



**ANNUAL INFORMATION FORM**  
Year ended September 24, 2005

December 12, 2005

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● All disclosures in this Annual Information Form are as at September 24, 2005 unless otherwise indicated.	
● Documents referred to from time to time in this Annual Information Form are incorporated by reference.	

## 1. Incorporation

### 1.1 *Incorporation of the Issuer*

METRO INC. (the "Company") is governed by Part IA of the Companies Act (Quebec) and results from the amalgamation on April 30, 1982 of Métro-Richelieu Group Inc. and United Grocers Inc. Métro-Richelieu Group Inc. was incorporated under the name Magasins LaSalle Stores Limitée by letters patent dated December 22, 1947 under the Companies Act (Quebec) and in September 1976, the company, then known as Metro Food Stores Ltd., merged with Richelieu Groceries Limited under the name Métro-Richelieu Inc., which was changed to Métro-Richelieu Group Inc. in 1979. United Grocers Inc. was incorporated under the Companies Act (Quebec) by letters patent dated August 31, 1928. By certificate of amendment dated September 25, 1986, the Company's name was changed from Groupe des Epiciers Unis Métro-Richelieu Inc., the name which it had used since its amalgamation on April 30, 1982, to Métro-Richelieu Inc. By certificate of amendment dated January 26, 2000, the name of the Company was changed to its present name.

The Company's head office and principal place of business is located at 11011 Maurice-Duplessis Boulevard, Montréal, Quebec H1C 1V6.

In this Annual Information Form, "METRO" means, depending on the context, the Company and all or some of its subsidiaries collectively or the Company or one or more of its subsidiaries.

### 1.2 *Subsidiaries*

The following table lists METRO's main subsidiaries, the jurisdiction under which they are incorporated, the percentage of the voting rights and the percentage of the non-voting securities of its subsidiaries held by METRO.

	Percentage of voting rights	Percentage of non-voting shares	Jurisdiction of Incorporation
Metro Richelieu Inc.	100 %	100 %	Canada
Loeb Canada Inc.	100 %	N/A	Canada
McMahon Distributeur pharmaceutique Inc.*	100 %	100 %	Canada
4296711 Canada Inc.	100 %	N/A	Canada
The Great Atlantic & Pacific Company of Canada**	100 %	N/A	Nova Scotia

\* METRO holds this company indirectly through Metro Richelieu Inc.

\*\* METRO holds this company indirectly through 4296711 Canada Inc.

## 2. General Development of the Business

### 2.1 *General Development of the Business over the Past Three Years*

Over the past three fiscal years, i.e. 2003, 2004 and 2005, METRO and its retailers have invested \$540 million in the food stores. Sales have grown at an annual compound rate of 4.96% (excluding sales generated by The Great Atlantic & Pacific Company of Canada) and retail floor space has increased by 2.4% annually (excluding the effect of the acquisition of The Great Atlantic & Pacific Company of Canada). Major work was carried out on a total of 126 stores, with 38 new stores, 39 stores expanded and 49 stores fully renovated.

This investment laid solid and durable foundations throughout the serviced territory on which METRO and its retailers continue to build. Our retail network meets real customer needs with friendly stores, personalized service and a wide range of quality products at very competitive prices.

The highlights of the past three years are described below:

## 2005:

In the spirit of their past relations, METRO, Développements Orano Inc. and Alimentation Couche-Tard Inc. signed a new shareholder agreement to replace the 1987 agreement signed when METRO sold the *7 Jours* convenience stores to Alimentation Couche-Tard Inc. METRO will thus retain certain rights pertaining to the initial agreement, such as a preemptive right and the right to nominate one person for election to the Board of Directors of Alimentation Couche-Tard Inc. as long as METRO holds at least 5% of the total outstanding shares of Alimentation Couche-Tard Inc. on a fully diluted basis. In addition, METRO and Développements Orano Inc. retain a reciprocal right of first refusal on the sale and transfer of the shares of Alimentation Couche-Tard Inc. that they hold, subject to certain exceptions.

On August 13, METRO acquired shares of The Great Atlantic and Pacific Tea Company for a price of \$1,700 million (for more details, refer to Item 2.2 - "Significant Acquisitions"). Following this acquisition, the Company implemented a corporate reorganization and The Great Atlantic and Pacific Tea Company became The Great Atlantic & Pacific Company of Canada ("A&P Canada"). (For more details on this reorganization, refer to Item 3.9 - "Reorganizations").

