



INTERIM REPORT

12-week period ended December 17, 2011

1st quarter 2012

HIGHLIGHTS

- Net earnings of \$103.7 million, up 8.6%
- Fully diluted net earnings per share of \$1.01, up 11.0%
- Sales of \$2,711.7 million, up 3.4%
- Same store sales up 1.7%
- Declared dividend of \$0.215 per share, up 11.7%
- First financial statements prepared according to International Financial Reporting Standards (IFRS)

REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the first quarter of fiscal 2012, ended December 17, 2011.

Sales in the first quarter of 2012 reached \$2,711.7 million versus \$2,622.5 million last year, an increase of 3.4%. Net sales of Adonis stores and distributor Phoenicia were included for eight weeks in the first quarter and contributed \$33.0 million to the Corporation's sales. Same store sales were up 1.7%. We experienced moderate inflation in our food basket in the first quarter which was, however, lower than in the previous quarter and lower than levels reported by Statistics Canada.

We realized net earnings of \$103.7 million in the first quarter of fiscal 2012, an increase of 8.6% over net earnings of \$95.5 million for the same quarter of 2011, and fully diluted net earnings per share of \$1.01, an increase of 11.0% over last year.

Our financial position at the end of the first quarter of 2012 was very solid. We had an unused authorized revolving line of credit in the amount of \$600.0 million. Our debt ratio (long-term debt/total capital) was 29.5%⁽⁴⁾.

On January 30, 2012, the Board of Directors declared a quarterly dividend of \$0.215 per share, an increase of 11.7% over last year.

Our first quarter net earnings and sales growth demonstrates our teams' capability for execution excellence in a highly competitive market. We are confident that our customer-focused strategies and programs supported by our strong execution, along with our new Adonis partnership, will allow⁽²⁾ us to continue our growth.

At today's Annual General Meeting, the shareholders approved by an overwhelming majority the changes to our share capital⁽³⁾ structure, whereby there will now be only one class of voting and participating shares being Common Shares carrying one vote per share. They also elected all the sitting members of the Board to a new term, with the exception of Mr. Christian Paupe who had decided not to stand for re-election. I would like to thank Mr. Paupe for his contribution these past years. We welcome Mr. Russell Goodman, FCA, who was elected to the Board of Directors. Mr. Goodman has extensive expertise in finance, having been managing partner for several business units in Canada and the Americas with PricewaterhouseCoopers LLP.



Eric R. La Flèche
President and Chief Executive Officer

January 31, 2012

⁽¹⁾ See section on "Non-IFRS Measurements"

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

⁽³⁾ See section on "Share Capital Reorganization"

⁽⁴⁾ See section on "Financial Position"

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 December 17, 2011. 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 ended December 17, 2011 are the first financial statements prepared according to International Financial Reporting Standards (IFRS). They 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 for the fiscal year ended September 24, 2011 and accompanying notes which were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and the MD&A, including the IFRS conversion plan, presented in the Corporation's 2011 Annual Report. Given the change in accounting standards, additional information has been included in the notes to the financial statements, i.e. explanations on the transition to IFRS (note 2), significant accounting policies (note 3), new accounting policies (note 4) and additional annual disclosure requirements under IFRS (note 13).

Unless otherwise stated, this interim report is based upon information as at January 20, 2012 and all figures are presented according to IFRS.

Additional information, including the Certification of Interim Filings letters for the quarter ended December 17, 2011 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.

OPERATING RESULTS

We realized net earnings of \$103.7 million in the first quarter of fiscal 2012, an increase of 8.6% over \$95.5 million last year, and fully diluted net earnings per share of \$1.01, an increase of 11.0% over \$0.91 last year.

SALES

Sales in the first quarter of 2012 reached \$2,711.7 million versus \$2,622.5 million last year, an increase of 3.4%. Sales of the Adonis stores and distributor Phoenicia were included for eight weeks in the first quarter and contributed \$33.0 million to the Corporation's sales. Same store sales were up 1.7%. We experienced moderate inflation in our food basket in the first quarter which was, however, lower than in the previous quarter and lower than levels reported by Statistics Canada.

EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)⁽¹⁾

EBITDA⁽¹⁾ for the first quarter of 2012 was \$192.6 million, up 5.9% from \$181.9 million for the same quarter last year. First-quarter EBITDA⁽¹⁾ represented 7.1% of sales versus 6.9% last year.

Gross margin as percentage of sales in the first quarter of 2012 was 18.1%, the same as in the corresponding quarter last year.

Our share of earnings from our investment in Alimentation Couche-Tard for the first quarter of 2012 was \$13.0 million compared to \$12.3 million in 2011. Excluding our share of earnings from our investment in Alimentation Couche-Tard, our EBITDA⁽¹⁾ for the first quarter of 2012 was \$179.6 million or 6.6% of sales versus \$169.6 million or 6.5% of sales for the first quarter of 2011.

EBITDA⁽¹⁾ adjustments

	12 weeks / Fiscal Year					
	2012			2011		
(Millions of dollars, unless otherwise indicated)	EBITDA	Sales	EBITDA/ Sales (%)	EBITDA	Sales	EBITDA/ Sales (%)
EBITDA	192.6	2,711.7	7.1	181.9	2,622.5	6.9
Share of earnings from our investment in Alimentation Couche-Tard	(13.0)	—	—	(12.3)	—	—
EBITDA excluding share of earnings	179.6	2,711.7	6.6	169.6	2,622.5	6.5

⁽¹⁾ See section on "Non-IFRS Measurements"

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

⁽³⁾ See section on "Share Capital Reorganization"

⁽⁴⁾ See section on "Financial Position"

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total amortization expense for the first quarter of fiscal 2012 amounted to \$42.2 million versus \$40.6 million in 2011. First quarter net financial costs totalled \$10.1 million in 2012, the same as last year. First quarter interest rates averaged 4.1% versus 4.3% in the first quarter last year.

INCOME TAXES

The income tax expense of \$36.6 million for the first quarter of 2012 represented an effective tax rate of 26.1% compared with \$35.7 million and an effective tax rate of 27.2% in 2011. The decrease in the effective tax rate is largely attributable to corporate tax rate reductions of 1.5% effective January 1, 2012 for Federal, and 0.5% effective July 1, 2012 for Ontario.

NET EARNINGS

Net earnings for the first quarter of 2012 were \$103.7 million, an increase of 8.6% over net earnings of \$95.5 million for the same quarter of 2011. Fully diluted net earnings per share rose 11.0% to \$1.01 from \$0.91 last year.

QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2012 (IFRS)	2011 (IFRS)	2011 (GAAP)	2010 (GAAP)	Variation (%)
Sales					
Q1 ⁽⁵⁾	2,711.7	2,622.5	—	—	3.4
Q2 ⁽⁵⁾	—	—	2,565.7	2,576.7	(0.4)
Q3 ⁽⁶⁾	—	—	3,576.3	3,561.3	0.4
Q4 ⁽⁵⁾	—	—	2,656.7	2,559.9	3.8
Net earnings					
Q1 ⁽⁵⁾	103.7	95.5	—	—	8.6
Q2 ⁽⁵⁾	—	—	83.3	80.3	3.7
Q3 ⁽⁶⁾	—	—	124.9	120.0	4.1
Q4 ⁽⁵⁾	—	—	86.1	93.4	(7.8)
Adjusted net earnings⁽¹⁾					
Q1 ⁽⁵⁾	103.7	95.5	—	—	8.6
Q2 ⁽⁵⁾	—	—	83.3	80.3	3.7
Q3 ⁽⁶⁾	—	—	124.9	120.0	4.1
Q4 ⁽⁵⁾	—	—	100.4	93.4	7.5
Fully diluted net earnings per share <i>(Dollars)</i>					
Q1 ⁽⁵⁾	1.01	0.91	—	—	11.0
Q2 ⁽⁵⁾	—	—	0.80	0.74	8.1
Q3 ⁽⁶⁾	—	—	1.21	1.12	8.0
Q4 ⁽⁵⁾	—	—	0.84	0.88	(4.5)
Adjusted fully diluted net earnings per share⁽¹⁾ <i>(Dollars)</i>					
Q1 ⁽⁵⁾	1.01	0.91	—	—	11.0
Q2 ⁽⁵⁾	—	—	0.80	0.74	8.1
Q3 ⁽⁶⁾	—	—	1.21	1.12	8.0
Q4 ⁽⁵⁾	—	—	0.98	0.88	11.4

⁽⁵⁾ 12 weeks

⁽⁶⁾ 16 weeks

⁽¹⁾ See section on "Non-IFRS Measurements"

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

⁽³⁾ See section on "Share Capital Reorganization"

⁽⁴⁾ See section on "Financial Position"

Sales in the first quarter of 2012 reached \$2,711.7 million versus \$2,622.5 million last year, an increase of 3.4%. Sales of the Adonis stores and distributor Phoenicia were included for eight weeks in the first quarter and contributed \$33.0 million to the Corporation's sales. Same store sales were up 1.7%. We experienced moderate inflation in our food basket in the first quarter which was, however, lower than in the previous quarter and lower than levels reported by Statistics Canada.

Second quarter sales for 2011 reached \$2,565.7 million, down 0.4% from \$2,576.7 million for the corresponding period of 2010. Second quarter same store sales were up 0.2% in 2011 over those for 2010. Sales were impacted by our food basket's deflation in the second quarter due mainly to increased competition and a higher penetration of promotional sales, as well as lower drug pricing following the expiry of important drug patents and the new generic drug legislation in Quebec and Ontario.

Third quarter sales for 2011 reached \$3,576.3 million, up 0.4% from \$3,561.3 million for the corresponding period of 2010. Same store sales were up 0.5%. Sales continued to be impacted by a higher penetration of promotional sales and lower drug pricing. Our food basket saw modest inflation in the third quarter of 2011.

Fourth quarter sales for 2011 reached \$2,656.7 million, up 3.8% from \$2,559.9 million last year while same store sales were up 3.2%. This fourth quarter sales growth is the result of our teams' strong execution in a highly promotional environment and reflects our food basket's modest inflation which was lower however than Statistics Canada's inflation index. The impact of lower drug pricing was less significant in the fourth quarter than in the first three quarters.

Net earnings for the first quarter of 2012 were \$103.7 million, an increase of 8.6% over net earnings of \$95.5 million for the same quarter of 2011. Fully diluted net earnings per share rose 11.0% to \$1.01 from \$0.91 last year.

Net earnings for the second and third quarters of 2011 were \$83.3 million and \$124.9 million respectively, up 3.7% and 4.1% respectively from \$80.3 million and \$120.0 million for the corresponding quarters of 2010. Fully diluted net earnings per share for the second and third quarters of 2011 were \$0.80 and \$1.21 respectively, up 8.1% and 8.0% respectively from \$0.74 and \$1.12 for the same quarters of 2010.

Net earnings for the fourth quarter of 2011 were \$86.1 million versus \$93.4 million for the corresponding quarter of 2010. Fully diluted net earnings per share were \$0.84 versus \$0.88 in 2010. Excluding non-recurring closure costs of \$20.2 million before taxes recorded in the fourth quarter of 2011, adjusted net earnings⁽¹⁾ and adjusted fully diluted net earnings per share⁽¹⁾ were up 7.5% and 11.4% respectively over those for fourth quarter of 2010.

	2012 (IFRS)	2011 (IFRS)	2011 (GAAP)			2010 (GAAP)		
<i>(Millions of dollars)</i>	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Net earnings	103.7	95.5	83.3	124.9	86.1	80.3	120.0	93.4
Closure costs after taxes	—	—	—	—	14.3	—	—	—
Adjusted net earnings ⁽¹⁾	103.7	95.5	83.3	124.9	100.4	80.3	120.0	93.4

	2012 (IFRS)	2011 (IFRS)	2011 (GAAP)			2010 (GAAP)		
<i>(Dollars and per share)</i>	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Fully diluted net earnings	1.01	0.91	0.80	1.21	0.84	0.74	1.12	0.88
Closure costs after taxes	—	—	—	—	0.14	—	—	—
Adjusted fully diluted net earnings ⁽¹⁾	1.01	0.91	0.80	1.21	0.98	0.74	1.12	0.88

⁽¹⁾ See section on "Non-IFRS Measurements"

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

⁽³⁾ See section on "Share Capital Reorganization"

⁽⁴⁾ See section on "Financial Position"

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of \$44.2 million in the first quarter of 2012 versus \$24.5 million in the corresponding quarter of 2011. This increase comes from several sources such as higher earnings before income taxes in the first quarter of 2012 than in the corresponding quarter of 2011, as well as payments of lower tax liabilities in the first quarter of 2012 compared to last year.

INVESTING ACTIVITIES

Investing activities required outflows of \$175.4 million in the first quarter of 2012 compared to \$43.0 million for the first quarter of 2011. This variation is due primarily to the acquisition of the Adonis stores and their distributor Phoenicia for a cash consideration of \$128.4 million.

Over the quarter, the Corporation and its retailers invested \$75.1 million in our retail network for a net expansion of 241,400 square feet or 1.2%. Major renovations and expansions of three stores were completed and four new stores were opened.

FINANCING ACTIVITIES

Financing activities required outflows of \$39.4 million for the first quarter of fiscal 2012 versus \$77.4 million in fiscal 2011. The variation in outflows is largely attributable to the decreased redemption of shares in 2012 in the amount of \$21.8 million versus redemption in the amount of \$61.0 million in 2011.

