



# *metro*

**Interim report** – 12 week period  
ended March 13, 2010

**2<sup>nd</sup> quarter 2010**



## **HIGHLIGHTS**

- Net earnings of \$80.3 million, up 5.2%
- Fully diluted net earnings per share of \$0.74, up 8.8%
- Sales of \$2,576.7 million, up 1.1%
- Declared dividend of \$0.17 per share, up 23.6 %

2<sup>ND</sup> QUARTER 2010

# report to shareholders

Dear Shareholders,

I am pleased to present our interim report for the second quarter of fiscal 2010, ended March 13, 2010.

The Company's sales reached \$2,576.7 million compared to \$2,549.7 million for the second quarter of 2009, an increase of 1.1%. Same-store sales declined 0.7% due to deflation in certain product categories.

We realized net earnings of \$80.3 million in the second quarter of 2010, an increase of 5.2% over last year, and fully diluted net earnings per share of \$0.74, an increase of 8.8% over last year.

We are pleased with our second quarter results. Despite persistent deflation in certain product categories, our results improved on last year's excellent second quarter. Consumers remain cautious and our teams constantly strive to provide them excellent value across all of our banners. On April 12, 2010, we launched the Metro & Me loyalty card in the Québec City region in phase 1 of a new program that will allow our Québec customers to accumulate points that can be applied towards purchases at Metro supermarkets.

Our financial position at the end of the second quarter of 2010 was very solid. We had an unused authorized revolving line of credit in the amount of \$400.0 million, and a debt ratio (long-term debt/total capital) of 29.9%.

On April 20, 2010, the Board of Directors declared a quarterly dividend of \$0.17 per share, an increase of 23.6% over last year.

We are confident<sup>(1)</sup> that we will continue our growth in 2010.



ERIC R. LA FLÈCHE

President and Chief Executive Officer

April 21, 2010

<sup>(1)</sup> 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 March 13, 2010. It should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes in this interim report 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 interim report is based upon information as at April 9, 2010 unless otherwise stated. Additional information, including the Certification of Interim Filings letters for the quarter ended March 13, 2010 signed by the President and Chief Executive Officer and the Senior Vice-President, Chief Financial Officer and Treasurer, is also available on the SEDAR website at: [www.sedar.com](http://www.sedar.com).

## **NON-GAAP MEASUREMENTS**

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

### **EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)**

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

### **ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE**

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

## FORWARD-LOOKING INFORMATION

We have used, throughout this 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 “confident”, “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 2010 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Company and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession, or the arrival of a new competitor, are examples described under the “Risk Management” section of 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.

## OPERATING RESULTS

We realized net earnings of \$80.3 million in the second quarter of fiscal 2010 versus \$76.3 million in fiscal 2009, an increase of 5.2%. Fully diluted net earnings per share were \$0.74 versus \$0.68 last year, an increase of 8.8%.

**SALES** 2010 second quarter sales reached \$2,576.7 million compared to \$2,549.7 million last year, an increase of 1.1%. Sales for the first 24 weeks of 2010 reached \$5,221.7 million, up 1.4% compared to sales of \$5,150.2 million for the corresponding period of 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 first and second quarter sales. Same-store sales declined 0.7% in the second quarter due to deflation in certain product categories.

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

Second quarter EBITDA<sup>(1)</sup> in 2010 was \$171.6 million, up 5.5% from \$162.6 million for the same quarter last year. Second quarter EBITDA<sup>(1)</sup> represented 6.7% of sales versus 6.4% last year.

EBITDA<sup>(1)</sup> for the first 24 weeks of 2010 was \$353.7 million or 6.8% of sales compared to \$332.8 million or 6.5% of sales for the same period last year. Excluding banner conversion costs of \$0.9 million and \$5.8 million before taxes recorded for the first 24 weeks of 2010 and 2009 respectively, adjusted EBITDA<sup>(1)</sup> represented 6.8% of sales in 2010 and 6.6% in 2009.

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

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

Our share of earnings from our investment in Alimentation Couche-Tard for the second quarter and the first 24 weeks of 2010 were \$6.5 million and \$17.3 million respectively, compared to \$9.4 million and \$20.5 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 second quarter and the first 24 weeks of 2010 were \$165.1 million and \$337.3 million respectively or 6.4% and 6.5% of sales versus \$154.5 million or 6.1% of sales for the second quarter of 2009 and \$318.1 million or 6.2% of sales for the 24-week period.

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

<i>(Millions of dollars, unless otherwise indicated)</i>	12 weeks / Fiscal Year					
	2010			2009		
	EBITDA	Sales	EBITDA/ Sales (%)	EBITDA	Sales	EBITDA/ Sales (%)
EBITDA	171.6	2,576.7	6.7	162.6	2,549.7	6.4
Banner conversion costs	—	—		1.3	—	
Adjusted EBITDA	171.6	2,576.7	6.7	163.9	2,549.7	6.4
Share of earnings from our investment in Alimentation Couche-Tard	(6.5)	—		(9.4)	—	
Adjusted EBITDA excluding share of earnings	165.1	2,576.7	6.4	154.5	2,549.7	6.1