Following the acquisition of A&P Canada, a new operating structure was established that is better suited to the Company's new situation. Eric Richer LaFlèche now holds the position of Executive Vice-President and Chief Operating Officer. He is responsible for food retailing operations in Quebec and Ontario and for the real estate and information systems sectors. Robert Sawyer manages all food retailing operations in Quebec and Alain Brisebois assumes similar responsibilities in Ontario.

On September 21, 2005, the Company announced that L.G. Serge Gadbois, Senior Vice-President, Finance and Treasurer, will retire in 2006 after 22 years of service. Mr. Gadbois joined the organization in 1984 as corporate controller.

On October 12, 2005, METRO issued 10-year medium term notes in a principal amount of \$200 million maturing on October 15, 2015 and 30-year medium term notes in a principal amount of \$400 million maturing on October 15, 2035. The proceeds of these issues were used to repay a part of the credit facilities obtained through a bank syndicate (for more details, refer to Item 6.2 - "Debt and Credit Ratings").

## 2004:

METRO renovated or altered 36 Metro stores to integrate its new Metro Plus concept. Metro Plus offers a wide range of new products and services in addition to those generally available such as: non-food, organic, health and beauty, floral and seasonal products, etc.

## 2003:

METRO acquired Alexandre Gaudet Ltée, a grocery distributor serving small stores. This acquisition enhanced METRO's prospects of continued growth in this area.

## 2.2 Significant Acquisitions

On August 13, 2005, the Company, through a subsidiary, acquired all of the issued and outstanding shares of the share capital of The Great Atlantic and Pacific Tea Company, a wholly-owned indirect subsidiary of The Great Atlantic & Pacific Tea Company, Inc. ("A&P US") for an aggregate consideration of \$1,700 million, consisting of \$1,200 million in cash and \$500 million in the form of Class A Subordinate Shares of METRO (each a "Share"), based on a price per Share of \$27.66 as set forth below.

METRO issued 18,076,645 Shares to A&P Luxembourg S. à r.l. ("A&P Luxembourg"), an indirect wholly-owned subsidiary of A&P US, at the closing of the transaction on August 15, 2005, based on a price per Share of \$27.66, which represents the volume-weighted average of the trading price per Share for the five trading days immediately preceding, but excluding July 15, 2005, on the Toronto Stock Exchange. As required by applicable accounting rules, the fair value of these Shares has been revalued at \$526.8 million, based on a price per Share of \$29.14.

For purposes of financing the cash component of the consideration and the transaction generally, METRO, as borrower, and certain of its subsidiaries, as initial guarantors, entered into a credit

agreement on August 12, 2005 with a bank syndicate, providing for unsecured credit facilities in an aggregate maximum principal amount of \$1,650 million (for more details, refer to Item 6.2 - "Debt and Credit Ratings"). The credit facilities provide for affirmative and negative covenants customarily found in credit agreements of this nature, including maintaining certain financial ratios and a right to voluntary prepayment without penalty.

On October 12, 2005, METRO issued medium term notes. The proceeds of this issue were used to partially repay the credit facilities obtained through the bank syndicate (for more details, refer to Item 6.2 "Debt and Credit Ratings").

A&P Canada is a food retailer operating 234 retail stores in Canada's largest and most economically attractive geographic areas, namely, Ontario and the Greater Toronto Area. A&P Canada has been present in Ontario since 1928. It operates 132 conventional stores under the banners Dominion, A&P, Ultra Food & Drug and The Barn Markets and 102 Food Basics discount stores, 41 of which are operated by franchisees. A&P Canada directly operates 74 drugstores within its stores. The grocery stores are supplied by five distribution centres.

The acquisition of A&P Canada constitutes an excellent strategic fit for METRO both in terms of operations and strategy. It significantly increases METRO's scale with combined annualized sales approaching \$11.0 billion and positions METRO as a leading player in Canada's two largest markets with a strong number 2 market position in Quebec and Ontario. Important benefits to METRO include an enhanced geographical diversification, straightforward integration and expected synergies. In terms of synergies, METRO estimates annual synergies of approximately \$60 million. METRO expects these synergies to be achievable over a 24-month period and to come primarily from procurement, store operations, distribution and other selling, general and administrative expenses. METRO intends to maintain the A&P Canada business growth focus by capitalizing on A&P Canada's management, optimizing procurement synergies, reorganizing business processes to integrate the SAP data processing system, combining the best practices of both organizations and achieving full integration within 2 years. Further, with A&P Luxembourg becoming an important METRO shareholder, best practice exchange with the A&P US group of companies is expected to benefit the operations of METRO.