FINANCIAL POSITION

We do not anticipate⁽²⁾ any liquidity risk and consider our financial position at the end of the first quarter of fiscal 2012 as very solid. We had an unused authorized revolving line of credit of \$600.0 million. Although the Credit A Facility of \$369.3 million, maturing August 15, 2012, is presented as short term in the current financial position statement, it is considered long-term for the purposes of calculating the percentage of long-term debt/total capital because it will be reimbursed by an equivalent sum of the unused revolving credit facility of \$600.0 million which will be long-term. Our long-term debt corresponded to 29.5% of the combined total of long-term debt and shareholders' equity (long-term debt/total capital).

At the end of the first quarter of 2012, 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 first quarter, we had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future foreign-denominated purchases of goods and services.

Our main financial ratios were as follows:

	As at December 17, 2011	As at September 24, 2011
Financial structure		
Long-term debt (Millions of dollars)	1,025.7	1,025.5
Shareholders' equity (Millions of dollars)	2,449.7	2,399.3
Long-term debt/total capital (%)	29.5	29.9
	Fiscal 2012 (12 weeks)	Fiscal 2011 (12 weeks)
Results		
EBITDA ⁽¹⁾ /Financial costs (Times)	19.1	18.0

(1) See section on "Non-IFRS Measurements"
 (2) See section on "Forward-looking Information"
 (3) See section on "Share Capital Reorganization"
 (4) See section on "Financial Position"

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at December 17, 2011	As at September 24, 2011
Number of Class A ⁽³⁾ Subordinate Shares outstanding <i>(Thousands)</i>	100,171	100,507
Number of Class B ⁽³⁾ Shares outstanding <i>(Thousands)</i>	577	577
Stock options:		
Number outstanding <i>(Thousands)</i>	1,650	1,776
Exercise prices <i>(Dollars)</i>	24.73 to 47.14	20.20 to 47.14
Weighted average exercise price <i>(Dollars)</i>	35.95	35.38
Performance share units:		
Number outstanding <i>(Thousands)</i>	310	310
Weighted average maturity <i>(Months)</i>	14	17

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program, the Corporation may repurchase up to 6,000,000 of its Class A Subordinate Shares⁽³⁾ between September 8, 2011 and September 7, 2012. Between September 8, 2011 and January 20, 2012, the Corporation repurchased 1,130,100 Class A Subordinate Shares⁽³⁾ at an average price of \$50.03 for a total of \$56.5 million. This program offers us an additional option for using excess funds.

DIVIDENDS

On January 30, 2012, the Corporation's Board of Directors declared a quarterly dividend of \$0.215 per Class A Subordinate Share⁽³⁾ and Class B Share⁽³⁾ payable March 9, 2012, an increase of 11.7% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents approximately 22% of 2011 net earnings.

SHARE TRADING

The value of METRO shares remained in the \$43.76 to \$53.82 range over the first quarter of fiscal 2012. During this period, a total of 19.0 million shares traded on the Toronto Stock Exchange. The closing price on Friday, January 20, 2012 was \$51.58 compared with \$44.69 at the end of fiscal 2011.

⁽¹⁾ See section on "Non-IFRS Measurements"
⁽²⁾ See section on "Forward-looking Information"
⁽³⁾ See section on "Share Capital Reorganization"
⁽⁴⁾ See section on "Financial Position"

NEW ACCOUNTING POLICIES

RECENTLY ISSUED

IFRS 9 Financial Instruments

In November 2009, the IASB published IFRS 9 “Financial Instruments”. This new standard simplifies the classification and measurement of financial assets set out in IAS 39 “Financial Instruments: Recognition and Measurement”. Financial assets are to be measured at amortized cost or fair value. They are to be measured at amortized cost if the two following conditions are met:

- a) the assets are held within a business model whose objective is to collect contractual cash flows; and
- b) the contractual cash flows are solely payments of principal and interest on the outstanding principal.

All other financial assets are to be measured at fair value through net earnings. The entity may, if certain conditions are met, elect to use the fair value option instead of measurement at amortized cost. As well, the entity may choose upon initial recognition to measure non-trading equity investments at fair value through comprehensive income. Such a choice is irrevocable.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39. However, for financial liabilities measured at fair value through net earnings using the fair value option, the amount of change in a liability’s fair value attributable to changes in its credit risk is recognized directly in other comprehensive income.

IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB published IFRS 10 “Consolidated Financial Statements” which is a replacement of SIC-12 “Consolidation – Special Purpose Entities” and certain parts of IAS 27 “Consolidated and Separate Financial Statements”. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

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

IFRS 10 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

IFRS 11 Joint Arrangements

In May 2011, the IASB published IFRS 11 “Joint Arrangements” which supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 requires that joint ventures be accounted for using the equity method of accounting and eliminates the need for proportionate consolidation. This new standard shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB published IFRS 12 “Disclosure of Interests in Other Entities” which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) and the effects of those interests on its financial statements. IFRS 12 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions. Entities may, without early adoption of IFRS 12, choose to incorporate only some of the required disclosures in their financial statements.

⁽¹⁾ See section on “Non-IFRS Measurements”

⁽²⁾ See section on “Forward-looking Information”

⁽³⁾ See section on “Share Capital Reorganization”

⁽⁴⁾ See section on “Financial Position”

IFRS 13 Fair Value Measurement

In May 2011, the IASB published IFRS 13 “Fair Value Measurement” to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements. IFRS 13 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

IAS 19 Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 “Employee Benefits”. Changes in defined benefit obligations and plan assets are to be recognized in comprehensive income when they occur, thus eliminating the corridor approach and accelerating recognition of past service cost. Net interest is to be recognized in net earnings and calculated using the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds. The actual return on plan assets minus net interest is to be recognized in other comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

IAS 1 Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. Items of other comprehensive income and the corresponding tax expense are required to be grouped into those that will and will not subsequently be reclassified through net earnings. These amendments shall be applied to fiscal years beginning on or after July 1, 2012. Early adoption is permitted.

At present, the Corporation is assessing the impact of the above-mentioned amendments on its earnings, financial position and cash flows.

SHARE CAPITAL REORGANIZATION

At the Annual General Meeting on January 31, 2012, shareholders approved the following share capital reorganization:

- each issued and outstanding Class B Share carrying 16 votes per share is converted into one single vote Class A Subordinate Share;
- the Class B Shares, along with the rights, privileges, restrictions and conditions attached thereto, are eliminated;
- the Class A Subordinate Shares are redesignated as “Common Shares” and shall constitute the Corporation’s sole class of equity shares carrying one vote per share;
- First Preferred Shares are redesignated as “Preferred Shares”.

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 “allow”, “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 2012 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession, or the arrival of a new competitor, are examples described under the “Risk Management” section of the 2011 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 Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

⁽¹⁾ See section on “Non-IFRS Measurements”

⁽²⁾ See section on “Forward-looking Information”

⁽³⁾ See section on “Share Capital Reorganization”

⁽⁴⁾ See section on “Financial Position”

NON-IFRS MEASUREMENTS

In addition to the 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.

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 Corporation's performance and judge its future outlook.

OUTLOOK

In the first quarter, we grew sales by 3.4% and fully diluted net earnings per share by 11.0% in a highly competitive market. Our customer-focused strategies and programs supported by our strong execution, along with our new Adonis partnership, fueled our results and we are confident they will allow⁽²⁾ us to continue our growth.

Montreal, January 31, 2012

⁽¹⁾ See section on "Non-IFRS Measurements"

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

⁽³⁾ See section on "Share Capital Reorganization"

⁽⁴⁾ See section on "Financial Position"

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Interim Condensed Consolidated Financial Statements

METRO INC.

December 17, 2011

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Condensed consolidated statements of income
12-week periods ended December 17, 2011 and December 18, 2010
(Unaudited) (Millions of dollars, except for net earnings per share)

	Fiscal Year	
	2012	2011
Sales	\$ 2,711.7	\$ 2,622.5
Cost of sales and operating expenses (note 6)	(2,532.1)	(2,452.9)
Share of an associate's earnings	13.0	12.3
Earnings before financial costs, taxes, depreciation and amortization	192.6	181.9
Depreciation and amortization (note 6)	(42.2)	(40.6)
Operating income	150.4	141.3
Financial costs, net (note 6)	(10.1)	(10.1)
Earnings before income taxes	140.3	131.2
Income taxes (note 7)	(36.6)	(35.7)
Net earnings	\$ 103.7	\$ 95.5
Attributable to:		
Equity holders of the parent	\$ 102.7	\$ 95.5
Non-controlling interests	1.0	—
	\$ 103.7	\$ 95.5
Net earnings per share (Dollars) (note 8)		
Basic	1.02	0.91
Fully diluted	1.01	0.91

See accompanying notes



Condensed consolidated statements of comprehensive income

12-week periods ended December 17, 2011 and December 18, 2010

(Unaudited) (Millions of dollars)

	Fiscal Year	
	2012	2011
Net earnings	\$ 103.7	\$ 95.5
Other comprehensive income (note 11)		
Change in the fair value of a derivative designated as cash flow hedge	—	0.4
Changes in defined benefit plans		
Actuarial gains (losses)	(22.4)	29.6
Asset ceiling effect	(4.2)	(4.1)
Minimum funding requirement	3.5	0.6
Share of an associate's other comprehensive income	—	0.1
Corresponding income taxes	7.1	(6.8)
Comprehensive income	\$ 87.7	\$ 115.3
Attributable to:		
Equity holders of the parent	\$ 86.7	\$ 115.3
Non-controlling interests	1.0	—
	\$ 87.7	\$ 115.3

See accompanying notes



Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at December 17, 2011	As at September 24, 2011	As at September 26, 2010
ASSETS			
Current assets			
Cash and cash equivalents	\$ 84.9	\$ 255.5	\$ 214.7
Accounts receivable	326.8	300.3	311.3
Inventories	844.5	728.3	699.3
Prepaid expenses	22.7	11.7	9.7
Income taxes receivable	2.3	2.2	1.7
	1,281.2	1,298.0	1,236.7
Assets held for sale	5.5	6.6	—
	1,286.7	1,304.6	1,236.7
Non-current assets			
Investment in an associate	270.1	258.7	220.9
Other financial assets	17.4	17.0	15.8
Fixed assets	1,252.4	1,226.1	1,217.2
Investment properties	25.9	27.0	27.8
Intangible assets	294.7	297.2	304.0
Goodwill	1,905.3	1,649.1	1,603.7
Deferred taxes	45.3	45.8	48.8
Defined benefit assets	1.2	1.6	20.3
	\$ 5,099.0	\$ 4,827.1	\$ 4,695.2
LIABILITIES AND EQUITY			
Current liabilities			
Bank loans	\$ 3.1	\$ 0.3	\$ 1.0
Accounts payable	1,143.2	1,061.1	1,064.1
Income taxes payable	45.7	46.2	50.8
Provisions	15.2	17.3	9.2
Current portion of debt	376.8	378.1	4.7
	1,584.0	1,503.0	1,129.8
Non-current liabilities			
Debt (note 9)	656.4	656.2	1,004.3
Defined benefit liabilities	145.0	132.2	97.0
Provisions	2.9	4.0	4.8
Deferred taxes	113.9	119.0	124.5
Other liabilities	17.4	13.4	15.9
Non-controlling interests	129.7	—	—
	2,649.3	2,427.8	2,376.3
Equity			
Capital stock (note 10)	684.0	682.6	702.1
Contributed surplus	4.3	3.8	8.2
Retained earnings	1,828.1	1,763.6	1,608.4
Accumulated other comprehensive income (note 11)	(67.2)	(51.2)	(0.3)
Equity attributable to equity holders of the parent	2,449.2	2,398.8	2,318.4
Non-controlling interests	0.5	0.5	0.5
	2,449.7	2,399.3	2,318.9
	\$ 5,099.0	\$ 4,827.1	\$ 4,695.2

Event after the reporting period (note 14)

See accompanying notes



Condensed consolidated statements of changes in equity

12-week periods ended December 17, 2011 and December 18, 2010

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent				Total	Non-controlling interests	Total equity
	Capital stock (note 10)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (note 11)			
Balance as at September 24, 2011	\$ 682.6	\$ 3.8	\$ 1,763.6	\$ (51.2)	\$ 2,398.8	\$ 0.5	\$ 2,399.3
Net earnings			102.7		102.7	1.0	103.7
Other comprehensive income				(16.0)	(16.0)		(16.0)
Comprehensive income	—	—	102.7	(16.0)	86.7	1.0	87.7
Stock options exercised	4.5	(1.0)			3.5		3.5
Shares redeemed	(3.1)				(3.1)		(3.1)
Share redemption premium			(18.7)		(18.7)		(18.7)
Stock-based compensation cost		1.5			1.5		1.5
Dividends			(19.4)		(19.4)		(19.4)
Share conversion fees			(0.1)		(0.1)		(0.1)
Reclassification of non-controlling interest liability					—	(1.0)	(1.0)
	1.4	0.5	(38.2)	—	(36.3)	(1.0)	(37.3)
Balance as at December 17, 2011	\$ 684.0	\$ 4.3	\$ 1,828.1	\$ (67.2)	\$ 2,449.2	\$ 0.5	\$ 2,449.7

	Attributable to the equity holders of the parent				Total	Non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
Balance as at September 26, 2010	\$ 702.1	\$ 8.2	\$ 1,608.4	\$ (0.3)	\$ 2,318.4	\$ 0.5	\$ 2,318.9
Net earnings			95.5		95.5		95.5
Other comprehensive income				19.8	19.8		19.8
Comprehensive income	—	—	95.5	19.8	115.3	—	115.3
Stock options exercised	0.5	(0.1)			0.4		0.4
Shares redeemed	(9.2)				(9.2)		(9.2)
Share redemption premium			(51.8)		(51.8)		(51.8)
Stock-based compensation cost		1.3			1.3		1.3
Dividends			(17.8)		(17.8)		(17.8)
	(8.7)	1.2	(69.6)	—	(77.1)	—	(77.1)
Balance as at December 18, 2010	\$ 693.4	\$ 9.4	\$ 1,634.3	\$ 19.5	\$ 2,356.6	\$ 0.5	\$ 2,357.1