<i>(Millions of dollars, unless otherwise indicated)</i>	24 weeks / Fiscal Year					
	2010			2009		
	EBITDA	Sales	EBITDA/ Sales (%)	EBITDA	Sales	EBITDA/ Sales (%)
EBITDA	353.7	5,221.7	6.8	332.8	5,150.2	6.5
Banner conversion costs	0.9	—		5.8	—	
Adjusted EBITDA	354.6	5,221.7	6.8	338.6	5,150.2	6.6
Share of earnings from our investment in Alimentation Couche-Tard	(17.3)	—		(20.5)	—	
Adjusted EBITDA excluding share of earnings	337.3	5,221.7	6.5	318.1	5,150.2	6.2

**DEPRECIATION AND AMORTIZATION AND FINANCIAL COSTS** Total amortization expenses for the second quarter and the first 24 weeks of fiscal 2010 amounted to \$47.0 million and \$93.7 million respectively, compared with \$42.6 million and \$84.2 million for the same periods last year. Second quarter financial costs totalled \$10.3 million in 2010 versus \$10.8 million last year, while 2010 24-week financial costs totalled \$21.3 million versus \$23.3 million last year. Interest rates for the first 24 weeks of 2010 averaged 3.9% versus 4.8% for the corresponding period last year.

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

**INCOME TAXES** The 2010 second quarter and 24-week period income tax expenses of \$34.0 million and \$60.3 million represented the effective tax rates of 29.7% and 25.3% respectively. In 2009, the second quarter and 24-week period income tax expenses of \$32.9 million and \$67.9 million represented an effective tax rate of 30.1% for both periods. In the first quarter of 2010, we benefited from a \$10.0 million reduction in our net future income tax liabilities and income tax expenses. Excluding this reduction, our effective tax rate for the first 24 weeks of 2010 was 29.5%.

**NET EARNINGS** The 2010 second quarter net earnings were \$80.3 million compared to \$76.3 million for the corresponding quarter last year, an increase of 5.2%. Fully diluted net earnings per share rose 8.8% to \$0.74 from \$0.68 last year.

Net earnings for the first 24 weeks of 2010 reached \$178.4 million versus \$157.4 million last year, up 13.3%. Fully diluted net earnings per share were \$1.65 compared to \$1.41, an increase of 17.0%. Excluding the first quarter income tax expense decrease of \$10.0 million in 2010 and pre-tax banner conversion costs of \$0.9 million in 2010 and \$5.8 million in 2009, adjusted net earnings<sup>(1)</sup> for the 2010 24-week period were \$169.0 million, up 4.8% from the \$161.3 million for the corresponding period of 2009. Adjusted fully diluted net earnings per share<sup>(1)</sup> were \$1.56, up 8.3% from \$1.44 last year.

### Net Earnings Adjustments

	2010		12 weeks / Fiscal Year 2009		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	80.3	0.74	76.3	0.68	5.2	8.8
Banner conversion costs after taxes	—	—	0.9	—		
Decrease in tax expense	—	—	—	—		
Adjusted net earnings <sup>(1)</sup>	80.3	0.74	77.2	0.68	4.0	8.8

	2010		24 weeks / Fiscal Year 2009		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	178.4	1.65	157.4	1.41	13.3	17.0
Banner conversion costs after taxes	0.6	—	3.9	0.03		
Decrease in tax expense	(10.0)	(0.09)	—	—		
Adjusted net earnings <sup>(1)</sup>	169.0	1.56	161.3	1.44	4.8	8.3

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

**Quarterly Highlights***(Millions of dollars,  
unless otherwise indicated)*

	2010	2009	2008	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	—	3,513.3	3,370.0	4.3
Q4	—	2,532.5	2,476.0	2.3
<b>Net earnings</b>				
Q1	<b>98.1</b>	81.1	—	21.0
Q2	<b>80.3</b>	76.3	—	5.2
Q3	—	112.6	91.9	22.5
Q4	—	84.4	72.5	16.4
<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	—	111.8	91.9	21.7
Q4	—	85.9	72.5	18.5
<b>Fully diluted net earnings per share (Dollars)</b>				
Q1	<b>0.91</b>	0.73	—	24.7
Q2	<b>0.74</b>	0.68	—	8.8
Q3	—	1.01	0.81	24.7
Q4	—	0.77	0.65	18.5
<b>Adjusted fully diluted net earnings per share<sup>(1)</sup> (Dollars)</b>				
Q1	<b>0.82</b>	0.76	—	7.9
Q2	<b>0.74</b>	0.68	—	8.8
Q3	—	1.01	0.81	24.7
Q4	—	0.78	0.65	20.0

First and second quarter sales for 2010 were up 1.7% and 1.1% respectively over those for 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 first and second quarter sales.

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

Third and fourth quarter sales for 2009 were up 4.3% and 2.3% respectively over those for 2008. Effective merchandising programs allowed us to post increases. Excluding decreased tobacco sales, 2009 third and fourth quarter sales were up 5.2% and 3.2% respectively over 2008.

First quarter net earnings and fully diluted net earnings per share for 2010 were up 21.0% and 24.7% respectively over those for 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.

Our sales growth and ongoing efforts to improve store operations in Ontario allowed us to increase our gross margins in the third and fourth quarters of 2009.