In connection with this acquisition, the Company entered into various agreements including:

- 1- A share purchase agreement entered into on July 19, 2005 between A&P US, A&P Luxembourg, the Company and 4296711 Canada Inc. providing for the acquisition by 4296711 Canada Inc., a subsidiary of the Company, of all the issued and outstanding shares of the share capital of A&P Canada for an aggregate consideration of \$1,700 million, consisting of \$1,200 million in cash and \$500 million in the form of 18,076,645 Shares issued to A&P Luxembourg.
- 2- An agreement entered into on August 15, 2005 between A&P US, A&P Luxembourg and the Company with respect to the issue of 18,076,645 Shares by the Company to A&P Luxembourg.

Under this agreement, the parties' principal rights and obligations are as follows:

- (i) A&P US's ownership of Shares of the Company (through A&P Luxembourg) will be subject to a 5 year standstill period, during which time A&P US (and A&P Luxembourg) will not be permitted to increase, directly or indirectly, its ownership interest in the Company to 20% or more of all issued and outstanding Class A Subordinate Shares at any time without the approval of the Company;
  - (ii) A&P US will benefit from customary demand and piggy-back registration rights; and
  - (iii) In the event A&P US or A&P Luxembourg decides to sell or otherwise transfer in a single transaction or series of related transactions, 25% or more of the Class A Subordinate Shares it owns, the Company or a third party designated by the Company will have a right of first opportunity to purchase such shares from A&P US or A&P Luxembourg in accordance with agreed upon procedures.
3. Information technology services agreement entered into on August 15, 2005 between A&P US, A&P Canada and the Company, pursuant to which A&P US is providing A&P Canada with certain information technology services for an initial term of 24 months and for a base annual fee of \$20 million.

Further details of this acquisition may be found in the business acquisition report dated September 22, 2005 which you may consult on Sedar's website at [www.sedar.com](http://www.sedar.com).

### 3. Description of the Business

#### 3.1 *Business of the Company*

Although the food retailing markets in Quebec and Ontario are highly competitive, METRO holds a leadership position in them and intends to increase its market shares thanks to its site selection, dynamic marketing focused on consumer needs, and the modernization of its stores and information systems.

As at September 24, 2005, METRO supplied 697 stores in Quebec and Ontario, i.e., 241 Metro and Metro Plus stores, 36 Loeb stores, 62 Super C discount stores, 52 Dominion Stores, 68 A&P Stores, three Ultra Food & Drug stores, nine The Barn Markets stores, 102 Food Basics stores and 124 Marché Richelieu neighbourhood stores. Of these stores, 11 Metro and Metro Plus stores, five Loeb stores and 10 Marché Richelieu stores were supplied by Alimentation A.D.L. Enr. (a food distributor in the Abitibi region).

METRO also supplies many customers such as nursing homes, schools, hotels and restaurants, as well as small retail outlets.

The Company's five warehouses and four cash-and-carry stores ensure the procurement and storage of grocery products, general merchandise, non-perishable goods and certain dairy products.

METRO also operates 14 warehouses for the procurement and storage of meat, frozen foods, fruits and vegetables as well as for the supply of institutional clients and small retail outlets.

The Company operates in the pharmaceutical sector and serves directly, from two warehouses or through authorized suppliers, independent and/or (in Ontario) corporate drugstores and health care institutions such as hospitals and nursing homes throughout Quebec and Ontario.

Its subsidiary, McMahon Distributeur pharmaceutique inc. is the franchisor for the Brunet banner, which totalled 110 drugstores as at September 24, 2005. McMahon Distributeur pharmaceutique inc. also supplies a network of drugstores focusing on professional pharmacy services that operate under the Clini-Plus banner. As at September 24, 2005, the Clini-Plus banner totalled 72 stores.

As at September 24, 2005, 74 of A&P Canada's stores provided full pharmacy services in store. These drugstores operate under 2 banners, The Pharmacy and Drug Basics. The operations of McMahon Distributeur pharmaceutique inc. are concentrated in Quebec, whereas those of A&P Canada are in Ontario.