See accompanying notes



Condensed consolidated statements of cash flows
12-week periods ended December 17, 2011 and December 18, 2010
(Unaudited) (Millions of dollars)

	Fiscal Year	
	2012	2011
Operating activities		
Earnings before income taxes	\$ 140.3	\$ 131.2
Non-cash items		
Share of an associate's earnings	(13.0)	(12.3)
Depreciation and amortization	42.2	40.6
Amortization of deferred financing costs	0.1	0.1
Loss on disposal and write-offs of fixed and intangible assets	0.5	—
Impairment losses on fixed assets	0.8	—
Stock-based compensation cost	1.5	1.3
Difference between amounts paid for employee benefits and current period cost	(10.0)	(3.6)
Financial costs, net	10.1	10.1
	172.5	167.4
Net change in non-cash working capital items	(79.4)	(80.1)
Interest paid	(20.0)	(20.1)
Income taxes paid	(28.9)	(42.7)
	44.2	24.5
Investing activities		
Business acquisitions (note 5)	(128.4)	—
Proceeds on disposal of assets held for sale	1.1	—
Net change in other financial assets	(0.3)	(0.7)
Dividends from an associate	1.6	1.0
Additions to fixed assets	(48.7)	(39.4)
Proceeds on disposal of fixed assets	3.8	0.2
Additions to intangible assets	(4.5)	(4.1)
	(175.4)	(43.0)
Financing activities		
Net change in bank loans	(1.2)	2.4
Shares issued (note 10)	3.5	0.4
Shares redeemed (note 10)	(21.8)	(61.0)
Increase in debt	1.7	1.9
Repayment of debt	(3.1)	(3.2)
Net change in other liabilities	0.9	(0.1)
Dividends	(19.4)	(17.8)
	(39.4)	(77.4)
Net change in cash and cash equivalents	(170.6)	(95.9)
Cash and cash equivalents — beginning of period	255.5	214.7
Cash and cash equivalents — end of period	\$ 84.9	\$ 118.8

See accompanying notes

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

1. STATEMENT PRESENTATION

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

The unaudited interim condensed consolidated financial statements for the 12-week period ended December 17, 2011 are the first financial statements prepared according to International Financial Reporting Standards (IFRS). They 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 presented in the Corporation's 2011 Annual Report which were prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Given the change in accounting standards, the unaudited interim condensed consolidated financial statements also have to be read in conjunction with the explanations on the transition to IFRS presented in note 2, the significant accounting policies in note 3, the new accounting policies in note 4 and the additional annual disclosure requirements under IFRS in note 13.

Operating income for the interim period presented does not necessarily reflect income for the whole year. Some of the corresponding figures have been reclassified in line with the presentation adopted for the current fiscal year.

2. EXPLANATIONS ON THE TRANSITION TO IFRS

This note explains the principal adjustments made in converting the unaudited consolidated financial statements from GAAP to IFRS, specifically the consolidated statements of financial position as at September 26, 2010, December 18, 2010 and September 24, 2011, as well as the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of cash flows for the 12-week period ended December 18, 2010 and fiscal year ended September 24, 2011.

To facilitate comprehension, the adjustments are presented in two different ways. In the first, the adjustments are itemized according to IFRS standards and the three following categories: 1) optional exemptions under IFRS 1 "First-time Adoption of International Financial Reporting Standards" that apply only once at the time of changeover to IFRS, 2) recurring differences in accounting treatment between GAAP and IFRS, 3) reclassifications for presentation purposes that have no impact on net earnings (see pages 27 to 33). In the second, the adjustments are itemized according to financial statement items (see pages 33 to 38).

TERMINOLOGY

There are differences between IFRS and GAAP terminology. The following table lists the main differences:

GAAP terminology	IFRS terminology
Statement of earnings	Statement of income
Balance sheet	Statement of financial position
Long-term	Non-current
Investment in a company subject to significant influence	Investment in an associate
Future income taxes	Deferred taxes
Accrued benefit assets or liabilities	Defined benefit assets or liabilities
Shareholders' equity	Equity



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

GAAP terminology	IFRS terminology
Notes to financial statements	Notes to financial statements
Reportable segment	Operating segment
Variable interest entities	Special purpose entities
Assets or liabilities held for trading	Financial assets or liabilities at fair value through net earnings
Definite/indefinite useful lives	Finite/indefinite useful lives
Capital leases	Finance leases
Employee future benefits	Employee benefits
Projected benefit method prorated on services/Accumulated benefit method	Projected unit credit method
Accrued benefit obligations	Defined benefit obligations
Stock-based compensation and other stock-based payments	Share-based payment transactions

FIRST-TIME ADOPTION OF IFRS

At the date of transition, IFRS 1 authorizes certain exemptions from retrospective application. The following optional exemptions were used:

Employee benefits

All actuarial gains and losses on the date of transition were recognized in retained earnings.

Business combinations

The IFRS 3 "Business Combinations" was not applied to business combinations that occurred before the transition date.



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

RECONCILIATIONS GAAP / IFRS

RECONCILIATION OF CONSOLIDATED FINANCIAL POSITION AND EQUITY

	Notes	As at September 24, 2011				
		GAAP	IFRS 1	Adjustments		IFRS
				Accounting treatment	Presentation	
ASSETS						
Current assets						
Cash and cash equivalents		\$ 255.5	\$ —	\$ —	\$ —	\$ 255.5
Accounts receivable	i	306.9			(6.6)	300.3
Inventories		728.3				728.3
Prepaid expenses		11.7				11.7
Income taxes receivable		2.2				2.2
Deferred taxes	n	19.2			(19.2)	—
		1,323.8	—	—	(25.8)	1,298.0
Assets held for sale	i	—			6.6	6.6
		1,323.8	—	—	(19.2)	1,304.6
Non-current assets						
Investment in an associate	r	—		1.3	257.4	258.7
Other financial assets	s	274.7		(0.3)	(257.4)	17.0
Fixed assets	t	1,321.3		(63.7)	(31.5)	1,226.1
Investment properties	u	—		(4.5)	31.5	27.0
Intangible assets	d	308.5		(11.3)		297.2
Goodwill	e	1,649.9		(0.8)		1,649.1
Deferred taxes	q	1.2	11.2	14.2	19.2	45.8
Defined benefit assets	v	79.4	(47.3)	(30.5)		1.6
		\$ 4,958.8	\$ (36.1)	\$ (95.6)	\$ —	\$ 4,827.1
LIABILITIES AND EQUITY						
Current liabilities						
Bank loans		\$ 0.3	\$ —	\$ —	\$ —	\$ 0.3
Accounts payable	l	1,078.4			(17.3)	1,061.1
Income taxes payable		46.2				46.2
Provisions	l	—			17.3	17.3
Deferred taxes	n	11.2			(11.2)	—
Current portion of debt	m	8.8			369.3	378.1
		1,144.9	—	—	358.1	1,503.0
Non-current liabilities						
Debt	m	1,025.5			(369.3)	656.2
Defined benefit liabilities	v	44.0	38.1	50.1		132.2
Provisions	l	—			4.0	4.0
Deferred taxes	q	158.5	(10.9)	(39.8)	11.2	119.0
Other liabilities	e, l	17.9			(4.5)	13.4
		2,390.8	27.2	10.3	(0.5)	2,427.8
Equity						
Capital stock		682.6				682.6
Contributed surplus	h	1.7		2.1		3.8
Retained earnings	w	1,883.7	(63.3)	(56.8)		1,763.6
Accumulated other comprehensive income	x	—		(51.2)		(51.2)
Equity attributable to the equity holders of the parent		2,568.0	(63.3)	(105.9)	—	2,398.8
Non-controlling interests	e	—			0.5	0.5
		2,568.0	(63.3)	(105.9)	0.5	2,399.3
		\$ 4,958.8	\$ (36.1)	\$ (95.6)	\$ —	\$ 4,827.1



Notes to condensed consolidated financial statements
12-week periods ended December 17, 2011 and December 18, 2010
(Unaudited) (Millions of dollars, unless otherwise indicated)

RECONCILIATION OF CONSOLIDATED FINANCIAL POSITION AND EQUITY

	Notes	As at December 18, 2010				
		GAAP	IFRS 1	Adjustments		IFRS
				Accounting treatment	Presentation	
ASSETS						
Current assets						
Cash and cash equivalents		\$ 118.8	\$ —	\$ —	\$ —	\$ 118.8
Accounts receivable		359.1				359.1
Inventories		787.9				787.9
Prepaid expenses		14.0				14.0
Income taxes receivable		3.9				3.9
Deferred taxes	n	17.8			(17.8)	—
		1,301.5	—	—	(17.8)	1,283.7
Non-current assets						
Investment in an associate	r	—		1.6	230.7	232.3
Other financial assets	s	246.9			(230.7)	16.2
Fixed assets	t	1,322.2		(66.6)	(32.1)	1,223.5
Investment properties	u	—		(4.4)	32.1	27.7
Intangible assets	d	311.6		(11.0)		300.6
Goodwill	e	1,603.7		(0.2)		1,603.5
Deferred taxes	q	27.7	11.2	(14.4)	17.8	42.3
Defined benefit assets	v	75.1	(47.3)	3.5		31.3
		\$ 4,888.7	\$ (36.1)	\$ (91.5)	\$ —	\$ 4,761.1
LIABILITIES AND EQUITY						
Current liabilities						
Bank loans		\$ 3.4	\$ —	\$ —	\$ —	\$ 3.4
Accounts payable	l	1,122.5			(7.9)	1,114.6
Income taxes payable		41.5				41.5
Provisions	l	—			7.9	7.9
Deferred taxes	n	12.6			(12.6)	—
Current portion of debt		3.7				3.7
		1,183.7	—	—	(12.6)	1,171.1
Non-current liabilities						
Debt		1,004.2				1,004.2
Defined benefit liabilities	v	48.2	38.1	(8.0)		78.3
Provisions	l	—			4.8	4.8
Deferred taxes	q	173.5	(10.9)	(45.4)	12.6	129.8
Other liabilities	e, l	21.1			(5.3)	15.8
		2,430.7	27.2	(53.4)	(0.5)	2,404.0
Equity						
Capital stock		693.4				693.4
Contributed surplus	h	7.3		2.1		9.4
Retained earnings	w	1,757.3	(63.3)	(59.7)		1,634.3
Accumulated other comprehensive income	x	—		19.5		19.5
Equity attributable to the equity holders of the parent		2,458.0	(63.3)	(38.1)	—	2,356.6
Non-controlling interests	e	—			0.5	0.5
		2,458.0	(63.3)	(38.1)	0.5	2,357.1
		\$ 4,888.7	\$ (36.1)	\$ (91.5)	\$ —	\$ 4,761.1



Notes to condensed consolidated financial statements
12-week periods ended December 17, 2011 and December 18, 2010
(Unaudited) (Millions of dollars, unless otherwise indicated)

RECONCILIATION OF CONSOLIDATED FINANCIAL POSITION AND EQUITY

	Notes	As at September 26, 2010				IFRS
		GAAP	IFRS 1	Adjustments		
				Accounting treatment	Presentation	
ASSETS						
Current assets						
Cash and cash equivalents		\$ 214.7	\$ —	\$ —	\$ —	\$ 214.7
Accounts receivable		311.3				311.3
Inventories		699.3				699.3
Prepaid expenses		9.7				9.7
Income taxes receivable		1.7				1.7
Deferred taxes	n	12.3			(12.3)	—
		1,249.0	—	—	(12.3)	1,236.7
Non-current assets						
Investment in an associate	r	—		1.4	219.5	220.9
Other financial assets	s	235.3			(219.5)	15.8
Fixed assets	t	1,319.1		(69.7)	(32.2)	1,217.2
Investment properties	u	—		(4.4)	32.2	27.8
Intangible assets	d	315.7		(11.7)		304.0
Goodwill		1,603.7				1,603.7
Deferred taxes	q	1.3	11.2	24.0	12.3	48.8
Defined benefit assets	v	72.8	(47.3)	(5.2)		20.3
		\$ 4,796.9	\$ (36.1)	\$ (65.6)	\$ —	\$ 4,695.2
LIABILITIES AND EQUITY						
Current liabilities						
Bank loans		\$ 1.0	\$ —	\$ —	\$ —	\$ 1.0
Accounts payable	l	1,073.3			(9.2)	1,064.1
Income taxes payable		50.8				50.8
Provisions	l	—			9.2	9.2
Deferred taxes	n	12.8			(12.8)	—
Current portion of debt		4.7				4.7
		1,142.6	—	—	(12.8)	1,129.8
Non-current liabilities						
Debt		1,004.3				1,004.3
Defined benefit liabilities	v	48.5	38.1	10.4		97.0
Provisions	l	—			4.8	4.8
Deferred taxes	q	137.5	(10.9)	(14.9)	12.8	124.5
Other liabilities	e, l	21.2			(5.3)	15.9
		2,354.1	27.2	(4.5)	(0.5)	2,376.3
Equity						
Capital stock		702.1				702.1
Contributed surplus	h	6.1		2.1		8.2
Retained earnings	w	1,734.9	(63.3)	(63.2)		1,608.4
Accumulated other comprehensive income		(0.3)				(0.3)
Equity attributable to the equity holders of the parent		2,442.8	(63.3)	(61.1)	—	2,318.4
Non-controlling interests	e	—			0.5	0.5
		2,442.8	(63.3)	(61.1)	0.5	2,318.9
		\$ 4,796.9	\$ (36.1)	\$ (65.6)	\$ —	\$ 4,695.2