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

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

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

	2010		2009				2008	
	Q1	Q2	Q1	Q2	Q3	Q4	Q3	Q4
<i>(Millions of dollars)</i>								
Net earnings	<b>98.1</b>	<b>80.3</b>	81.1	76.3	112.6	84.4	91.9	72.5
Banner conversion costs after taxes	<b>0.6</b>	—	3.0	0.9	1.9	1.5	—	—
Decrease in tax expense	<b>(10.0)</b>	—	—	—	(2.7)	—	—	—
Adjusted net earnings <sup>(1)</sup>	<b>88.7</b>	<b>80.3</b>	84.1	77.2	111.8	85.9	91.9	72.5
	2010		2009				2008	
<i>(Dollars and per share)</i>	Q1	Q2	Q1	Q2	Q3	Q4	Q3	Q4
Fully diluted net earnings	<b>0.91</b>	<b>0.74</b>	0.73	0.68	1.01	0.77	0.81	0.65
Banner conversion costs after taxes	—	—	0.03	—	0.02	0.01	—	—
Decrease in tax expense	<b>(0.09)</b>	—	—	—	(0.02)	—	—	—
Adjusted fully diluted net earnings <sup>(1)</sup>	<b>0.82</b>	<b>0.74</b>	0.76	0.68	1.01	0.78	0.81	0.65

## CASH POSITION

**OPERATING ACTIVITIES** Operating activities generated cash flows of \$168.6 million in the second quarter and \$178.1 million over the first 24 weeks of 2010, compared to \$123.3 million and \$174.1 million respectively in the corresponding periods of fiscal 2009. The increases in generated cash are due primarily to increased net earnings and variations in non-cash working capital.

**INVESTING ACTIVITIES** Investing activities required outflows of \$46.0 million in the second quarter and \$254.2 million in the first 24 weeks of 2010 versus \$35.2 million in the second quarter and \$90.3 million in the first 24 weeks of 2009. The increase in second quarter outflows in 2010 compared with 2009 is due primarily to greater disposal of fixed assets in 2009, while the increase in 24-week outflows in 2010 compared with 2009 is attributable to the 2010 acquisition of 18 stores for valuable cash consideration of \$152.2 million.

During the first 24 weeks of fiscal 2010, the Company and its retailers invested \$158.0 million in our retail network, for a gross expansion of 703,400 square feet and a net expansion of 435,600 square feet or 2.3%. Major renovations and expansions of 20 stores were completed, and 11 new stores were opened.

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

**FINANCING ACTIVITIES** Financing activities required outflows of \$50.7 million and \$93.4 million in the second quarter and 24-week period of 2010 versus 2009 second quarter and 24-week outflows of \$21.6 million and \$26.9 million. The increase in outflows between the 2010 periods and the 2009 periods is largely attributable to the greater issuance of shares in 2009, for \$18.8 million in the second quarter and \$36.2 million over the 24-week period, versus \$2.0 million and \$4.2 million for the corresponding periods of 2010, as well as to the increased redemption of Class A Subordinate shares in the second quarter and first 24 weeks of 2010 compared to the corresponding periods of 2009.

## FINANCIAL POSITION

Despite the difficult economic environment, we do not anticipate<sup>(1)</sup> any liquidity risk and consider our financial position at the end of the second quarter 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 29.9% of the combined total of long-term debt and shareholders' equity (long-term debt/total capital).

At the end of the second quarter of 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 the quarter, 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 the quarter, 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 the second quarter, 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.

<sup>(1)</sup> See section on "Forward-looking information"

**FINANCIAL RATIOS**

	<b>As at March 13, 2010</b>	As at September 26, 2009
<b>Financial structure</b>		
Long-term debt ( <i>Millions of dollars</i> )	<b>1,004.9</b>	1,004.3
Shareholders' equity ( <i>Millions of dollars</i> )	<b>2,360.7</b>	2,264.1
Long-term debt/total capital (%)	<b>29.9</b>	30.7
	<b>Fiscal 2010 (24 weeks)</b>	Fiscal 2009 (24 weeks)
<b>Results</b>		
EBITDA <sup>(1)</sup> /Financial costs ( <i>Times</i> )	<b>16.6</b>	14.3

**CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS**

	<b>As at March 13, 2010</b>	As at September 26, 2009
<b>Number of Class A Subordinate</b>		
Shares outstanding ( <i>Thousands</i> )	<b>106,643</b>	107,830
<b>Number of Class B Shares</b>		
outstanding ( <i>Thousands</i> )	<b>642</b>	718
<b>Stock options:</b>		
Number outstanding ( <i>Thousands</i> )	<b>1,672</b>	1,864
Exercise prices ( <i>Dollars</i> )	<b>19.00 to 39.17</b>	17.23 to 39.17
Weighted average exercise price ( <i>Dollars</i> )	<b>29.40</b>	28.53
<b>Performance share units:</b>		
Number outstanding ( <i>Thousands</i> )	<b>311</b>	268
Weighted average maturity ( <i>Months</i> )	<b>23</b>	18

**NORMAL COURSE ISSUER BID PROGRAM** Under the normal course issuer bid program, the Company may repurchase up to 6,000,000 of its Class A Subordinate shares between September 8, 2009 and September 7, 2010. Since September 8, 2009, the Company has repurchased 1,702,200 Class A Subordinate shares at an average price of \$36.66 for a total of \$62.4 million. This program offers us an additional option for using excess funds. Thus, we can decide, in the shareholders' best interest, to reimburse debt or to repurchase shares.