#### 3.2 *Clients and suppliers*

The Metro, Metro Plus, Loeb, Marché Richelieu, Dominion, A&P, Ultra Food & Drug, The Barn Markets and Food Basics banners are designed to meet specific consumer needs. Each one presents a consistent image to the public and is backed by specialized technical support.

As at September 24, 2005, the majority of food stores displaying the Metro, Metro Plus and Marché Richelieu banners are owned by affiliated retailers or franchisees, whereas 41 of the 102 Food Basics food stores are operated by franchisees. The Company offers a range of services to its banner retailers and, in many cases, these services are self-financed since they are billed directly to the stores that use them. The services include merchandising, marketing and advertising programs as well as retail accounting and data processing, store installations and equipment, insurance programs and other analysis and advisory programs. As a whole, these products and programs reflect METRO's policy, which is to offer its affiliated retailers and franchisees a comprehensive, high-quality service. METRO also offers its banner retailers a range of commercial programs, as well as rebates and loyalty incentives, all of which are competitive in the food industry.

METRO also offers most of these services to its Brunet banner franchisees through its subsidiary, McMahon Distributeur pharmaceutique inc.

METRO grants the right to operate under its banners at its sole discretion. Retailers who wish to operate under one of the Company's banners must first meet certain criteria. Most affiliated retailers are bound by various agreements with METRO.

The Company's operations are not dependent on a single client or a small number of clients, and are not seasonal in nature. The Company maintains business relationships with a large number of national and regional suppliers, and holds sufficient inventories to ensure product availability.

The Company and A&P Canada entered into an information technology services agreement on August 15, 2005 with A&P US (for more details on this agreement, refer to Item 2.2 "Significant Acquisitions")

### **3.3 Human Resources**

As at September 24, 2005, the Company had 65,000 direct and indirect employees. METRO employed directly 38,511 persons, 34,679 of whom were governed by 142 collective agreements. During the past fiscal year, METRO negotiated and renewed 26 collective agreements covering 8,414 employees. These agreements are in force for periods of 36 months to eight years and eight months and will expire between February 10, 2007 and December 30, 2013. As at September 24, 2005, 10 collective agreements had expired and are or will soon be under negotiation. These collective agreements covered 1,347 employees. Over the next fiscal year, 13 collective agreements covering 14,421 employees will expire, while five agreements covering 271 employees will be reopened with regard to compensation.

As for the other collective agreements, 85 agreements covering 10,070 employees will expire between October 14, 2006 and May 7, 2011, while three collective agreements covering 156 employees will be reopened with regard to compensation.

METRO considers its labour relations satisfactory.

### **3.4 Trade-marks and Trade Names**

The Company uses and has exclusive ownership of several trade-marks and trade names. Its principal banners are Metro, Metro Plus, Super C, Marché Richelieu, Dominion, A&P, Ultra Food & Drug, The Barn Markets, Food Basics, Brunet, Clini Plus, The Pharmacy and Drug Basics. Its private labels are identified by the following trade-marks, among others: Irresistible, Merit Selection, Super C, Econochoice, Master Choice and Equality. The Company makes sure that it protects its assets by registering them or by other measures. Furthermore, in connection with the acquisition of A&P Canada, the Company and A&P US have entered into an agreement for the use of the marks "A&P" and "Atlantic & Pacific".

### **3.5 Social and Environmental Policies**

The Company has adopted an environmental policy. A committee oversees compliance with environmental standards and requirements, and ensures that all of the Company's divisions are aware of environmental hazards. Environmental audits are conducted regularly in all of the Company's facilities and corrective actions, if necessary, are taken quickly.

To the Company's knowledge, requirements related to environmental protection do not and will not have any significant impact on METRO's capital spending, earnings or competitive position within the normal course of its operating activities.

In addition, in its efforts to ensure the well-being of its employees at work, METRO has adopted a policy prohibiting any form of harassment.

### **3.6 Research and Development**

METRO, through its marketing research department, produces studies on consumer food habits and needs. Moreover, the Company has created a department dedicated mainly to the development of private-label products that better suit its customers' new consumption patterns.

### **3.7 Regulations**

METRO's operating activities require certain government permits and licences, in particular pertaining to alcoholic beverages and health products. METRO believes that it holds all licences and permits required for the proper conduct of these activities.

### **3.8 Loan Operations**

METRO does not have any loan operations as such. However, in the normal course of its business, situations may arise where METRO might grant loans.