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

RECONCILIATION OF CONSOLIDATED STATEMENTS OF INCOME

	Notes	Fiscal year ended September 24, 2011			
		GAAP	Adjustments		IFRS
			Accounting treatment	Presentation	
Sales	o	\$ 11,430.6	\$ —	\$ (34.2)	\$ 11,396.4
Cost of sales and operating expenses	y	(10,679.6)	(6.6)	34.2	(10,652.0)
Share of an associate's earnings	b	42.6	(0.2)		42.4
Closure costs	c	(20.2)	(0.3)		(20.5)
Earnings before financial costs, taxes, depreciation and amortization		773.4	(7.1)	—	766.3
Depreciation and amortization	z	(195.2)	15.9		(179.3)
Operating income		578.2	8.8	—	587.0
Financial costs, net		(41.5)			(41.5)
Earnings before income taxes		536.7	8.8	—	545.5
Income taxes	aa	(150.4)	(2.4)		(152.8)
Net earnings		\$ 386.3	\$ 6.4	\$ —	\$ 392.7
Net earnings per share (Dollars)					
Basic		3,75			3,81
Fully diluted		3,73			3,79

	Notes	12-week period ended December 18, 2010			
		GAAP	Adjustments		IFRS
			Accounting treatment	Presentation	
Sales	o	\$ 2,631.9	\$ —	\$ (9.4)	\$ 2,622.5
Cost of sales and operating expenses	y	(2,463.1)	0.8	9.4	(2,452.9)
Share of an associate's earnings	b	12.2	0.1		12.3
Earnings before financial costs, taxes, depreciation and amortization		181.0	0.9	—	181.9
Depreciation and amortization	z	(44.4)	3.8		(40.6)
Operating income		136.6	4.7	—	141.3
Financial costs, net		(10.1)			(10.1)
Earnings before income taxes		126.5	4.7	—	131.2
Income taxes	aa	(34.5)	(1.2)		(35.7)
Net earnings		\$ 92.0	\$ 3.5	\$ —	\$ 95.5
Net earnings per share (Dollars)					
Basic		0,88			0,91
Fully diluted		0,88			0,91



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

RECONCILIATION OF CONSOLIDATED COMPREHENSIVE INCOME

	Notes	Fiscal year ended September 24, 2011		
		GAAP	Adjustments Accounting treatment	IFRS
Net earnings		\$ 386.3	\$ 6.4	\$ 392.7
Other comprehensive income				
Change in the fair value of a derivative designated as cash flow hedge		0.4		0.4
Changes in defined benefit plans				
Actuarial losses	f		(66.8)	(66.8)
Asset ceiling effect	f		0.5	0.5
Minimum funding requirement	f		(2.5)	(2.5)
Share of an associate's other comprehensive income	b		0.1	0.1
Corresponding income taxes	f	(0.1)	17.5	17.4
Comprehensive income		\$ 386.6	\$ (44.8)	\$ 341.8

	Notes	12-week period ended December 18, 2010		
		GAAP	Adjustments Accounting treatment	IFRS
Net earnings		\$ 92.0	\$ 3.5	\$ 95.5
Other comprehensive income				
Change in the fair value of a derivative designated as cash flow hedge		0.4		0.4
Changes in defined benefit plans				
Actuarial gains	f		29.6	29.6
Asset ceiling effect	f		(4.1)	(4.1)
Minimum funding requirement	f		0.6	0.6
Share of an associate's other comprehensive income	b		0.1	0.1
Corresponding income taxes	f	(0.1)	(6.7)	(6.8)
Comprehensive income		\$ 92.3	\$ 23.0	\$ 115.3



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

RECONCILIATION OF CONSOLIDATED CASH FLOWS

	Notes	Fiscal year ended September 24, 2011			
		GAAP	Adjustments		IFRS
			Accounting treatment	Presentation	
Operating activities					
Net earnings		\$ 386.3	\$ 6.4	\$ —	\$ 392.7
Income taxes	aa, p	—	2.4	150.4	152.8
Earnings before income taxes		386.3	8.8	150.4	545.5
Non-cash items					
Share of an associate's earnings	b	(42.6)	0.2		(42.4)
Closure costs		8.9			8.9
Depreciation and amortization	z	195.2	(15.9)		179.3
Amortization of deferred financing costs		0.4			0.4
Loss on disposal and write-offs of fixed, intangible assets and investment properties	c	9.7	0.3		10.0
Interest income from investments	p	(0.1)		0.1	—
Future income taxes	p	14.6		(14.6)	—
Impairment losses	d	—	14.8		14.8
Impairment loss reversals	d	—	(5.5)		(5.5)
Stock-based compensation cost		6.3			6.3
Difference between amounts paid for employee benefits and current period cost	f	(11.1)	(3.8)		(14.9)
Financial costs, net	p	—		41.5	41.5
		567.6	(1.1)	177.4	743.9
Net change in non-cash working capital items					
Interest paid	e, l, p	(24.4)	0.8	16.5	(7.1)
Income taxes paid	p	—		(45.1)	(45.1)
	p	—		(149.3)	(149.3)
		543.2	(0.3)	(0.5)	542.4
Investing activities					
Business acquisitions	e	(74.5)	0.3		(74.2)
Net change in other financial assets		5.4			5.4
Dividends from an associate		4.7			4.7
Additions to fixed assets		(148.1)			(148.1)
Proceeds on disposal of fixed assets	k	5.4		(2.8)	2.6
Proceeds on disposal of investment properties	k	—		2.8	2.8
Additions to intangible assets		(19.9)			(19.9)
		(227.0)	0.3	—	(226.7)
Financing activities					
Net change in bank loans		(0.7)			(0.7)
Shares issued		7.0			7.0
Shares redeemed		(188.3)			(188.3)
Acquisition of treasury shares		(8.9)			(8.9)
Performance share units cash settlement		(0.4)			(0.4)
Increase in debt		8.4			8.4
Repayment of debt		(12.1)			(12.1)
Use of non-current provisions	l	—		(0.3)	(0.3)
Net change in other liabilities	l	(3.3)		0.8	(2.5)
Dividends		(77.1)			(77.1)
		(275.4)	—	0.5	(274.9)
Net change in cash and cash equivalents					
Cash and cash equivalents — beginning of year		214.7			214.7
Cash and cash equivalents — end of year		\$ 255.5	\$ —	\$ —	\$ 255.5



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

RECONCILIATION OF CONSOLIDATED CASH FLOWS

	Notes	12-week period ended December 18, 2010			
		GAAP	Adjustments		IFRS
			Accounting treatment	Presentation	
Operating activities					
Net earnings		\$ 92.0	\$ 3.5	\$ —	\$ 95.5
Income taxes	aa, p	—	1.2	34.5	35.7
Earnings before income taxes		92.0	4.7	34.5	131.2
Non-cash items					
Share of an associate's earnings	b	(12.2)	(0.1)		(12.3)
Depreciation and amortization	z	44.4	(3.8)		40.6
Amortization of deferred financing costs		0.1			0.1
Future income taxes	p	4.5		(4.5)	—
Stock-based compensation cost		1.3			1.3
Difference between amounts paid for employee benefits and current period cost	f	(2.6)	(1.0)		(3.6)
Financial costs, net	p	—		10.1	10.1
		127.5	(0.2)	40.1	167.4
Net change in non-cash working capital items	e, p	(103.0)	0.2	22.7	(80.1)
Interest paid	p	—		(20.1)	(20.1)
Income taxes paid	p	—		(42.7)	(42.7)
		24.5	—	—	24.5
Investing activities					
Net change in other financial assets		(0.7)			(0.7)
Dividends from an associate		1.0			1.0
Additions to fixed assets		(39.4)			(39.4)
Proceeds on disposal of fixed assets		0.2			0.2
Additions to intangible assets		(4.1)			(4.1)
		(43.0)	—	—	(43.0)
Financing activities					
Net change in bank loans		2.4			2.4
Shares issued		0.4			0.4
Shares redeemed		(61.0)			(61.0)
Increase in debt		1.9			1.9
Repayment of debt		(3.2)			(3.2)
Net change in other liabilities		(0.1)			(0.1)
Dividends		(17.8)			(17.8)
		(77.4)	—	—	(77.4)
Net change in cash and cash equivalents					
Cash and cash equivalents — beginning of period		(95.9)	—	—	(95.9)
		214.7			214.7
Cash and cash equivalents — end of period		\$ 118.8	\$ —	\$ —	\$ 118.8

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

NOTES TO RECONCILIATIONS BY STANDARD

IFRS 1

a) Employee benefits

At the date of transition to IFRS, use of the exemption from retrospective application, allowing all actuarial gains and losses to be recognized in retained earnings, entailed the following adjustments:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Deferred tax assets	q	11.2	11.2	11.2
Defined benefit assets	v	(47.3)	(47.3)	(47.3)
Defined benefit liabilities	v	38.1	38.1	38.1
Deferred tax liabilities	q	(10.9)	(10.9)	(10.9)
Retained earnings	w	(63.3)	(63.3)	(63.3)

ACCOUNTING TREATMENT

b) Investment in an associate

Starting with the first quarter of its 2012 fiscal year, the publicly traded associate in which the Corporation has an interest issued its first IFRS consolidated financial statements. The Corporation's share of the adjustments related to the conversion of the associate's consolidated financial statements from GAAP to IFRS was made up of the following items:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Investment in an associate	r	1.3	1.6	1.4
Deferred tax liabilities	q	0.1	0.1	0.1
Retained earnings	w	1.1	1.4	1.3
Accumulated other comprehensive income	x	0.1	0.1	—
Net earnings:				
Share of an associate's earnings		(0.2)	0.1	—
Comprehensive income:				
Share of an associate's comprehensive income		0.1	0.1	—

c) Fixed assets

Under IFRS, the roof and HVAC are separate building components whose useful life is less than the building's. The roof and HVAC are depreciated over 20 years and the rest of the building over 50 years. Under GAAP, all of the building was depreciated over 40 years. This adjustment had the following impacts:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Fixed assets	t	16.8	16.2	16.0
Deferred tax assets	q	(1.0)	(1.1)	(1.0)
Deferred tax liabilities	q	3.3	3.1	3.2
Retained earnings	w	12.5	12.0	11.8
Net earnings:				
Depreciation and amortization	z	1.2	0.3	—
Closure expenses		(0.3)	—	—
Income taxes	aa	(0.2)	(0.1)	—
Cash flows:				
Loss on disposal and write-offs of fixed, intangible assets and investment properties		0.3	—	—

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

d) Impairment of assets

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

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Fixed assets	t	(80.5)	(82.8)	(85.7)
Investment properties	u	(4.5)	(4.4)	(4.4)
Intangible assets		(11.3)	(11.0)	(11.7)
Deferred tax assets	q	15.5	(13.9)	24.2
Deferred tax liabilities	q	(8.9)	(38.8)	(1.7)
Retained earnings	w	(71.9)	(73.3)	(75.9)
Net earnings:				
Impairment losses	y	(14.8)	—	—
Impairment loss reversals	y	5.5	—	—
Depreciation and amortization	z	14.7	3.5	—
Income taxes	aa	(1.4)	(0.9)	—

At the date of transition to IFRS and in subsequent periods, impairment testing, conducted at the level of stores and warehouses, consisted in a comparison of the carrying value and recoverable value of asset, CGU or group of CGUs. The recoverable value is the higher of the value in use and the fair value less costs to sell. The recoverable value of each store and warehouse was determined based on its value in use which was calculated using pre-tax cash flow forecasts from management-approved financial budgets discounted to present value using the pre-tax discount rate of 14.4 %. The resulting impairment losses as at September 26, 2010 were allocated as follows between the different categories of fixed and intangible assets:

	September 26, 2010
Fixed assets:	
Buildings	\$ 8.3
Land	1.9
Equipment	44.7
Leasehold improvements	29.3
Buildings under finance leases	1.5
	\$ 85.7

	September 26, 2010
Intangible assets:	
Leasehold rights	\$ 3.3
Software	5.9
Improvements and development of retail network loyalty	1.7
Prescription files	0.8
	\$ 11.7

At the date of transition to IFRS and in subsequent periods, impairment testing was also done at the level of investment properties. Their recoverable value was determined based on their fair value less costs to sell, based on recent transactions on the market.

Further information on impairment losses as at September 24, 2011 is provided in notes 13.E), F) and G).