**DIVIDENDS** On April 20, 2010, the Company's Board of Directors declared a quarterly dividend of \$0.17 per Class A Subordinate Share and Class B Share payable June 8, 2010, an increase of 23.6% over last year. On an annualized basis, this dividend represents 20.7% of 2009 net earnings.

**SHARE TRADING** The value of METRO shares remained in the \$33.02 to \$43.59 range over the first two quarters of fiscal 2010. During this period, a total of 37.4 million shares traded on the Toronto Stock Exchange. The closing price on Friday, April 9, 2010 was \$41.79, compared with \$34.73 at the end of fiscal 2009.

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

## NEW ACCOUNTING POLICY RECENTLY PUBLISHED

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

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

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

### Phase 1: Preliminary Study and Diagnostic

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

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## Phase 2: Standards Analysis

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Actions	<p>Analysis of the differences between GAAP and IFRS.</p> <p>Selection of the accounting policies that the Company will apply on an ongoing basis.</p> <p>Company's selection of IFRS 1 exemptions at the date of transition.</p> <p>Calculation of the quantitative impact on the consolidated financial statements.</p> <p>Disclosure analysis.</p> <p>Preparation of draft consolidated financial statements and notes.</p> <p>Identification of the collateral impact in the following areas:</p> <ul style="list-style-type: none"><li>■ information technology (IT)</li><li>■ internal control over financial reporting</li><li>■ disclosure controls and procedures</li><li>■ contracts</li><li>■ compensation</li><li>■ taxation</li><li>■ training</li></ul>
Timetable	<p>We have prepared a detailed timetable that contemplates the bulk of the analysis that will be completed by the end of September 2010. We prioritized standards, based on their ranking in the diagnostic, the time needed to complete the analysis and implementation as well as working group members' availability.</p>
Progress	<p>At the end of the second quarter of fiscal 2010, we began analysis of 38 IFRS standards and interpretations out of a total of approximately 50 that may have an impact on our Company.</p>

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### Phase 3: Implementation

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Actions	Preparation of the opening balance sheet at the date of transition. Compilation of the comparative financial data. Production of the interim consolidated financial statements and the associated disclosure. Production of the annual consolidated financial statements and the associated disclosure. Implementation of changes regarding collateral impacts.
Timetable	At the end of fiscal 2011, our opening balance sheet, comparative financial data under IFRS and changes regarding collateral impacts will be completed.  In fiscal 2012, we will produce our interim and annual consolidated financial statements and disclosure in accordance with IFRS.
Progress	We have identified and begun implementation of an IT solution that will allow us to run parallel integrated GAAP and IFRS systems from the start of fiscal 2011 for the comparative financial statements.

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So far, we have analyzed a number of IFRS standards. We have made choices, as warranted, with regard to these standards and noted the differences between some of these standards and our current accounting policies. The most significant ones are set out in the following table:

<b>Standards</b>	<b>Comparison between IFRS and GAAP</b>	<b>Preliminary Findings</b>
Borrowing costs	<p>IFRS: We have to capitalize borrowing costs on qualifying assets, i.e. assets that require an extended period of preparation before they are usable or saleable.</p> <p>GAAP: These borrowing costs may be capitalized.</p>	<p>We will not capitalize borrowing costs on qualifying assets, as they are deemed to be immaterial.</p>
Fixed assets	<p>IFRS: After initial recognition, we can measure our fixed assets using the cost model or the revaluation model.</p> <p>GAAP: The revaluation model is not allowed.</p>	<p>We will continue to use the cost model in order to avoid balance sheet variations in the fair value of fixed assets and the corresponding impact on P&amp;L statements.</p>
	<p>IFRS: We have to amortize our fixed assets based on their components.</p> <p>GAAP: Component identification rules are less stringent.</p>	<p>The roof and HVAC system will be amortized separately from the building.</p> <p>The carrying value of these assets and corresponding depreciation expense will be different, but the impact should not be material.</p>
Investment property	<p>IFRS: After initial recognition, we can measure our investment property using the cost model or the revaluation model.</p> <p>GAAP: The revaluation model is not allowed.</p>	<p>We will continue to use the cost model in order to avoid balance sheet variations in the fair value of investment property and the corresponding impact on P&amp;L statements.</p>