### 3.9 Reorganizations

In connection with the acquisition of A&P Canada, the Company carried out the following corporate reorganization:

1. On August 15, 2005, 4296711 Canada Inc., a subsidiary of the Company which acquired the shares of The Great Atlantic and Pacific Tea Company, transferred the shares of The Great Atlantic and Pacific Tea Company to 3103672 Nova Scotia Company, a subsidiary of 4296711 Canada Inc.;
2. On August 16, 2005, The Great Atlantic and Pacific Tea Company amalgamated with 3103672 Nova Scotia Company, the resulting company being called The Great Atlantic and Pacific Tea Company;
3. On August 17, 2005, The Great Atlantic and Pacific Tea Company amalgamated with its subsidiary The Great Atlantic & Pacific Company of Canada, the resulting company being called The Great Atlantic & Pacific Company of Canada ("A&P Canada").

### 3.10 Risk Factors

The risk factors are described on page 27 of METRO's 2005 Annual Report under "Risk Management" in Management's Discussion and Analysis.

## 4. Dividends

The dividend policy is described on page 21 of METRO's 2005 Annual Report under "Dividend Policy" in Management's Discussion and Analysis.

In the past three fiscal years, the Company declared the following dividends per share:

DECLARED DIVIDENDS			
Class of Share	2005	2004	2003
Class A Subordinate Shares	\$0.385	\$0.325	\$0.265
Class B Shares	\$0.385	\$0.325	\$0.265

## 5. Structure of the Share Capital

The Class A Subordinate Shares and the Class B Shares of the Company are restricted shares (within the meaning of the applicable Canadian securities regulations) in that they do not carry equal voting rights. Each Class A Subordinate Share entitles its holder to one vote and each Class B Share entitles its holder to 16 votes. As regards any dividends declared, paid or reserved for payment during any fiscal year in respect of the Class A Subordinate Shares and the Class B Shares, the Class A Subordinate Shares and the Class B Shares shall participate on a per share basis. In the event of the Company's liquidation or dissolution or of any other distribution of its assets among its shareholders with a view to winding up its business, all Company assets available for distribution and payment to the holders of Class A Subordinate Shares and Class B Shares shall be paid and distributed equally on a per share basis to the holders of Class A Subordinate Shares and Class B Shares.

Subject to the restrictions hereinafter provided, if a take-over bid for the Class B Shares is made to the holders of Class B Shares without being made simultaneously and on the same terms and conditions to the holders of Class A Subordinate Shares, each Class A Subordinate Share becomes convertible into one Class B Share at the holder's option in order to entitle the holder to accept the take-over bid, from the date the take-over bid is made. However, such right of conversion is deemed not to have become effective if the holders of Class B Shares who hold, directly or indirectly, more than 50% of the Class B Shares outstanding on the date of the take-over bid have refused the bid prior to its expiry. In addition, such right of conversion is deemed not to have become effective if the take-over bid is not completed by the offeror. The Articles of the Company

contain a definition of a take-over bid which triggers such right of conversion, provide for certain procedures to be followed in order to exercise such right of conversion and stipulate that, upon the making of any such take-over bid, the Company or the transfer agent will communicate in writing with the holders of the Class A Subordinate Shares in order to provide them with the particulars of the manner in which they may exercise their right of conversion.

The Class B Shares are subject to restrictions regarding their issue, holding and transfer. No Class B Shares may be issued, held or transferred except in blocks of 10,800 (which number shall be adjusted in response to any Board-authorized stock split on the split's effective date). Furthermore, these shares may not be issued, held or transferred except to persons meeting special criteria defined in the Articles of the Company. Class B Shares held by a disqualified holder will be converted into fully paid, non-assessable Class A Subordinate Shares at a rate of one Class A Subordinate Share for one Class B Share.

An agreement was entered into on August 15, 2005 between A&P US, A&P Luxembourg and the Company with respect to the issue of 18,076,645 Shares to A&P Luxembourg (for more details on this agreement, refer to Item 2.2 "Significant Acquisitions").

Information concerning the issued share capital can be found on page 44 of METRO's 2005 Annual Report, in Note 13 to the Consolidated Financial Statements.

## 6. Market for Securities

### 6.1 Trading Price and Volume

The Class A Subordinate Shares of METRO are listed on the Toronto Stock Exchange under the ticker symbol MRU.SV.A.