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

e) Business combinations

Under IFRS, business combination-related costs are expensed when incurred. Only restructuring costs for the acquired business that would have been incurred even if there had been no business combination may be included in the purchase price allocation. Non-controlling interests are presented in equity. Under GAAP, business combination-related costs were considered in purchase price allocation. Restructuring costs for the acquired business may be included in the purchase price allocation. Non-controlling interests were presented in other liabilities. These adjustments had the following impacts:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Goodwill		(0.8)	(0.2)	—
Other financial assets	s	(0.3)	—	—
Deferred tax liabilities	q	(0.3)	—	—
Other liabilities		(0.5)	(0.5)	(0.5)
Retained earnings	w	(0.8)	(0.2)	—
Non-controlling interests		0.5	0.5	0.5
Net earnings:				
Operating expenses	y	(1.1)	(0.2)	—
Income taxes	aa	0.3	—	—
Cash flows:				
Net change in non-cash working capital items		0.8	0.2	—

f) Employee benefits

Actuarial gains or losses

Under IFRS, actuarial gains or losses are recognized in comprehensive income. Under GAAP, they were deferred and amortized using the corridor method and recognized in net earnings. This adjustment had the following impacts:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010
Financial position:			
Deferred tax assets	q	(1.1)	(0.2)
Defined benefit assets	v	(23.2)	12.2
Defined benefit liabilities	v	39.5	(18.2)
Deferred tax liabilities	q	(17.0)	7.6
Retained earnings	w	3.0	0.6
Accumulated other comprehensive income	x	(49.8)	22.0
Net earnings:			
Defined benefit plan expense	y	4.1	0.8
Income taxes	aa	(1.1)	(0.2)
Comprehensive income:			
Actuarial gains (losses)		(66.8)	29.6
Corresponding income taxes		17.0	(7.6)

Past service cost

Under IFRS, past service cost for vested benefits is recognized immediately in net earnings. Under GAAP, past service cost was amortized on a straight-line basis over the average remaining service period of active participants, regardless of vesting. This adjustment had the following impacts:

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Deferred tax assets	q	1.7	1.7	1.7
Defined benefit liabilities	v	10.6	10.2	10.4
Deferred tax liabilities	q	(0.9)	(0.9)	(0.9)
Retained earnings	w	(8.0)	(7.6)	(7.8)
Net earnings:				
Defined benefit plan expense	y	(0.2)	0.2	—

Asset ceiling and minimum funding requirement

Under IFRS, in the case of a surplus funded plan, defined benefit assets are limited to the availability of future contribution reductions calculated on a going concern and solvency basis. Furthermore, an additional liability could be recorded when minimum funding requirements exceed economic benefits available. Limit effects and minimum funding requirements are recognized for each period and recorded in comprehensive income. Under GAAP, in the case of a surplus funded plan, accrued benefit assets were limited to the availability of future contribution reductions calculated on a going concern basis. Any variances regarding the limit were recorded in net earnings. This adjustment had the following impacts:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Defined benefit assets	v	(11.1)	(12.5)	(9.0)
Deferred tax liabilities	q	(3.0)	(3.4)	(2.5)
Retained earnings	w	(6.6)	(6.5)	(6.5)
Accumulated other comprehensive income	x	(1.5)	(2.6)	—
Net earnings:				
Defined benefit plan expense	y	(0.1)	—	—
Comprehensive income:				
Asset ceiling effect		0.5	(4.1)	—
Minimum funding requirement		(2.5)	0.6	—
Corresponding income taxes		0.5	0.9	—

Post-employment benefits

Post-employment benefits plans consist of pension benefits, post-employment life insurance, and post-employment health care. Certain plans provide post-employment life insurance and health care benefits only to employees with a minimum of 20 years of service and aged 65 at retirement. Under IFRS, vested rights to these plans are recognized only when employees turn 45, if hired before then. Under GAAP, recognition was from an employee's hiring date for employees hired before they were 45 years old. As the recognition date is later under IFRS than under GAAP, recognized obligations are less under IFRS. This adjustment had the following impacts:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Defined benefit assets	v	3.8	3.8	3.8
Deferred tax assets	q	(0.9)	(0.9)	(0.9)
Retained earnings	w	2.9	2.9	2.9

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

g) Income taxes

Under IFRS, differences between the carrying amount and tax base of intangible assets with indefinite useful lives have to be recognized as deferred tax assets or liabilities based on applicable tax rates when the asset is to be realized. Since these intangible assets are not amortized, they are deemed to be realized upon their disposal and therefore the capital gains tax rate was used. Under GAAP, the current practice was to use the corporate tax rate in accounting for deferred taxes. This adjustment had the following impacts:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Deferred tax liabilities	q	(13.1)	(13.1)	(13.1)
Retained earnings	w	13.1	13.1	13.1

h) Share-based payment

Under IFRS, when stock option awards vest gradually, each tranche is considered as a separate award with recognition of the compensation expense over the vesting term of each tranche. Under GAAP, all tranches were considered as a single award with straight-line recognition of the compensation expense over the total vesting term of all tranches. This adjustment had the following impacts:

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Contributed surplus		2.1	2.1	2.1
Retained earnings	w	(2.1)	(2.1)	(2.1)

PRESENTATION

i) Assets held for sale

Under IFRS, assets held for sale are presented separately in the consolidated statement of financial position. Under GAAP, they were included in accounts receivable. The impact of this reclassification as at September 24, 2011 was \$6.6.

j) Investment in an associate

Under IFRS, investments accounted for using the equity method are presented separately in the consolidated statement of financial position. Under GAAP, they were included in investments and other assets. The impacts of this reclassification as at September 26, 2010, December 18, 2010 and September 24, 2011 were \$219.5, \$230.7 and \$257.4 respectively (notes r and s).

k) Investment properties

Under IFRS, investment properties are held for capital appreciation and to earn rentals. They are not occupied by the owner for its ordinary activities. They are presented separately in the consolidated statement of financial position. Under GAAP, the concept of investment properties did not exist and such land and buildings were included in fixed assets. This reclassification had the following impacts:

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:				
Fixed assets	t	(31.5)	(32.1)	(32.2)
Investment properties	u	31.5	32.1	32.2
Cash flows:				
Proceeds on disposal of fixed assets		(2.8)	—	—
Proceeds on disposal of investment properties		2.8	—	—

l) Provisions

Under IFRS, current and non-current provisions are presented separately in the consolidated statement of financial position. Under GAAP, they were included in accounts payable and other long-term liabilities. This reclassification had the following impacts:

<i>Increase / (decrease)</i>	September 24, 2011	December 18, 2010	September 26, 2010
Financial position:			
Current provisions	17.3	7.9	9.2
Accounts payable	(17.3)	(7.9)	(9.2)
Non-current provisions	4.0	4.8	4.8
Other liabilities	(4.0)	(4.8)	(4.8)
Cash flows:			
Net change in non-cash working capital items	(0.5)	—	—
Non-current provisions used	(0.3)	—	—
Net change in other liabilities	0.8	—	—

m) Debt

Under IFRS, financial liabilities at the closing date will mature within the next 12 months are presented in current items in the statement of financial position, even if an agreement to refinance is completed after the reporting period and before the financial statements are authorized for issue. Under GAAP, they were presented with the non-current items in the statement of financial position. The impact of this reclassification as at September 24, 2011 was \$369.3 for the Credit A Facility.

n) Deferred taxes

Under IFRS, deferred tax assets and liabilities are classified as non-current items in the consolidated statement of financial position. Under GAAP, the current and non-current deferred tax assets and liabilities were presented separately. The impacts of this reclassification as at September 26, 2010 were \$12.3 and \$12.8, the impacts as at December 18, 2010 were \$17.8 and \$12.6, and the impacts as at September 24, 2011 were \$19.2 and \$11.2 (note q).

o) Loyalty programs

Under IFRS, the cost of loyalty program points is recorded as a reduction in sales. Under GAAP, it was recorded in the cost of sales and operating expenses. The impact of this reclassification for the 12-week period ended December 18, 2010 was \$9.4 and the impact for the year ended September 24, 2011 was \$34.2 (note y).

p) Interest and income taxes paid

Under IFRS, interest and income taxes paid are incorporated in the consolidated statement of cash flows. Under GAAP, interest and income taxes paid were presented as supplementary information. This reclassification had the following impacts:



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

<i>Increase / (decrease)</i>	September 24, 2011	December 18, 2010
Cash flows:		
Financial costs, net	41.5	10.1
Interest paid	(45.1)	(20.1)
Interest income from investments	0.1	—
Income taxes	150.4	34.5
Income taxes paid	(149.3)	(42.7)
Future income taxes	(14.6)	(4.5)
Net change in non-cash working capital items	17.0	22.7

SUMMARY OF FINANCIAL STATEMENT ADJUSTMENTS

FINANCIAL POSITION

q) Deferred tax assets and liabilities

Deferred tax assets

<i>Increase / (decrease)</i>	Notes	September 24, 2011		
		IFRS 1	Accounting treatment	Presentation
Exemption from retrospective application	a	\$ 11.2	\$ —	\$ —
Fixed assets	c		(1.0)	
Impairment of assets	d		15.5	
Employee benefits				
Actuarial gains or losses	f		(1.1)	
Past service cost	f		1.7	
Post-employment benefits	f		(0.9)	
Reclassification of current portion	n			19.2
		\$ 11.2	\$ 14.2	\$ 19.2

<i>Increase / (decrease)</i>	Notes	December 18, 2010		
		IFRS 1	Accounting treatment	Presentation
Exemption from retrospective application	a	\$ 11.2	\$ —	\$ —
Fixed assets	c		(1.1)	
Impairment of assets	d		(13.9)	
Employee benefits				
Actuarial gains or losses	f		(0.2)	
Past service cost	f		1.7	
Post-employment benefits	f		(0.9)	
Reclassification of current portion	n			17.8
		\$ 11.2	\$ (14.4)	\$ 17.8

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

<i>Increase / (decrease)</i>	Notes	September 26, 2010		
		IFRS 1	Accounting treatment	Presentation
Exemption from retrospective application	a	\$ 11.2	\$ —	\$ —
Fixed assets	c		(1.0)	
Impairment of assets	d		24.2	
Employee benefits				
Past service cost	f		1.7	
Post-employment benefits	f		(0.9)	
Reclassification of current portion	n			12.3
		\$ 11.2	\$ 24.0	\$ 12.3

Deferred tax liabilities

<i>Increase / (decrease)</i>	Notes	September 24, 2011		
		IFRS 1	Accounting treatment	Presentation
Exemption from retrospective application	a	\$ (10.9)	\$ —	\$ —
Investment in an associate	b		0.1	
Fixed assets	c		3.3	
Impairment of assets	d		(8.9)	
Business combinations	e		(0.3)	
Employee benefits				
Actuarial gains or losses	f		(17.0)	
Past service cost	f		(0.9)	
Asset ceiling and minimum funding requirement	f		(3.0)	
Income taxes	g		(13.1)	
Reclassification of current portion	n			11.2
		\$ (10.9)	\$ (39.8)	\$ 11.2

<i>Increase / (decrease)</i>	Notes	December 18, 2010		
		IFRS 1	Accounting treatment	Presentation
Exemption from retrospective application	a	\$ (10.9)	\$ —	\$ —
Investment in an associate	b		0.1	
Fixed assets	c		3.1	
Impairment of assets	d		(38.8)	
Employee benefits				
Actuarial gains or losses	f		7.6	
Past service cost	f		(0.9)	
Asset ceiling and minimum funding requirement	f		(3.4)	
Income taxes	g		(13.1)	
Reclassification of current portion	n			12.6
		\$ (10.9)	\$ (45.4)	\$ 12.6

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

<i>Increase / (decrease)</i>	Notes	September 26, 2010		
		IFRS 1	Accounting treatment	Presentation
Exemption from retrospective application	a	\$ (10.9)	\$ —	\$ —
Investment in an associate	b		0.1	
Fixed assets	c		3.2	
Impairment of assets	d		(1.7)	
Employee benefits				
Past service cost	f		(0.9)	
Asset ceiling and minimum funding requirement	f		(2.5)	
Income taxes	g		(13.1)	
Reclassification of current portion	n			12.8
		\$ (10.9)	\$ (14.9)	\$ 12.8

r) Investment in an associate

<i>Increase / (decrease)</i>	Notes	September 24, 2011		December 18, 2010		September 26, 2010	
		Accounting treatment	Presentation	Accounting treatment	Presentation	Accounting treatment	Presentation
Share of an associate's IFRS conversion	b	\$ 1.3	\$ —	\$ 1.6	\$ —	\$ 1.4	\$ —
Reclassification of other financial assets	j		257.4		230.7		219.5
		\$ 1.3	\$ 257.4	\$ 1.6	\$ 230.7	\$ 1.4	\$ 219.5

s) Other financial assets

<i>Increase / (decrease)</i>	Notes	September 24, 2011		December 18, 2010	September 26, 2010
		Accounting treatment	Presentation	Presentation	Presentation
Business combinations	e	\$ (0.3)	\$ —	\$ —	\$ —
Reclassification of investment in an associate	j		(257.4)	(230.7)	(219.5)
		\$ (0.3)	\$ (257.4)	\$ (230.7)	\$ (219.5)

t) Fixed assets

<i>Increase / (decrease)</i>	Notes	September 24, 2011		December 18, 2010		September 26, 2010	
		Accounting treatment	Presentation	Accounting treatment	Presentation	Accounting treatment	Presentation
Components	c	\$ 16.8	\$ —	\$ 16.2	\$ —	\$ 16.0	\$ —
Impairment of assets	d	(80.5)		(82.8)		(85.7)	
Reclassification of investment properties	k		(31.5)		(32.1)		(32.2)
		\$ (63.7)	\$ (31.5)	\$ (66.6)	\$ (32.1)	\$ (69.7)	\$ (32.2)

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

u) Investment properties

<i>Increase / (decrease)</i>	Notes	September 24, 2011		December 18, 2010		September 26, 2010	
		Accounting treatment	Present-ation	Accounting treatment	Present-ation	Accounting treatment	Present-ation
Impairment of assets	d	\$ (4.5)	\$ —	\$ (4.4)	\$ —	\$ (4.4)	\$ —
Reclassification of fixed assets	k		31.5		32.1		32.2
		\$ (4.5)	\$ 31.5	\$ (4.4)	\$ 32.1	\$ (4.4)	\$ 32.2

v) Defined benefit assets and liabilities

Defined benefit assets

<i>Increase / (decrease)</i>	Notes	September 24, 2011		December 18, 2010		September 26, 2010	
		IFRS 1	Accounting treatment	IFRS 1	Accounting treatment	IFRS 1	Accounting treatment
Exemption from retrospective application	a	\$ (47.3)	\$ —	\$ (47.3)	\$ —	\$ (47.3)	\$ —
Employee benefits							
Actuarial gains (losses)	f		(23.2)		12.2		
Asset ceiling and minimum funding requirement	f		(11.1)		(12.5)		(9.0)
Post-employment benefits	f		3.8		3.8		3.8
		\$ (47.3)	\$ (30.5)	\$ (47.3)	\$ 3.5	\$ (47.3)	\$ (5.2)