Standards	Comparison between IFRS and GAAP	Preliminary Findings
Impairment of assets	<p>IFRS: We have to conduct impairment testing of our assets at the independent cash generating unit (CGU) level.</p> <p>GAAP: The unit is defined as it generates both independent cash inflows and outflows.</p>	<p>Our impairment testing will be conducted at the level of each store and each warehouse that supplies external clients. Impairment testing of corporate assets and goodwill will be conducted at the level of groups of CGUs.</p> <p>Impairment testing results may be different, but their impact should not be material.</p>
Share-based payment	<p>IFRS: When stock option awards vest gradually, each tranche is to be considered as a separate award.</p> <p>GAAP: The gradually vested tranches could be considered as a single award.</p>	<p>The compensation expense will have to be recognized over the expected term of each vested tranche. It will be different, but the impact should not be material.</p>
Earnings per share	<p>IFRS: We have to independently determine, for the interim period and the year-to-date, the number of potentially dilutive shares to consider in calculating diluted earnings per share.</p> <p>GAAP: The number is independently determined for the interim period, but the year-to-date is a weighted average of the periods.</p>	<p>Diluted earnings per share will be different, but the impact should not be material.</p>
Customer loyalty programs	<p>IFRS: As we are acting as an authorized agent of the Air Miles™ reward program, we have to record the cost of points as a reduction in sales.</p> <p>GAAP: No standard exists, but the Canadian practice is to record the cost of points in the cost of sales and operating expenses.</p>	<p>Sales will be different, but the impact should not be material.</p> <p>There will be no impact on net earnings.</p>

Standards	Comparison between IFRS and GAAP	Preliminary Findings
Employee Benefits	<p>IFRS: We have the choice of deferring recognition of actuarial gains and losses using the corridor approach or of immediately recognizing actuarial gains and losses in full in P&amp;L or in comprehensive income.</p> <p>GAAP: We have a similar choice of accounting policy without the possibility of immediate recognition to comprehensive income.</p>	<p>We will recognize full actuarial gains and losses immediately in comprehensive income, without impacting P&amp;L.</p>
	<p>IFRS: We have to recognize past service cost for vested benefits immediately in P&amp;L.</p> <p>GAAP: Past service cost has to be amortized in a straight line over the average remaining service period of active participants until the full eligibility date, regardless of vesting.</p>	<p>At the date of transition, we will recognize past service cost for vested benefits in retained earnings. After the changeover, past service cost for vested benefits will be recognized in P&amp;L.</p>
	<p>IFRS: Recognition of defined benefit assets is limited to the availability of future contribution reductions based on future obligations calculated on an accounting, going concern and solvency basis.</p> <p>GAAP: Recognition of defined benefit assets is limited to the availability of future contribution reductions based on future obligations calculated solely on an accounting basis.</p>	<p>Valuation of future obligations calculated on a going concern and solvency basis should decrease the availability of future contribution reductions and increase our defined benefit obligations. We will recognize differences at the date of transition in retained earnings, and future variations in comprehensive income.</p>

Standards	Comparison between IFRS and GAAP	Preliminary Findings
Employee Benefits (cont'd)	<p>IFRS: A multi-employer plan with implicit obligations shall be accounted for as a defined benefit plan. However, when sufficient information is not available, it shall be accounted for as if it were a defined contribution plan. Additional information shall be added to the financial statements. Furthermore, if there is a contractual commitment, it shall be recognized in P&amp;L.</p> <p>GAAP: A multi-employer plan is generally accounted for as a defined contribution plan because information is usually not available. However, if sufficient information is available, it must be accounted for as a defined benefit plan. The employee future benefits standard doesn't specifically address the accounting treatment of a contractual agreement. However, other GAAP standards cover this type of commitment and the accounting treatment is the same as IFRS.</p>	<p>Our multi-employer plans are defined benefit plans, however they will be accounted for as if they were defined contribution plans since sufficient information is not available to accurately determine our obligations.</p> <p>Additional information regarding this situation will have to be disclosed.</p>
Joint ventures	<p>IFRS: We may account for our interests in joint ventures using proportionate consolidation or the equity method.</p> <p>GAAP: We have to account for them using proportionate consolidation.</p>	<p>We will use the equity method. There will be no material impact on the presentation of financial statements and no impact on net earnings.</p>

We have also made choices concerning certain exemptions from retrospective application at the time of changeover provided by IFRS 1 and which are set out in the following table:

Optional Exemptions	Preliminary Findings
Borrowing costs	<p>This exemption allows us not to capitalize borrowing costs on our qualifying assets before the IFRS transition date.</p> <p>Given that we will not capitalize these borrowing costs, we will not use the exemption.</p>
Deemed cost	<p>On the IFRS transition date, we can recognize each fixed asset and investment property at its deemed cost, which shall be its fair value.</p> <p>We shall analyze our fixed assets and investment property to determine whether or not to use the exemption.</p>
Share-based payment	<p>This exemption would relieve us from applying the standard to equity instruments acquired before the IFRS transition date.</p> <p>We have decided not to avail ourselves of this exemption.</p>
Employee benefits	<p>The exemption allows us to recognize all actuarial gains or losses at the date of transition to IFRS in retained earnings, regardless of the subsequent accounting treatment chosen.</p> <p>We have chosen to take advantage of this exemption.</p>

Other key analyses are in progress or will be undertaken shortly. Consequently, preliminary findings on them do not appear in the above tables. Any choices made or variances identified will be communicated once the analyses have been completed. Furthermore, the release of International Accounting Standards Board discussion papers, exposure drafts and new standards could change our preliminary findings.

## OUTLOOK

We are pleased with our second quarter results. Despite persistent deflation in certain product categories, our results improved on last year's excellent second quarter. Consumers remain cautious and our teams constantly strive to provide them excellent value across all of our banners. On April 12, 2010, we launched the Metro & Me loyalty card in the Québec City region in phase 1 of a new program that will allow our Québec customers to accumulate points that can be applied towards purchases at Metro supermarkets. We are confident<sup>(1)</sup> that we will continue our growth in 2010.

