim Consolidated Statements

Periods ended September 25, 2010 and September 26, 2009

(Unaudited) (Millions of dollars, unless otherwise indicated)

### 1. Statement Presentation

The unaudited interim consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies and procedures used in preparing these interim consolidated financial statements are the same as those used in preparing the audited annual consolidated financial statements for the year ended September 26, 2009. The unaudited interim consolidated financial statements should be read along with the audited annual consolidated financial statements and notes to the statements in the Company's 2009 Annual Report. The operating results for the interim period covered do not necessarily reflect overall results for the fiscal year. Certain comparative figures have been reclassified to conform to the presentation being used in the current fiscal year.

### 2. Business Acquisition

In the first quarter of 2010, the Company acquired 18 affiliated stores which it already supplied. The total purchase price was \$152.2 in cash.

The acquisition was accounted for using the purchase method. The stores' results have been consolidated as of their respective acquisition dates. The final total purchase price allocation was as follows:

Cash	\$ 0.3
Inventories	14.9
Other current assets	0.3
Fixed assets	12.1
Trade name	1.3
Goodwill	122.3
Future income tax assets	6.3
Short-term liabilities assumed	(3.6)
Integration and rationalization plan-related liabilities	(1.3)
<b>Total net assets acquired</b>	<b>\$ 152.6</b>
Cash consideration	\$ 152.2
Acquisition costs	0.4
<b>Consideration and acquisition costs</b>	<b>\$ 152.6</b>

The tax treatment of the goodwill is considered eligible capital property with the related tax deductions.

### 3. Banner Conversion Costs

In the first quarter of 2010, the Company completed the conversion of its 159 stores of its five Ontario banners to the Metro banner begun in the summer of 2008. Therefore, no conversion cost was recorded in the fourth quarter of 2010 (2009 – \$2.3). For the 52-week period of 2010, conversion costs totalled \$0.9 (2009 – \$11.0).

#### 4. Employee Future Benefits

The Company maintains several defined benefit and defined contribution plans which provide most participants with pension and other retirement benefits and other post-employment benefits. The Company's defined contribution plans and defined benefit plans expense was as follows:

	12 weeks Fiscal Year				52 weeks Fiscal Year			
	2010		2009		2010		2009	
	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans
<b>Defined contribution plans</b>	<b>\$ 6.5</b>	<b>\$ 0.2</b>	\$ 8.5	\$ 0.1	<b>\$ 27.7</b>	<b>\$ 0.6</b>	\$ 30.0	\$ 0.6
<b>Defined benefit plans</b>								
Current service costs	<b>5.1</b>	<b>0.7</b>	5.0	0.5	<b>23.1</b>	<b>1.9</b>	21.0	1.5
Interest cost	<b>8.4</b>	<b>0.6</b>	7.8	0.7	<b>35.3</b>	<b>2.1</b>	33.6	2.2
Projected return on plan assets	<b>(10.3)</b>	—	(8.5)	—	<b>(42.5)</b>	—	(38.9)	—
Amortization of actuarial losses (gains)	<b>0.7</b>	<b>(0.1)</b>	0.5	(0.3)	<b>0.7</b>	<b>(0.1)</b>	0.5	(0.3)
Plan amendments	<b>(0.1)</b>	—	(0.3)	(0.2)	<b>1.1</b>	<b>(0.2)</b>	0.9	(0.3)
	<b>3.8</b>	<b>1.2</b>	4.5	0.7	<b>17.7</b>	<b>3.7</b>	17.1	3.1
	<b>\$ 10.3</b>	<b>\$ 1.4</b>	\$ 13.0	\$ 0.8	<b>\$ 45.4</b>	<b>\$ 4.3</b>	\$ 47.1	\$ 3.7

#### 5. Financial Costs, Net

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2010	2009	2010	2009
Short-term interest	<b>\$ 0.1</b>	\$ 0.1	<b>\$ 1.3</b>	\$ 1.7
Long-term interest	<b>9.9</b>	9.8	<b>43.5</b>	46.1
Amortization of deferred financing costs	<b>0.2</b>	0.4	<b>1.8</b>	2.0
Interest income	<b>(0.7)</b>	(0.2)	<b>(1.9)</b>	(1.8)
	<b>\$ 9.5</b>	\$ 10.1	<b>\$ 44.7</b>	\$ 48.0

## 6. Income Taxes

The effective income tax rates were as follows:

<i>(Percentage)</i>	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2010	2009	2010	2009
Combined statutory income tax rate	<b>30.3</b>	31.1	<b>30.4</b>	31.3
Changes				
Impact on future taxes of 4.0% total future decreases in Ontario tax rate (\$10.0 in 2010)	—	—	<b>(1.8)</b>	—
Impact on future taxes of 4.35% decrease in Québec tax rate on investment income (\$2.7 in 2009)	—	—	—	(0.5)
Share of earnings in a public company subject to significant influence	<b>(1.9)</b>	(2.2)	<b>(1.3)</b>	(1.3)
Others	<b>0.2</b>	0.4	<b>0.3</b>	0.3
	<b>28.6</b>	29.3	<b>27.6</b>	29.8

## 7. Net Earnings per Share

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

<i>(Millions)</i>	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2010	2009	2010	2009
Weighted average number of shares outstanding – Basic	<b>105.5</b>	109.0	<b>106.9</b>	110.4
Dilutive effect under stock option and performance share units plans	<b>0.5</b>	0.5	<b>0.5</b>	0.7
Weighted average number of shares outstanding – Diluted	<b>106.0</b>	109.5	<b>107.4</b>	111.1

## 8. Inventories

Inventories were detailed as follows:

	As at September 25, 2010	As at September 26, 2009
Warehouse inventories	<b>\$ 296.3</b>	\$ 304.0
Retail inventories	<b>403.0</b>	377.3
	<b>\$ 699.3</b>	\$ 681.3

The cost of inventories expensed for the 12-week period ended September 25, 2010 totalled \$2,092.1 (2009 – \$2,083.9) and \$9,272.6 for the 52-week period of 2010 (2009 – \$9,218.0).

## 9. Capital Stock

### Outstanding

	Class A Subordinate Shares		Class B Shares		Total
	Number (Thousands)		Number (Thousands)		
Balance as at September 26, 2009	107,830	\$ 715.3	718	\$ 1.4	\$ 716.7
Shares issued for cash	10	0.3	—	—	0.3
Shares redeemed for cash, excluding premium of \$133.4	(3,911)	(26.1)	—	—	(26.1)
Released treasury shares	54	0.3	—	—	0.3
Stock options exercised	368	10.9	—	—	10.9
Conversion of Class B Shares into Class A Subordinate Shares	87	0.1	(87)	(0.1)	—
Balance as at September 25, 2010	104,438	\$ 700.8	631	\$ 1.3	\$ 702.1

### Stock Option Plan

The outstanding options and the changes during the 52-week period of fiscal 2010 were summarized as follows:

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 26, 2009	1,864	28.53
Granted	283	44.06
Exercised	(368)	22.35
Cancelled	(2)	31.78
Balance as at September 25, 2010	1,777	32.29

The exercise prices of the outstanding options ranged from \$20.20 to \$44.19 as at September 25, 2010 with expiration dates up to 2017. 457,840 of those options could be exercised at a weighted average exercise price of \$28.10.

Compensation expense for these options amounted to \$0.6 for the 12-week period ended September 25, 2010 (2009 – \$0.5) and to \$2.5 for the 52-week period of 2010 (2009 – \$2.3).

### Performance Share Unit Plan

Performance share units (PSUs) outstanding and changes during the 52-week period of fiscal 2010 were summarized as follows:

	Number (Units)
Balance as at September 26, 2009	267,570
Granted	107,583
Settled	(65,860)
Cancelled	(389)
Balance as at September 25, 2010	308,904

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

## 9. Capital Stock (Cont'd)

As at September 25, 2010, 203,548 shares were held in trust for participants until the PSUs shall have vested or been cancelled (as at September 26, 2009 - 257,255 shares).

The compensation expense comprising all of these PSUs amounted to \$0.8 for the 12-week period ended September 25, 2010 (2009 – \$0.7) and to \$3.3 for the 52-week period of fiscal 2010 (2009 – \$2.7).

## 10. Contributed Surplus

Balance as at September 26, 2009	\$ 3.7
Stock-based compensation cost	5.8
Stock options exercised	(2.6)
Released treasury shares	(0.3)
PSUs cash settlement	(0.5)
Balance as at September 25, 2010	\$ 6.1

## 11. Accumulated Other Comprehensive Income

Derivatives designated as cash flow hedges constitute the sole component of Accumulated Other Comprehensive Income. The changes during the 52-week period were as follows:

	Fiscal Year	
	2010	2009
Balance – beginning of year	\$ (2.0)	\$ (1.0)
Change in fair value of designated derivatives net of income taxes of \$0.8 (2009 – \$0.4)	1.7	(1.0)
Balance – end of year	\$ (0.3)	\$ (2.0)