Defined benefit liabilities

<i>Increase / (decrease)</i>	Notes	September 24, 2011		December 18, 2010		September 26, 2010	
		IFRS 1	Accounting treatment	IFRS 1	Accounting treatment	IFRS 1	Accounting treatment
Exemption from retrospective application	a	\$ 38.1	\$ —	\$ 38.1	\$ —	\$ 38.1	\$ —
Employee benefits							
Actuarial losses (gains)	f		39.5		(18.2)		
Past service cost	f		10.6		10.2		10.4
		\$ 38.1	\$ 50.1	\$ 38.1	\$ (8.0)	\$ 38.1	\$ 10.4

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

w) Retained earnings

<i>Increase / (decrease)</i>	Notes	September 24, 2011		December 18, 2010		September 26, 2010	
		IFRS 1	Accounting treatment	IFRS 1	Accounting treatment	IFRS 1	Accounting treatment
Exemption from retrospective application	a	\$ (63.3)	\$ —	\$ (63.3)	\$ —	\$ (63.3)	\$ —
Investment in an associate	b		1.1		1.4		1.3
Fixed assets	c		12.5		12.0		11.8
Impairment of assets	d		(71.9)		(73.3)		(75.9)
Business combinations	e		(0.8)		(0.2)		
Employee benefits							
Actuarial gains or losses	f		3.0		0.6		
Past service cost	f		(8.0)		(7.6)		(7.8)
Asset ceiling and minimum funding requirement	f		(6.6)		(6.5)		(6.5)
Post-employment benefits	f		2.9		2.9		2.9
Income taxes	g		13.1		13.1		13.1
Share-based payment	h		(2.1)		(2.1)		(2.1)
		\$ (63.3)	\$ (56.8)	\$ (63.3)	\$ (59.7)	\$ (63.3)	\$ (63.2)

x) Accumulated other comprehensive income

<i>Increase / (decrease)</i>	Notes	September 24, 2011	December 18, 2010
		Accounting treatment	Accounting treatment
Investment in an associate	b	\$ 0.1	\$ 0.1
Employee benefits			
Actuarial gains (losses)	f	(49.8)	22.0
Asset ceiling and minimum funding requirement	f	(1.5)	(2.6)
		\$ (51.2)	\$ 19.5

NET EARNINGS

y) Cost of sales and operating expenses

<i>Decrease / (increase)</i>	Notes	September 24, 2011		December 18, 2010	
		Accounting treatment	Presentation	Accounting treatment	Presentation
Impairment of assets					
Impairment losses	d	\$ (14.8)	\$ —	\$ —	\$ —
Impairment loss reversals	d	5.5			
Business combinations	e	(1.1)		(0.2)	
Employee benefits					
Actuarial gains or losses	f	4.1		0.8	
Past service cost	f	(0.2)		0.2	
Asset ceiling and minimum funding requirement	f	(0.1)			
Loyalty programs	o		34.2		9.4
		\$ (6.6)	\$ 34.2	\$ 0.8	\$ 9.4



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

z) Depreciation and amortization

Decrease / (increase)	Notes	September 24, 2011	December 18, 2010
		Accounting treatment	Accounting treatment
Fixed assets	c	\$ 1.2	\$ 0.3
Impairment of assets	d	14.7	3.5
		<u>\$ 15.9</u>	<u>\$ 3.8</u>

aa) Income taxes

Decrease / (increase)	Notes	September 24, 2011	December 18, 2010
		Accounting treatment	Accounting treatment
Fixed assets	c	\$ (0.2)	\$ (0.1)
Impairment of assets	d	(1.4)	(0.9)
Business combinations	e	0.3	
Employee benefits			
Actuarial gains or losses	f	(1.1)	(0.2)
		<u>\$ (2.4)</u>	<u>\$ (1.2)</u>

3. SIGNIFICANT ACCOUNTING POLICIES

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

CONSOLIDATION

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

SALES RECOGNITION

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

RECOGNITION OF CONSIDERATION RECEIVED FROM VENDORS

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

LOYALTY PROGRAMS

The Corporation has two loyalty programs.

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



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

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

FOREIGN CURRENCY TRANSLATION

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

INCOME TAXES

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

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

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

SHARE-BASED PAYMENT

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

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

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

NET EARNINGS PER SHARE

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

CASH AND CASH EQUIVALENTS

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



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

ACCOUNTS RECEIVABLE

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

INVENTORIES

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

ASSETS HELD FOR SALE

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

INVESTMENT IN AN ASSOCIATE

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

INVESTMENT IN A JOINT VENTURE

The Corporation has an interest in a joint venture, whereby the venturers have a contractual agreement that establishes joint control over the economic activities of the entity. This investment is accounted for using the equity method. The Corporation’s share in the joint venture’s earnings is recorded in the cost of sales and operating expenses.

FIXED ASSETS

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

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

LEASES

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

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

INVESTMENT PROPERTIES

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



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

INTANGIBLE ASSETS

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

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

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

GOODWILL

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

IMPAIRMENT OF ASSETS

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

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

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

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

DEFERRED FINANCING COSTS

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

EMPLOYEE BENEFITS

Employee benefits include short-term employee benefits which correspond to wages and fringe benefits and are recognized immediately in net earnings as are termination benefits which are also recorded as a liability when the Corporation is demonstrably committed to terminating the employment.

Notes to condensed consolidated financial statements**12-week periods ended December 17, 2011 and December 18, 2010***(Unaudited) (Millions of dollars, unless otherwise indicated)*

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

- Defined benefit obligations and the cost of pension, ancillary retirement benefits and other long-term benefits earned by participants are determined from actuarial calculations according to the projected credit unit method. The calculations are based on management's best assumptions relating to expected long-term return on plan assets, salary escalation, retirement age of participants and expected health care costs.
- For the purpose of calculating the estimated rate of return on plan assets, assets are measured at fair value.
- Defined benefit obligations are discounted using high-quality corporate bond yield rates with cash flows that match the timing and amount of expected benefit payments.
- Actuarial gains or losses arise from the difference between the effective yield of plan assets for a period and the expected yield on plan assets for that period, from changes in actuarial assumptions used to determine defined benefit obligations and from emerging experience that differs from the selected assumptions. Actuarial gains or losses relating to pension plans and ancillary retirement benefit plans are recognized under other comprehensive income in the period in which they occur. Actuarial gains or losses relating to other long-term employee benefits are recognized in full immediately in net earnings.
- Past service cost for vested benefits is recognized immediately in net earnings. For non-vested benefits, past service cost is amortized on a straight-line basis over the average remaining vesting period.
- Defined benefit plans assets or liabilities recognized in the consolidated statement of financial position correspond to the difference between the present value of defined benefit obligations and the fair value of plan assets. In the case of a surplus funded plan, these assets are limited at the lesser of the actuarial value determined for accounting purposes or the value of the future economic benefit by way of surplus refunds or contribution holidays. Furthermore, an additional liability could be recorded when minimum funding requirements for past services exceed economic benefits available. The asset ceiling effect and minimum funding requirement are recognized under other comprehensive income in the period in which they occur.

Defined contribution plans costs, including those of multi-employer plans, are recorded when the contributions are due. As sufficient information to reliably determine multi-employer defined benefit plan obligations and assets is not available and as there is no actuarial valuation according to IFRS, these plans are accounted for as defined contribution plans.

PROVISIONS

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

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

OTHER FINANCIAL LIABILITIES

Bank loans, accounts payable, the credit facility, notes, loans payable, and obligations under finance leases are classified as "Other financial liabilities". For the Corporation, the measured amount generally corresponds to cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Notes to condensed consolidated financial statements**12-week periods ended December 17, 2011 and December 18, 2010***(Unaudited) (Millions of dollars, unless otherwise indicated)***NON-CONTROLLING INTERESTS**

The non-controlling interest in Adonis and Phoenicia should be recognized in equity. However, the Corporation has the option of buying out the minority shareholder in Adonis and Phoenicia (see note 5) and the minority shareholder has the option of having the Corporation buy out its interest in the two entities under certain conditions at a predetermined date. Given these options, the non-controlling interest is a financial liability. It is measured at fair value with gains or losses resulting from the revaluation at the end of each period recorded in net earnings or in retained earnings. The Corporation elected to record them in retained earnings.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

4. NEW ACCOUNTING POLICIES**RECENTLY ISSUED****IFRS 9 Financial Instruments**

In November 2009, the IASB published IFRS 9 "Financial Instruments". This new standard simplifies the classification and measurement of financial assets set out in IAS 39 "Financial Instruments: Recognition and Measurement". Financial assets are to be measured at amortized cost or fair value. They are to be measured at amortized cost if the two following conditions are met:

- a) the assets are held within a business model whose objective is to collect contractual cash flows; and
- b) the contractual cash flows are solely payments of principal and interest on the outstanding principal.

All other financial assets are to be measured at fair value through net earnings. The entity may, if certain conditions are met, elect to use the fair value option instead of measurement at amortized cost. As well, the entity may choose upon initial recognition to measure non-trading equity investments at fair value through comprehensive income. Such a choice is irrevocable.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39. However, for financial liabilities measured at fair value through net earnings using the fair value option, the amount of change in a liability's fair value attributable to changes in its credit risk is recognized directly in other comprehensive income.

IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

Notes to condensed consolidated financial statements**12-week periods ended December 17, 2011 and December 18, 2010***(Unaudited) (Millions of dollars, unless otherwise indicated)***IFRS 10 Consolidated Financial Statements**

In May 2011, the IASB published IFRS 10 “Consolidated Financial Statements” which is a replacement of SIC-12 “Consolidation – Special Purpose Entities”, and certain parts of IAS 27 “Consolidated and Separate Financial Statements”. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

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

IFRS 10 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

IFRS 11 Joint Arrangements

In May 2011, the IASB published IFRS 11 “Joint Arrangements” which supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 requires that joint ventures be accounted for using the equity method of accounting and eliminates the need for proportionate consolidation. This new standard shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB published IFRS 12 “Disclosure of Interests in Other Entities” which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) and the effects of those interests on its financial statements. IFRS 12 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions. Entities may, without early adoption of IFRS 12, choose to incorporate only some of the required disclosures in their financial statements.

IFRS 13 Fair Value Measurement

In May 2011, the IASB published IFRS 13 “Fair Value Measurement” to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements. IFRS 13 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

IAS 19 Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 “Employee Benefits”. Changes in defined benefit obligations and plan assets are to be recognized in comprehensive income when they occur, thus eliminating the corridor approach and accelerating recognition of past service cost. Net interest is to be recognized in net earnings and calculated using the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds. The actual return on plan assets minus net interest is to be recognized in other comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

IAS 1 Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. Items of other comprehensive income and the corresponding tax expense are required to be grouped into those that will and will not subsequently be reclassified through net earnings. These amendments shall be applied to fiscal years beginning on or after July 1, 2012. Early adoption is permitted.

At present, the Corporation is assessing the impact of the above-mentioned amendments on its earnings, financial position and cash flows.



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

5. BUSINESS ACQUISITIONS

On October 23, 2011, the Corporation acquired 55% of the net assets of Adonis, a Montreal-area retailer with four existing stores and a fifth one that was added in December 2011, as well as Phoenicia, an importer and wholesaler with a distribution centre in Montreal and another in the Greater Toronto Area. These businesses specialize in perishable and ethnic food products. The total purchase price paid by the Corporation for the 55% interest was \$157.3, with a remaining balance of \$28.9 to be paid. The fair value measurement of the acquired businesses and the cost of the Corporation's interest hasn't been completed and purchase price adjustments could be recorded in the next quarter. The acquisition was accounted for using the purchase method. The Corporation controls the acquired businesses and consolidated their earnings as of the date of acquisition. The preliminary total purchase price allocation was as follows:

Net assets acquired at their fair value

Current assets	\$	31.4
Fixed assets		14.1
Intangible assets and goodwill		259.9
Current and non-current liabilities assumed		(19.4)
	\$	286.0
<hr/>		
Cash consideration	\$	128.4
Balance due		28.9
Total consideration for the Corporation's interest (55%)		157.3
Non-controlling interests (45%)		128.7
	\$	286.0

Management is currently carrying out a more specific analysis and changes may be made to the value of net assets acquired as the information becomes available. The related operating results may also vary from the amounts initially recorded.

When the purchase price allocation will be finalized, the goodwill from the acquisition will correspond to the growth potential of Adonis stores and the broadening of the Corporation's customer base through improvement of the ethnic food offering in all its stores. In the goodwill's tax treatment, approximately 55% of the goodwill will be treated as an eligible asset with related tax deductions and approximately 45% as non-deductible.

Since their acquisition, the acquired businesses have increased Corporation sales and net earnings by \$33.0 and \$2.1 respectively. If the acquisition had taken place at the beginning of the fiscal year, the acquired businesses would have increased Corporation sales and net earnings by an additional amount of approximately \$16.5 and \$1.1 respectively.

Acquisition-related costs of \$0.7 were recorded in cost of sales and operating expenses.