The table below shows the monthly range close-of-market highs and lows, monthly trading volume and average daily volume for the last fiscal year.

TRADING PRICE AND VOLUME				
Month	Monthly High (\$)	Monthly Low (\$)	Total Monthly Volume	Average Daily Volume
October 2004	19.45	18.76	1,422,555	71,128
November 2004	22.40	19.20	3,393,118	154,233
December 2004	24.32	22.20	3,013,503	143,500
January 2005	25.30	22.51	3,453,450	172,673
February 2005	27.85	24.90	4,500,222	225,011
March 2005	28.33	26.75	3,599,825	163,628
April 2005	29.00	26.20	2,930,634	139,554
May 2005	29.15	24.00	2,643,258	125,869
June 2005	27.19	24.80	2,924,333	132,924
July 2005	32.25	26.61	3,596,693	179,835
August 2005	35.50	30.75	4,750,481	215,931
September 2005 *	35.22	33.27	3,098,760	147,560

\* For the period ended September 30, 2005

## 6.2 Debt and Credit Ratings

### Credit Ratings:

During the year, the firms of Standard and Poor's and Dominion Bond Rating Services ("DBRS") gave the Company a credit rating of BBB, following the acquisition of A&P Canada and the various financings. You can find more detailed information on this subject on the website [www.sedar.com](http://www.sedar.com) under the heading "Credit Ratings" on page 4 of the document entitled "Preliminary Short Form Base Shelf Prospectus" dated September 30, 2005.

Credit ratings established by these rating agencies are based on quantitative and qualitative considerations relevant to the Company. The credit ratings are intended to indicate the risk that the Company will not satisfy its obligations on a timely basis and disregard certain factors such as market risk or price risk, since these factors should be considered by investors as risk factors in their process of investment decision making. Such ratings do not constitute a recommendation to purchase, hold or sell the securities and may be changed or withdrawn at any time by the rating agencies.

The Standard and Poor's and DBRS ratings for long term borrowing vary between AAA and D. The BBB rating granted by Standard & Poor's and DBRS testifies to the existence of adequate protection mechanisms. However, an unfavourable economic situation or changing circumstances could affect the Company's ability to meet its financial commitments compared with companies that have obtained a higher rating.

### Debts:

On August 12, 2005, the Company entered into a new credit agreement with a bank syndicate, providing for credit facilities in an aggregate amount of \$1,650 million (see table below).

On October 12, 2005, METRO issued 10-year and 30-year medium term notes maturing respectively on October 15, 2015 and October 15, 2035.

The 10-year notes in a principal amount of \$200 million bear interest at a rate of 4.98% per annum and the 30-year notes in a principal amount of \$400 million bear interest at a rate of 5.97%.

The proceeds of issuance of the term notes (\$600 million) were used to repay the entire balance of the 3-year term loan and a part of the 5-year term loan (see table below).

The Company has set itself the objective of rapidly improving its balance sheet with the aim of accelerating repayment of the loans and credit facilities.

FINANCINGS			
Type	Maturing	Principal amount outstanding as at 08/13/05	Principal amount outstanding as at 10/12/05
Operating credit*	08/15/2010	\$0	\$80 million
Term loan (3 years)	08/15/2008	\$500 million	\$0
Term loan (5 years)	08/15/2010	\$750 million	\$650 million
Term note (10 years)	10/15/2015	\$0	\$200 million
Term note (30 years)	10/15/2035	\$0	\$400 million
TOTAL		\$1,250 million	\$1,330 million

\* The authorized operating credit amounts to \$400 million.

## 6.3 Prior Sales

Class B Shares are not listed on any Canadian or foreign stock exchange and were not involved in any transaction. For more information on the attributes of this share class, refer to Item 5 of this Annual Information Form.

The medium term notes are neither traded nor listed on any recognized stock exchange.

## 7. Escrowed Securities

ESCROWED SECURITIES (as at December 2nd, 2005)		
Designation of the Class	Number of Escrowed Securities	Percentage of Class
Class A Subordinate Shares	2,043,311	1.80%
Class B Shares	912,240	100%

The escrowed shares are Class A Subordinate Shares and Class B Shares of the Company pledged to METRO by some of METRO's clients. Escrowed shares are held as collateral by METRO to be released and returned to the owner according to the required terms of credit or when the owner is no longer a client of METRO and no longer has any debts with METRO.