Montréal, April 21, 2010

<sup>(1)</sup> See section on "Forward-looking information"

# consolidated statements of earnings

PERIODS ENDED MARCH 13, 2010

AND MARCH 14, 2009

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

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2010	2009	2010	2009
<b>Sales</b>	<b>\$ 2,576.7</b>	\$ 2,549.7	<b>\$ 5,221.7</b>	\$ 5,150.2
Cost of sales and operating expenses <i>(note 8)</i>	<b>(2,411.6)</b>	(2,395.2)	<b>(4,884.4)</b>	(4,832.1)
Share of earnings in a public company subject to significant influence	<b>6.5</b>	9.4	<b>17.3</b>	20.5
Banner conversion costs <i>(note 3)</i>	—	(1.3)	<b>(0.9)</b>	(5.8)
<b>Earnings before financial costs, taxes, depreciation and amortization</b>	<b>171.6</b>	162.6	<b>353.7</b>	332.8
Depreciation and amortization	<b>(47.0)</b>	(42.6)	<b>(93.7)</b>	(84.2)
<b>Operating income</b>	<b>124.6</b>	120.0	<b>260.0</b>	248.6
Financial costs, net <i>(note 5)</i>	<b>(10.3)</b>	(10.8)	<b>(21.3)</b>	(23.3)
<b>Earnings before income taxes</b>	<b>114.3</b>	109.2	<b>238.7</b>	225.3
Income taxes <i>(note 6)</i>	<b>(34.0)</b>	(32.9)	<b>(60.3)</b>	(67.9)
<b>Net earnings</b>	<b>\$ 80.3</b>	\$ 76.3	<b>\$ 178.4</b>	\$ 157.4
<b>Net earnings per share</b> <i>(Dollars) (note 7)</i>				
Basic	<b>0.75</b>	0.69	<b>1.66</b>	1.42
Fully diluted	<b>0.74</b>	0.68	<b>1.65</b>	1.41

See accompanying notes

# consolidated balance sheets

<i>(Unaudited) (Millions of dollars)</i>	As at March 13, 2010	As at September 26, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 71.9	\$ 241.4
Accounts receivable	306.5	315.8
Inventories <i>(note 8)</i>	708.5	681.3
Prepaid expenses	23.3	8.3
Income taxes receivable	7.1	6.6
Future income taxes	14.1	29.8
	<b>1,131.4</b>	<b>1,283.2</b>
Investments and other assets	222.5	204.0
Fixed assets	1,339.4	1,305.8
Intangible assets	318.3	325.4
Goodwill	1,598.5	1,478.6
Future income taxes	3.7	3.6
Accrued benefit asset	66.6	65.6
	<b>\$ 4,680.4</b>	<b>\$ 4,666.2</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank loans	\$ 0.4	\$ 0.8
Accounts payable	1,039.6	1,111.2
Income taxes payable	35.7	24.8
Future income taxes	11.0	9.2
Current portion of long-term debt	4.6	6.4
	<b>1,091.3</b>	<b>1,152.4</b>
Long-term debt	1,004.9	1,004.3
Accrued benefit liability	49.0	49.0
Future income taxes	149.1	165.0
Other long-term liabilities	25.4	31.4
	<b>2,319.7</b>	<b>2,402.1</b>
<b>Shareholders' equity</b>		
Capital stock <i>(note 9)</i>	712.5	716.7
Contributed surplus <i>(note 10)</i>	4.1	3.7
Retained earnings	1,645.1	1,545.7
Accumulated other comprehensive income <i>(note 11)</i>	(1.0)	(2.0)
	<b>2,360.7</b>	<b>2,264.1</b>
	<b>\$ 4,680.4</b>	<b>\$ 4,666.2</b>