Notes to condensed consolidated financial statements

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

6. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	Fiscal Year	
	2012	2011
Sales	\$ 2,711.7	\$ 2,622.5
Cost of sales and operating expenses		
Cost of sales	(2,221.1)	(2,147.9)
Wages and fringe benefits	(148.8)	(147.8)
Employee benefit expense	(12.4)	(11.8)
Rents, taxes and common costs	(58.8)	(58.8)
Electricity and natural gas	(25.5)	(23.9)
Other expenses	(65.5)	(62.7)
	(2,532.1)	(2,452.9)
Share of an associate's earnings	13.0	12.3
Depreciation and amortization		
Fixed assets	(34.7)	(32.9)
Investment properties	—	(0.1)
Intangible assets	(7.5)	(7.6)
	(42.2)	(40.6)
Financing costs, net		
Current interest	(0.4)	(0.3)
Non-current interest	(10.0)	(10.1)
Amortization of deferred financing costs	(0.1)	(0.1)
Interest income	0.5	0.5
Passage of time	(0.1)	(0.1)
	(10.1)	(10.1)
Earnings before income taxes	\$ 140.3	\$ 131.2

7. INCOME TAXES

The effective income tax rates were as follows:

	Fiscal Year	
(Percentage)	2012	2011
Combined statutory income tax rate	27.2	28.8
Changes		
Share of an associate's earnings	(1.6)	(1.4)
Other	0.5	(0.2)
	26.1	27.2

8. NET EARNINGS PER SHARE

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

	Fiscal Year	
(Millions)	2012	2011
Weighted average number of shares outstanding – Basic	100.8	104.5
Dilutive effect under:		
Stock option plan	0.5	0.4
PSU plan	0.3	0.2
Weighted average number of shares outstanding – Fully diluted	101.6	105.1



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

9. DEBT

In the first quarter of fiscal 2012, the Corporation obtained a new \$600.0 five-year revolving credit facility and cancelled the \$400.0 revolving line of credit maturing on August 15, 2012. The Corporation plans to use part of the new credit facility to pay back the \$369.3 Credit A Facility when it matures on August 15, 2012. The new credit facility bears interest at rates that fluctuate with changes in banker's acceptance rates and is unsecured. As at December 17, 2011, it was undrawn.

10. CAPITAL STOCK

OUTSTANDING

	Class A Subordinate Shares		Class B Shares		Total
	Number (Thousands)		Number (Thousands)		
Balance as at September 26, 2010	104,438	\$ 700.8	631	\$ 1.3	\$ 702.1
Shares issued for cash	1	—	—	—	—
Shares redeemed for cash, excluding premium of \$160.4	(4,147)	(27.9)	—	—	(27.9)
Acquisition of treasury shares, excluding premium of \$7.6	(190)	(1.3)	—	—	(1.3)
Released treasury shares	94	0.6	—	—	0.6
Stock options exercised	257	9.1	—	—	9.1
Conversion of Class B Shares into Class A Subordinate Shares	54	0.1	(54)	(0.1)	—
Balance as at September 24, 2011	100,507	681.4	577	1.2	682.6
Shares redeemed for cash, excluding premium of \$18.7	(462)	(3.1)	—	—	(3.1)
Stock options exercised	126	4.5	—	—	4.5
Balance as at December 17, 2011	100,171	\$ 682.8	577	\$ 1.2	\$ 684.0

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 26, 2010	1,777	32.29
Granted	290	47.06
Exercised	(257)	27.30
Cancelled	(34)	34.67
Balance as at September 24, 2011	1,776	35.38
Exercised	(126)	27.84
Balance as at December 17, 2011	1,650	35.95

The exercise prices of the outstanding options ranged from \$24.73 to \$47.14 as at December 17, 2011 with expiration dates up to 2018. 409,740 of those options could be exercised at a weighted average exercise price of \$30.20.

Compensation expense for these options amounted to \$0.6 for the 12-week period ended December 17, 2011 (2011 – \$0.5).



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

PERFORMANCE SHARE UNIT PLAN

PSUs outstanding were summarized as follows:

	Number (Units)
Balance as at September 26, 2010	308,904
Granted	110,756
Settled	(104,153)
Cancelled	(5,778)
Balance as at September 24, 2011 and December 17, 2011	309,729

The number of Corporation Class A Subordinate Shares held in trust for participants was as follows:

	Number (Units)
Balance as at September 26, 2010	203,548
Acquisition of treasury shares	190,000
Released treasury shares	(93,608)
Balance as at September 24, 2011 and December 17, 2011	299,940

The compensation expense for the PSU plan amounted to \$0.9 for the 12-week period ended December 17, 2011 (2010 – \$0.8).

11. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Cash flow hedge	Defined benefit plans	Share of an associate	Total
Balance as at September 26, 2010	\$ (0.3)	\$ —	\$ —	\$ (0.3)
Change in the fair value of a derivative designated as cash flow hedge	0.4			0.4
Changes in defined benefit plans				
Actuarial losses		(66.8)		(66.8)
Asset ceiling effect		0.5		0.5
Minimum funding requirement		(2.5)		(2.5)
Share of an associate's other comprehensive income			0.1	0.1
Corresponding income taxes	(0.1)	17.5		17.4
Balance as at September 24, 2011	—	(51.3)	0.1	(51.2)
Changes in defined benefit plans				
Actuarial losses		(22.4)		(22.4)
Asset ceiling effect		(4.2)		(4.2)
Minimum funding requirement		3.5		3.5
Corresponding income taxes		7.1		7.1
Balance as at December 17, 2011	\$ —	\$ (67.3)	\$ 0.1	\$ (67.2)

12. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the 12-week period ended December 17, 2011 (including comparative figures) were approved for issue by the Board of Directors on January 30, 2012.

Notes to condensed consolidated financial statements**12-week periods ended December 17, 2011 and December 18, 2010***(Unaudited) (Millions of dollars, unless otherwise indicated)***13. ADDITIONAL ANNUAL INFORMATION****A. Significant judgements and estimates**

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

JUDGEMENTS

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

Leases

In determining if leases are to be accounted for as operating leases or finance leases, management must judge whether or not substantially all risks and rewards incidental to ownership have been transferred, based on its analysis of the terms and conditions of each lease and evaluation of various criteria, such as the option to purchase the asset at a preferential price, the lease term as compared to the economic life of the asset, and the present value of the minimum lease payments as compared to the fair value of the leased asset.

Consolidation of special purpose entities

The Corporation has no voting rights in certain food stores. However, it assumes the majority of their risks and benefits from the majority of their advantages. For these reasons, the Corporation consolidates these food stores in its financial statements.

The Corporation has no voting rights in the trust created for PSU plan participants. However, under the trust agreement, it instructs the trustee as to the sale and purchase of Corporation shares and payments to beneficiaries, gives the trustee money to buy Corporation shares, assumes the majority of the risks, benefits from the majority of the advantages, and ensures that the trust holds a sufficient number of shares to meet its obligations to the beneficiaries. Management, having concluded that the Corporation controls the trust, consolidates the entity in its financial statements.

The Corporation also has an agreement with a distributor, whose majority of risks it assumes and whose majority of advantages it benefits from. For these reasons, the Corporation consolidates this distributor in its financial statements.

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs to sell are estimated using the discounted future cash flows model, and the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free licence methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rate, discount rate, earnings multiple and growth rate. The key assumptions are disclosed in notes 13.F) and G).

Share-based payment

A compensation expense, corresponding to the fair value of the stock options at their grant date, is recognized in net earnings for all stock option awards. The fair value is calculated using the Black & Scholes model and based on the following weighted average assumptions for fiscal 2011: risk-free interest rate of 2.7 %, expected life of 5.4 years, expected volatility of 21.6 % and expected dividend yield of 1.6 %. The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

Deferred taxes

Deferred tax assets are recognized for tax loss carry forwards to the extent that it is probable that future taxable profits will be available against which the losses can be utilized. Management uses its judgment in determining these deferred assets, considering assumptions, i.e. the utilization period for losses carried forward and the level of future taxable profits in accordance with tax planning strategies. Non-discounted estimates of future taxable profits are made in establishing budgets and strategic plans for each tax jurisdiction and reviewed each quarter.

Benefit plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to expected long-term return on plan assets, salary escalation, retirement age of participants and expected health care costs. The key assumptions are disclosed in note 13.K).

Non-controlling interests

The non-controlling interest-related liability is calculated in relation to the buyout price based on the future earnings of Adonis and Phoenicia beginning September 2017. Given the uncertainty associated with the estimation of these future earnings, the Corporation used, at the end of the current period, its best possible estimate.

B. Income taxes

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

Consolidated income statements

	Fiscal 2011
Current	
Current tax expense	\$ 133.2
Adjustment of taxes payable for prior years	2.6
Deferred	
Adjustment related to temporary differences	17.0
	\$ 152.8

Consolidated comprehensive income statements

	Fiscal 2011
Deferred tax related to items reported directly in other comprehensive income during the year	
Change in the fair value of a derivative designated as cash flow hedge	\$ 0.1
Changes in defined benefit plans	
Actuarial gains or losses	(17.0)
Asset ceiling effect	0.1
Minimum funding requirement	(0.6)
	\$ (17.4)

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

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

	Consolidated statements of financial position		Consolidated statements of income
	As at September 24, 2011	As at September 26, 2010	Fiscal 2011
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	\$ (3.6)	\$ (4.5)	\$ 1.3
Deferred tax losses	1.5	11.6	(10.1)
Inventories	(6.3)	(7.7)	1.4
Excess of tax value over net carrying value of assets under finance leases	5.5	5.8	(0.3)
Interest rate swaps	—	0.1	—
Employee benefits	32.0	18.7	(4.2)
Share of an associate's accumulated earnings	(30.9)	(27.6)	(3.3)
Excess of net carrying value over tax value			
Fixed assets	(3.6)	(6.3)	2.7
Investment properties	(7.2)	(7.4)	0.2
Intangible assets	(41.8)	(42.4)	0.6
Goodwill	(18.8)	(16.0)	(5.3)
	\$ (73.2)	\$ (75.7)	\$ (17.0)
Deferred tax assets	\$ 45.8	\$ 48.8	
Deferred tax liabilities	(119.0)	(124.5)	
	\$ (73.2)	\$ (75.7)	

C. Assets held for sale

At the end of fiscal 2011, the Corporation was committed to an asset sale plan. These assets were reclassified in the assets held for sale in the consolidated statement of financial position and they were measured at fair value less costs to sell. A loss of \$6.3 was recorded in cost of sales and operating expenses and closure expenses.

D. Investment in an associate

The Corporation has a 11.3% interest in a publicly traded associate. The associate's quoted market value was \$598.7 as at September 24, 2011 and \$491.5 as at September 26, 2010.

The associate's reporting date is the last Sunday of April of every year. The Corporation applied the equity method, using the associate's first quarter financial statements as at July 17, 2011 (July 18, 2010).

The associate's financial information was as follows:

	As at September 24, 2011	As at September 26, 2010 *
Share of the associate's statement of financial position:		
Assets	489.1	407.2
Liabilities	239.5	221.4
Carrying amount of the interest	258.7	220.9

* Given that assets and liabilities under IFRS (comparative balances) were not disclosed in the associate's first quarter financial statements, the Corporation presented its share of the assets and liabilities as at April 26, 2010.



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

Fiscal 2011

Share of the associate's earnings:

Sales	2,123.7
Net earnings	41.1
Change in equity	1.3

E. Fixed assets

	Land	Buildings	Equipment	Leasehold improvements	Buildings under finance leases	Total
Cost						
Balance as at						
September 26, 2010	\$ 143.1	\$ 422.0	\$ 1,102.4	\$ 562.6	\$ 35.5	\$ 2,265.6
Acquisitions	24.9	28.2	58.6	36.5	22.1	170.3
Acquisitions through business combinations	0.7	3.2	8.8			12.7
Transfers	(2.2)	(3.0)	(0.7)	(0.4)		(6.3)
Disposals and write-offs	(0.8)	(7.2)	(40.8)	(1.8)	(2.0)	(52.6)
Balance as at						
September 24, 2011	\$ 165.7	\$ 443.2	\$ 1,128.3	\$ 596.9	\$ 55.6	\$ 2,389.7
Accumulated depreciation and impairment						
Balance as at						
September 26, 2010	\$ (1.9)	\$ (111.1)	\$ (649.9)	\$ (265.8)	\$ (19.7)	\$ (1,048.4)
Depreciation		(11.7)	(84.3)	(47.5)	(2.6)	(146.1)
Disposals and write-offs		4.6	31.2		2.0	37.8
Impairment losses			(6.2)	(5.4)		(11.6)
Impairment loss reversals			2.5	2.2		4.7
Balance as at						
September 24, 2011	\$ (1.9)	\$ (118.2)	\$ (706.7)	\$ (316.5)	\$ (20.3)	\$ (1,163.6)
Net carrying value						
Balance as at						
September 26, 2010	\$ 141.2	\$ 310.9	\$ 452.5	\$ 296.8	\$ 15.8	\$ 1,217.2
Balance as at						
September 24, 2011	\$ 163.8	\$ 325.0	\$ 421.6	\$ 280.4	\$ 35.3	\$ 1,226.1

Net additions of fixed assets excluded from the consolidated statement of cash flows amounted to \$22.2 in 2011.

F. Investment properties

	Cost	Accumulated depreciation and impairment	Net carrying value
Balance as at September 26, 2010	\$ 40.1	\$ (12.3)	\$ 27.8
Transfers	1.4		1.4
Disposals and write-offs	(1.9)		(1.9)
Depreciation		(0.1)	(0.1)
Impairment losses		(0.2)	(0.2)
Balance as at September 24, 2011	\$ 39.6	\$ (12.6)	\$ 27.0



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

The fair value of investment properties was \$34.1 as at September 24, 2011 (\$33.5 as at September 26, 2010). The fair value was determined based on recent transactions observable in the market rather than an independent expert's valuation.