## 8. Directors and Officers

### 8.1 Name, Occupation and Security Holding

The name and occupation of the directors of the Company and their place of residence along with the make-up of the Board's Executive, Human Resources, Corporate Governance and Nominating as well as Audit Committees are given below.

LIST OF DIRECTORS				
Name/ Place of Residence	Function	Director Since/ Expiry of Current Term of Office	Principal Occupation	Previously Held Positions
BRUNET, Pierre O.C., F.C.A. Montréal, Quebec	Director	Since 2001 January 2006	Chairman of the Board of Directors of Caisse de dépôt et placement du Québec	From 2000 to 2002, Vice-Chairman of the Board of National Bank of Canada. He was Chairman of the Board of the Canadian Institute of Chartered Accountants from 2002 to 2004.
CHEVREFILS, Jacques Montréal, Quebec	Director	Since 2004 January 2006	Director of E. Chevrefils et Fils inc.	
DeSERRES, Marc Westmount, Quebec	Director	Since 2002 January 2006	President of Omer DeSerres inc.	
DUSSAULT, Claude Toronto, Ontario	Director	Since 2005 January 2006	President and Chief Executive Officer of ING Canada Inc.	
FERLAND, Serge Québec, Quebec	Director	Since 1997 January 2006	President of Alimentation Serro inc.	
GAUTHIER, Paule, P.C., O.C., O.Q., Q.C. Québec, Quebec	Director	Since 2001 January 2006	Partner of Desjardins Ducharme , general partnership	
GOBEIL, Paul, F.C.A. Montréal, Quebec	Director and Vice-Chairman of the Board of Directors	Since 1990 January 2006	Vice-Chairman of the Board of Directors of the Company	

LIST OF DIRECTORS				
Name/ Place of Residence	Function	Director Since/ Expiry of Current Term of Office	Principal Occupation	Previously Held Positions
JODOIN, Maurice, C.F.A. Montréal, Quebec	Director and Chairman of the Board of Directors	Since 1987 January 2006	Chairman of the Board of Directors of the Company	
LABONTÉ, Maryse Saint-Sylvestre, Quebec	Director	Since 2000 January 2006	General Manager of G.F. Labonté inc.	
LESSARD, Pierre H., F.C.A. Westmount, Quebec	Director, President and Chief Executive Officer	Since 1990 January 2006	President and Chief Executive Officer of the Company	
LIMOGES, Gérard Antoine, C.M., F.C.A. Westmount, Quebec	Director	Since 2004 January 2006	Corporate director	
NADEAU, Marie-José Montréal, Quebec	Director	Since 2000 January 2006	Executive Vice- President Corporate Affairs and Secretary General of Hydro- Québec	
ROY, Bernard A., Q.C. Montréal, Quebec	Director	Since 1990 January 2006	Senior Partner of Ogilvy Renault	

COMPOSITION OF COMMITTEES OF THE BOARD OF DIRECTORS			
Executive Committee	Human Resources Committee	Audit Committee	Corporate Governance and Nominating Committee
BRUNET, Pierre FERLAND, Serge GOBEIL, Paul JODOIN, Maurice LESSARD, Pierre H. (Chair) ROY, Bernard A.	BRUNET, Pierre (Chair) DUSSAULT, Claude GAUTHIER, Paule JODOIN, Maurice	DeSERRES, Marc GAUTHIER, Paule LIMOGES, Gérard Antoine (Chair) NADEAU, Marie-José	DeSERRES, Marc JODOIN, Maurice (Chair) NADEAU, Marie-José ROY, Bernard A.

To the Company's knowledge, the directors and executive officers of the Company, as a group, own or control directly or indirectly 1,072,410 Class A Subordinate Shares corresponding to 0.94% of the issued shares of that class as at December 2, 2005, and 21,600 Class B Shares corresponding to 2.36% of the issued shares of that class as of December 2, 2005.

The names, occupations and places of residence of the executive officers of the Company who are not directors are indicated below. Each executive officer has held the principal occupation indicated opposite his or her name or another management position within the same company or a related company for at least five years.