See accompanying notes

# consolidated statements of cash flows

PERIODS ENDED MARCH 13, 2010 AND MARCH 14, 2009 (Unaudited) (Millions of dollars)	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2010	2009	2010	2009
<b>Operating activities</b>				
Net earnings	\$ 80.3	\$ 76.3	\$ 178.4	\$ 157.4
Non-cash items				
Share of earnings in a public company subject to significant influence	(6.5)	(9.4)	(17.3)	(20.5)
Depreciation and amortization	47.0	42.6	93.7	84.2
Amortization of deferred financing costs	0.4	0.5	0.9	1.0
Loss (gain) on disposal and write-off of fixed and intangible assets	0.1	(0.6)	0.2	(0.6)
Interest income on investments	—	(0.2)	—	(0.2)
Future income taxes	4.4	5.8	1.0	11.6
Stock-based compensation cost	1.3	1.0	2.5	2.1
Difference between amounts paid for employee future benefits and current period cost	(1.3)	(2.2)	(1.0)	(8.7)
	125.7	113.8	258.4	226.3
Net change in non-cash working capital items related to operations	42.9	9.5	(80.3)	(52.2)
	168.6	123.3	178.1	174.1
<b>Investing activities</b>				
Business acquisition (note 2)	(15.5)	—	(152.2)	—
Net change in investments and other assets	(1.6)	(2.5)	(4.4)	(2.7)
Dividends from public company subject to significant influence	0.9	0.8	1.6	1.5
Additions to fixed assets	(22.3)	(37.0)	(88.3)	(89.1)
Proceeds on disposal of fixed assets	1.9	11.1	4.3	11.8
Additions to intangible assets	(9.4)	(7.6)	(15.2)	(11.8)
	(46.0)	(35.2)	(254.2)	(90.3)
<b>Financing activities</b>				
Net change in bank loans	(7.3)	(2.1)	(0.1)	0.2
Issuance of shares (note 9)	2.0	18.8	4.2	36.2
Redemption of shares (note 9)	(22.9)	(13.8)	(55.9)	(23.1)
Acquisition of treasury shares (note 9)	—	(4.3)	—	(4.3)
Performance share units cash settlement (note 10)	(0.5)	—	(0.5)	—
Increase in long-term debt	0.3	1.1	2.1	3.8
Repayment of long-term debt	(1.7)	(3.4)	(5.6)	(5.7)
Net change in other long-term liabilities	(2.3)	(2.6)	(4.5)	(4.9)
Dividends paid	(18.3)	(15.3)	(33.1)	(29.1)
	(50.7)	(21.6)	(93.4)	(26.9)
<b>Net change in cash and cash equivalents</b>	<b>71.9</b>	<b>66.5</b>	<b>(169.5)</b>	<b>56.9</b>
Cash and cash equivalents — beginning of period	—	142.1	241.4	151.7
Cash and cash equivalents — end of period	\$ 71.9	\$ 208.6	\$ 71.9	\$ 208.6
<b>Supplementary information</b>				
Interest paid	1.9	1.0	21.9	23.3
Income taxes paid	28.6	29.2	51.3	52.9

See accompanying notes

2<sup>ND</sup> QUARTER 2010

# consolidated statements of retained earnings

24-WEEK PERIODS ENDED MARCH 13, 2010  
AND MARCH 14, 2009  
(Unaudited) (Millions of dollars)

	Fiscal Year	
	2010	2009
Balance — beginning of period	\$ 1,545.7	\$ 1,366.8
Net earnings	178.4	157.4
Dividends	(33.1)	(29.1)
Share redemption premium (note 9)	(45.9)	(18.7)
Balance — end of period	\$ 1,645.1	\$ 1,476.4

See accompanying notes

2<sup>ND</sup> QUARTER 2010

# consolidated statements of comprehensive income

PERIODS ENDED MARCH 13, 2010  
AND MARCH 14, 2009  
(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2010	2009	2010	2009
Net earnings	\$ 80.3	\$ 76.3	\$ 178.4	\$ 157.4
Other comprehensive income (note 11)				
Change in fair value of derivative designated as cash flow hedge	0.5	(0.4)	1.5	(3.1)
Corresponding income taxes	(0.2)	0.1	(0.5)	0.9
Comprehensive income	\$ 80.6	\$ 76.0	\$ 179.4	\$ 155.2

See accompanying notes

# Notes to Interim Consolidated Statements

Periods ended March 13, 2010 and March 14, 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 preliminary total purchase price allocation was as follows:

Cash consideration paid	\$ 152.2
Net assets acquired	
Inventories	15.0
Other current assets	0.7
Fixed assets	22.8
Short-term liabilities assumed	(3.6)
<hr/>	
Total net assets acquired	34.9
<hr/>	
Excess consideration paid over net assets acquired	\$ 117.3
<hr/>	

Management is currently carrying out a more specific analysis and changes will be made to the allocation of the excess consideration paid over net assets acquired as the information becomes available. Among others, since the measurement of the fair value of fixed assets had not yet been completed at the time of the preliminary allocation, fixed assets have been presented at cost. Furthermore, the Company has not completed the assessment of possible costs related to the restructuring and integration of activities potentially giving rise to the recognition of a liability in the allocation of the purchase price. As a result, the actual amounts allocated to the identifiable assets acquired and liabilities assumed and the related operating results may vary according to the amounts initially recorded.

The tax treatment of the goodwill will be as eligible capital property with the related tax deductions.

## Notes to Interim Consolidated Statements

Periods ended March 13, 2010 and March 14, 2009

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

### 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 second quarter of 2010 (2009 – \$1.3). For the first 24-week period of 2010, conversion costs totalled \$0.9 (2009 – \$5.8).

### 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 plan and defined benefit plan expense was as follows:

	12 weeks Fiscal Year				24 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>\$ 5.4</b>	<b>\$ 0.2</b>	\$ 6.2	\$ 0.2	<b>\$ 12.5</b>	<b>\$ 0.3</b>	\$ 12.8	\$ 0.3
<b>Defined benefit plans</b>								
Current service costs	5.5	0.4	4.7	0.3	10.9	0.7	9.6	0.6
Interest cost	8.1	0.5	7.8	0.5	16.2	0.9	15.5	0.9
Projected return on plan assets	(9.7)	—	(9.2)	—	(19.3)	—	(18.3)	—
Amortization of actuarial losses (gains) and past service costs	0.3	—	0.4	(0.1)	0.7	—	0.7	(0.1)
Plan amendments	—	(0.1)	—	—	—	(0.1)	—	—
	4.2	0.8	3.7	0.7	8.5	1.5	7.5	1.4
	<b>\$ 9.6</b>	<b>\$ 1.0</b>	\$ 9.9	\$ 0.9	<b>\$ 21.0</b>	<b>\$ 1.8</b>	\$ 20.3	\$ 1.7