G. Intangible assets

Intangible assets with finite useful lives were as follows:

	Leasehold rights	Software	Improvement and development of retail network loyalty	Prescription files	Total
Cost					
Balance as at September 26, 2010	\$ 74.9	\$ 164.0	\$ 231.6	\$ 7.4	\$ 477.9
Acquisitions		7.1	23.8		30.9
Disposals and write-offs		(0.3)	(40.1)		(40.4)
Transfers			(1.4)		(1.4)
Balance as at September 24, 2011	\$ 74.9	\$ 170.8	\$ 213.9	\$ 7.4	\$ 467.0
Accumulated amortization and impairment					
Balance as at September 26, 2010	\$ (39.1)	\$ (123.0)	\$ (116.1)	\$ (4.2)	\$ (282.4)
Amortization	(2.4)	(12.0)	(18.0)	(0.7)	(33.1)
Disposals and write-offs		0.3	37.7		38.0
Impairment losses	(1.4)	(1.3)	(0.3)		(3.0)
Impairment loss reversals	0.8				0.8
Balance as at September 24, 2011	\$ (42.1)	\$ (136.0)	\$ (96.7)	\$ (4.9)	\$ (279.7)
Net carrying value					
Balance as at September 26, 2010	\$ 35.8	\$ 41.0	\$ 115.5	\$ 3.2	\$ 195.5
Balance as at September 24, 2011	\$ 32.8	\$ 34.8	\$ 117.2	\$ 2.5	\$ 187.3

Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balance as at September 26, 2010	\$ 53.3	\$ 33.1	\$ 22.1	\$ 108.5
Transfers			1.4	1.4
Balance as at September 24, 2011	\$ 53.3	\$ 33.1	\$ 23.5	\$ 109.9

The total net carrying value of intangible assets with finite and indefinite useful lives was \$297.2 as at September 24, 2011 (\$304.0 as at September 26, 2010).

Net additions of intangible assets excluded from the consolidated statement of cash flows amounted to \$11.0 in 2011.

For impairment testing, the carrying amount of the private labels was allocated to the only operating segment. The recoverable amount was determined based on its value in use which was calculated using pre-tax cash flow forecasts from the management-approved financial budgets. The forecasts reflected past experience. A pre-tax discount rate of 14.4% was used without considering a growth rate.

Impairment testing of loyalty programs was conducted at the level of the asset itself. The recoverable amount was determined based on its fair value less costs to sell, which was calculated using the capitalized excess EBIT method. The estimated EBIT directly allocated to the programs, after deduction of the return on contributory assets, was based on historical data reflecting past experience. The earnings multiple used was 6.4 considering a growth rate of 2.0% corresponding to the consumer price index.



Notes to condensed consolidated financial statements

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

Impairment testing of banners was conducted at the level of the asset itself. The recoverable amount was determined based on its fair value less costs to sell, which was calculated using the royalty-free licence method. The estimated royalty rate was based on information from external sources and historical data reflecting past experience. The earnings multiple used was 6.9 considering a growth rate of 2.0% corresponding to the consumer price index.

No reasonably possible change of any of the previously mentioned key assumptions would result in a carrying amount higher than the recoverable amount.

H. Goodwill

As at September 24, 2011

Balance – beginning of year	\$ 1,603.7
Acquisitions	48.9
Disposals	(3.5)
Balance – end of year	\$ 1,649.1

For impairment testing, the carrying amount of goodwill was allocated to the only operating segment. The recoverable amount was determined based on its value in use which was calculated using pre-tax cash flow forecasts from the management-approved financial budgets. The forecasts reflected past experience. A pre-tax discount rate of 14.4% was used without consideration of the growth rate. No reasonably possible change of any of the previously mentioned key assumptions would result in a carrying amount higher than the recoverable amount.

I. Provisions

	Onerous leases	Plant closures	Other	Total
Current provisions	\$ 1.7	\$ —	\$ 7.5	\$ 9.2
Non-current provisions	4.8	—	—	4.8
Balance as at September 26, 2010	\$ 6.5	\$ —	\$ 7.5	\$ 14.0
Balance as at September 26, 2010	\$ 6.5	\$ —	\$ 7.5	\$ 14.0
Additional provisions	0.2	8.9	10.8	19.9
Amounts used	(1.3)	—	(11.3)	(12.6)
Balance as at September 24, 2011	\$ 5.4	\$ 8.9	\$ 7.0	\$ 21.3
Current provisions	\$ 1.4	\$ 8.9	\$ 7.0	\$ 17.3
Non-current provisions	4.0	—	—	4.0
Balance as at September 24, 2011	\$ 5.4	\$ 8.9	\$ 7.0	\$ 21.3

The provision for onerous leases corresponds to the discounted present value of the future lease payments the Corporation has to make under noncancellable onerous operating leases, less the income that should be made from these leases, including estimated future sublease income, if any. The estimate may vary in response to changes in use of leased premises and subleases, if any. The remaining terms of these leases are from one to six years.

The provision for plant closures corresponds to the closure costs for the Montreal meat processing plant and a grocery warehouse in Toronto.

Other provisions include notably amounts with respect to provincial worker's compensation insurance.

J. Dividends

In fiscal 2011, the Corporation paid \$77.1 in dividends to holders of common shares, or \$0.7475 per share.

Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

K. Employee benefits

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

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

	As at September 24, 2011	
	Pension plans	Other plans
Balance – beginning of year	\$ 657.0	\$ 37.3
Current service cost	27.0	2.0
Interest cost	35.2	2.0
Participant contributions	4.0	—
Plan amendments	1.2	—
Benefits paid	(27.6)	(2.4)
Actuarial losses (gains)	20.9	(5.3)
Balance – end of year	\$ 717.7	\$ 33.6

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

	As at September 24, 2011	
	Pension plans	Other plans
Fair value – beginning of year	\$ 626.7	\$ —
Expected return on plan assets	44.8	—
Actuarial losses	(49.6)	—
Employer contributions	33.5	2.4
Participant contributions	4.0	—
Benefits paid	(27.6)	(2.4)
Fair value – end of year	\$ 631.8	\$ —

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

	As at September 24, 2011		As at September 26, 2010	
	Pension plans	Other plans	Pension plans	Other plans
Balance of defined benefit obligation – end of year	\$ (717.7)	\$ (33.6)	\$ (657.0)	\$ (37.3)
Fair value – end of year	631.8	—	626.7	—
Funding position	(85.9)	(33.6)	(30.3)	(37.3)
Asset ceiling effect	(5.7)	—	(6.2)	—
Minimum funding requirement	(5.4)	—	(2.9)	—
	\$ (97.0)	\$ (33.6)	\$ (39.4)	\$ (37.3)
Defined benefit assets	\$ 1.6	\$ —	\$ 20.3	\$ —
Defined benefit liabilities	(98.6)	(33.6)	(59.7)	(37.3)
	\$ (97.0)	\$ (33.6)	\$ (39.4)	\$ (37.3)



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

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

	Fiscal 2011	
	Pension plans	Other plans
Defined contribution plans	\$ 24.2	\$ 0.5
Defined benefit plans		
Current service cost	27.0	2.0
Past service cost	1.2	—
Interest cost	35.2	2.0
Actuarial gains	—	(1.6)
Expected return on plan assets	(44.8)	—
	18.6	2.4
	\$ 42.8	\$ 2.9

The actuarial gains or losses recognized in comprehensive income were as follows:

	Fiscal 2011	
	Pension plans	Other plans
Balance – beginning of year	\$ —	\$ —
Actuarial losses (gains) incurred	70.5	(3.7)
Balance – end of year	\$ 70.5	\$ (3.7)

Total cash payments for employee benefits, consisting of cash contributed by the Corporation to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to \$35.9. The Corporation plans to contribute \$52.0 to the defined benefit plans during the next fiscal year.

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2008 and June 2011. The next valuations will be performed between December 2011 and June 2014.

Plan assets held in trust and their weighted average allocation as at the measurement dates were as follows:

Asset categories (Percentage)	As at September 24, 2011	As at September 26, 2010
Shares	54	56
Bonds	42	39
Others	4	5

The actual return on plan assets was minus \$4.8 for fiscal 2011.

Pension plan assets include shares issued by the Corporation with a fair value of \$5.1 as at September 24, 2011 (\$4.3 as at September 26, 2010).

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

(Percentage)	As at September 24, 2011		As at September 26, 2010	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	5.0	5.0	5.25	5.25
Projected long-term return on plan assets	7.25	—	7.25	—
Rate of compensation increase	3.0	3.0	3.0	3.0

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



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

The overall expected return corresponds to the weighted average projected return on the various asset categories held by the plans. The rate is determined based on the overall portfolio rather than the total of the individual asset categories. The managements' measurement of expected return is based on historical market return and analysts' long-term projections of different categories of assets return.

The assumed annual health care cost trend rate per participant was set at 8.4%. Under the assumption used, this rate should gradually decline to 4.4% in 2018 and remain at that level thereafter. A 1% change in this rate would have the following effects:

(Millions of dollars)	1% increase	1% decrease
Effect on current service cost and interest cost	0.2	(0.2)
Effect on defined benefit obligation	1.8	(1.5)

The history of experience adjustments for the defined benefit pension plans and other plans was as follows:

	As at September 24, 2011	As at September 26, 2010
Experience adjustments of liabilities	(2.0)	n/a
Experience adjustments of assets	49.5	n/a
Fair value of total plan assets	\$ 631.8	\$ 626.7
Present value of defined benefit obligation	(751.3)	(694.3)
Funded (underfunded) plans status	\$ (119.5)	\$ (67.6)

L. Commitments

OPERATING LEASES

The Corporation has operating lease commitments, with varying terms through 2036 and one to eight five-year renewal options, to lease premises and equipment used for business purposes. The Corporation does not have an option to purchase the leased assets when the leases expire, but it has the right of first refusal in certain cases. Future minimum lease payments under these operating leases will be as follows:

	As at September 24, 2011	As at September 26, 2010
Under 1 year	\$ 168.4	\$ 163.8
Between 1 and 5 years	535.3	523.8
Over 5 years	695.5	652.6
	\$ 1,399.2	\$ 1,340.2

In addition, the Corporation has committed to leases for premises, with varying terms through 2031 and one to 15 five-year lease renewal options, which it sublets to clients generally under the same terms and conditions. Future minimum lease payments under these operating leases will be as follows:

	As at September 24, 2011	As at September 26, 2010
Under 1 year	\$ 36.8	\$ 40.3
Between 1 and 5 years	120.0	137.1
Over 5 years	190.5	239.9
	\$ 347.3	\$ 417.3

FINANCE LEASES

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



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

	Minimum lease payments		Present value of minimum lease payments	
	As at September 24, 2011	As at September 26, 2010	As at September 24, 2011	As at September 26, 2010
Under 1 year	\$ 7.4	\$ 5.1	\$ 3.9	\$ 2.4
Between 1 and 5 years	26.0	19.4	14.3	10.9
Over 5 years	41.3	19.4	28.9	14.8
Minimum lease payments	74.7	43.9	47.1	28.1
Future finance costs	(27.6)	(15.8)	—	—
Present value of minimum lease payments	\$ 47.1	\$ 28.1	\$ 47.1	\$ 28.1

SERVICE CONTRACTS

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2021 and no renewal option. Future minimum payments under these contracts will be as follows:

	As at September 24, 2011	As at September 26, 2010
Under 1 year	\$ 62.7	\$ 66.8
Between 1 and 5 years	234.8	186.7
Over 5 years	166.7	256.5
	\$ 464.2	\$ 510.0

M. Related party transactions

The Corporation has significant interests in the following subsidiaries, jointly controlled entity and associate:

Names	Country of incorporation	Percentage of interest in the capital	Percentage of voting rights
Subsidiaries			
Metro Richelieu inc.	Canada	100	100
McMahon Distributeur pharmaceutique inc.	Canada	100	100
Metro Ontario inc.	Canada	100	100
Jointly controlled entity			
Dunnhumby Canada Limitée	Canada	50	50
Associate			
Alimentation Couche-Tard Inc.	Canada	11.3	23.3

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

	Fiscal 2011		
	Sales	Services received	Interests received
Jointly controlled entity	\$ —	\$ 11.2	\$ 0.1
Companies controlled by a member of the Board of Directors	27.4	—	—
	\$ 27.4	\$ 11.2	\$ 0.1



Notes to condensed consolidated financial statements

12-week periods ended December 17, 2011 and December 18, 2010

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

	Accounts receivable		Loans receivable	
	As at September 24, 2011	As at September 26, 2010	As at September 24, 2011	As at September 26, 2010
Jointly controlled entity	\$ —	\$ —	\$ —	\$ 1.5
Companies controlled by a member of the Board of Directors	0.8	0.9	—	—
	\$ 0.8	\$ 0.9	\$ —	\$ 1.5

Compensation for the principal officers was as follows:

	Fiscal 2011
Compensation and current employee benefits	\$ 2.4
Post-employment benefits	0.6
Other long-term benefits	1.7
Share-based payment	2.8
	\$ 7.5

14. EVENT AFTER THE REPORTING PERIOD

At the Annual General Meeting of shareholders on January 31, 2012, the Corporation will submit for approval a share capital reorganization proposal, of which the following is a summary:

- each issued and outstanding Class B share carrying 16 votes per share will be converted into one single vote Class A Subordinate Share;
- the Class B shares, along with the rights, privileges, restrictions and conditions attached thereto, will be eliminated;
- the Class A Subordinate Shares will be redesignated as “Common Shares” and shall constitute the Corporation's sole class of equity shares carrying one vote per share;
- First Preferred Shares will be redesignated as “Preferred Shares”.

INFORMATION

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