## Notes to Interim Consolidated Statements

Periods ended March 13, 2010 and March 14, 2009

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

### 5 FINANCIAL COSTS, NET

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2010	2009	2010	2009
Short-term interest	\$ 0.4	\$ 0.3	\$ 0.9	\$ 0.9
Long-term interest	9.9	10.7	20.2	22.8
Amortization of deferred financing costs	0.4	0.5	0.9	1.0
Interest income	(0.4)	(0.7)	(0.7)	(1.4)
	<b>\$ 10.3</b>	<b>\$ 10.8</b>	<b>\$ 21.3</b>	<b>\$ 23.3</b>

### 6 INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2010	2009	2010	2009
Combined statutory income tax rate	30.5	31.2	30.5	31.3
Changes				
Impact on future taxes of 4.0% total future decreases in Ontario tax rate	—	—	(4.2)	—
Share of earnings in a public company subject to significant influence	(1.0)	(1.4)	(1.2)	(1.5)
Others	0.2	0.3	0.2	0.3
	<b>29.7</b>	<b>30.1</b>	<b>25.3</b>	<b>30.1</b>

### 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:

(Millions)	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2010	2009	2010	2009
Weighted average number of shares outstanding — Basic	107.6	111.2	107.7	110.9
Dilutive effect under stock option and performance share units plans	0.5	0.9	0.5	0.9
Weighted average number of shares outstanding — Diluted	<b>108.1</b>	<b>112.1</b>	<b>108.2</b>	<b>111.8</b>

## Notes to Interim Consolidated Statements

Periods ended March 13, 2010 and March 14, 2009

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

### 8 INVENTORIES

Inventories were detailed as follows:

	As at March 13, 2010	As at September 26, 2009
Warehouse inventories	\$ 295.1	\$ 304.0
Retail inventories	413.4	377.3
	<b>\$ 708.5</b>	<b>\$ 681.3</b>

The cost of inventories expensed for the 12-week period ended March 13, 2010 totalled \$2,105.7 (2009 – \$2,101.9) and \$4,265.8 for the 24-week period of 2010 (2009 – \$4,241.8).

### 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	199	4.2	—	—	4.2
Shares redeemed for cash, excluding premium of \$45.9	(1,515)	(10.0)	—	—	(10.0)
Released treasury shares	53	0.3	—	—	0.3
Stock options exercised	—	1.3	—	—	1.3
Conversion of Class B Shares into Class A Subordinate Shares	76	0.1	(76)	(0.1)	—
Balance as at March 13, 2010	106,643	\$ 711.2	642	\$ 1.3	\$ 712.5

**STOCK OPTION PLAN** The outstanding options and the changes during the 24-week period ended March 13, 2010 were summarized as follows:

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 26, 2009	1,864	28.53
Exercised	(192)	21.02
Balance as at March 13, 2010	1,672	29.40

## Notes to Interim Consolidated Statements

Periods ended March 13, 2010 and March 14, 2009

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

The exercise prices of the outstanding options ranged from \$19.00 to \$39.17 as at March 13, 2010 with expiration dates up to 2016. 352,520 of those options could be exercised at a weighted average exercise price of \$26.82.

Compensation expense for these options amounted to \$0.6 for the 12-week period ended March 13, 2010 (2009 – \$0.5) and to \$1.1 for the 24-week period of 2010 (2009 – \$1.0).

**PERFORMANCE SHARE UNIT PLAN** Performance share units (PSUs) outstanding and changes during the 24-week period ended March 13, 2010 were summarized as follows:

	Number (Units)
Balance as at September 26, 2009	267,570
Granted	107,583
Settled	(63,794)
Cancelled	(389)
Balance as at March 13, 2010	310,970

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.

As at March 13, 2010, 204,581 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 \$0.7 for the 12-week period ended March 13, 2010 (2009 – \$0.5) and to \$1.4 for the 24-week period of fiscal 2010 (2009 – \$1.1).

## Notes to Interim Consolidated Statements

Periods ended March 13, 2010 and March 14, 2009

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

### 10 CONTRIBUTED SURPLUS

Balance as at September 26, 2009	\$	3.7
Stock-based compensation cost		2.5
Stock options exercised		(1.3)
Released treasury shares		(0.3)
PSUs cash settlement		(0.5)
Balance as at March 13, 2010	\$	4.1

### 11 ACCUMULATED OTHER COMPREHENSIVE INCOME

Derivative designated as cash flow hedge constitutes the sole component of Accumulated Other Comprehensive Income. The changes during the 24-week periods ended March 13, 2010 and March 14, 2009 were as follows:

	Fiscal Year	
	2010	2009
Balance — beginning of period	\$ (2.0)	\$ (1.0)
Change in fair value of designated derivative net of income taxes of \$0.5 (2009 – \$0.9)	1.0	(2.2)
Balance — end of period	\$ (1.0)	\$ (3.2)

## INFORMATION

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