Name / Place of Residence	Occupation
Eric Richer La Flèche Town of Mount Royal, Quebec	Executive Vice-President and Chief Operating Officer
L.G. Serge Gadbois Boucherville, Quebec	Senior Vice-President, Finance and Treasurer
Alain Brisebois Toronto, Ontario	Senior Vice-President, Ontario Division
Robert Sawyer Town of Mount Royal, Quebec	Senior Vice-President, Quebec Division
Alain Picard Montréal, Quebec	Vice-President, Human Resources
Johanne Choinière Montréal, Quebec	Senior Vice-President and General Manager, Super C
Jacques Couture Laval, Quebec	Vice-President, Information Systems
Paul Dénoimée Brossard, Quebec	Vice-President, Controller
Simon Rivet Brossard, Quebec	Vice-President, General Counsel and Secretary

## 8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the Company's knowledge, no director or executive officer of the Company and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- a) is or has been in the past ten years before the date of this Annual Information Form a director or executive officer of any other company that, while that person was acting in that capacity,
  - i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemption under securities legislation for a period of more than 30 consecutive days, except for Mr. Pierre H. Lessard who was a director of CINAR Corporation, the shares of which were suspended from trading on the Toronto Stock Exchange for more than 30 consecutive days and delisted on the NASDAQ due to the inability of CINAR Corporation to meet continued listing requirements, and Mr. Paul Gobeil who was a director of BridgePoint International Inc. the shares of which were suspended from trading on the Toronto Stock Exchange because its subsidiary, BridgePoint International (Canada) Inc., made a proposal to its creditors;
  - ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the other issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or
  - iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, save and except for Mr. Pierre Brunet who was a director of Slater Steel Inc. which filed a plan of arrangement with its creditors, for Mr. Paul Gobeil who was a director of BridgePoint International (Canada) Inc., which made a proposal to its creditors, for

Mr. Marc DeSerres who was a director of Albums DF Ltée, which filed for bankruptcy, and was also a director of Fly America Furniture Inc. which made a commercial proposal to its creditors, for Mr. Serge Ferland who was a director of Labcal Technologies Inc. which was granted an order under the Companies' Creditors Arrangement Act (c. C-36) and for Mr. Maurice Jodoin who was a director of Falcon Well Services which went under receivership;

- b) was subject to court-imposed penalties or sanctions relating to securities legislation or by a securities regulatory authority, or entered into a settlement agreement with such authority; or
- c) was subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

To the Company's knowledge, no director or officer of the Company and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, has within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or its assets.

### **8.3 Conflict of Interest**

To the Company's knowledge, no director or officer of the Company or of a subsidiary has an existing or potential material conflict of interest with the Company or one of its subsidiaries, with the exception of three directors who are retailers (Ms. Maryse Labonté and Messrs Jacques Chevrefils and Serge Ferland) who, as owners of food stores operating under the Metro banner, have a potential conflict of interest with the Company by virtue of their client-supplier business relationship with the Company.

## **9. Legal Proceedings**

There are no legal proceedings involving significant claims.

## **10. Persons with an Interest in Material Transactions**

Because A&P Luxembourg holds more than 10% of the Class A Subordinate Shares of the Company, it is considered to be a person with an interest in the material transactions described in Items 2.2 and 12 of this Annual Information Form.

## **11. Transfer Agent and Registrar**

National Bank Trust acts as transfer agent and registrar.

The register(s) of transfers for Class A Subordinate Shares and Class B Shares of the Company are held in Montréal.

## **12. Material Contracts**

The Company has not entered into any material contracts outside the ordinary course of business other than the following:

- A share purchase agreement entered into on July 19, 2005 between A&P US, A&P Luxembourg, the Company and 4296711 Canada Inc. providing for the acquisition by 4296711 Canada Inc., a subsidiary of the Company, of all the issued and outstanding shares of the share capital of A&P Canada for an aggregate consideration of \$1,700 million, consisting of \$1,200 million in cash and \$500 million in the form of 18,076,645 Shares issued to A&P Luxembourg (for more details on this acquisition, refer to Item 2.2 "Significant Acquisitions").
- An agreement entered into on August 15, 2005 between A&P US, A&P Luxembourg and the Company with respect to the issue of 18,076,645 Shares issued from treasury by the Company to A&P Luxembourg (for more details on this agreement, refer to Item 2.2 "Significant Acquisitions").

## 13. Interest of Experts

### 13.1 Names of Experts

Ernst & Young LLP are the Company's auditors.

PricewaterhouseCoopers LLP audited The Great Atlantic and Pacific Tea Company on August 13, 2005 and consented to the incorporation in the business acquisition report dated September 22nd, 2005 of the consolidated financial statements dated February 26, 2005 and the interim consolidated financial statements dated June 18, 2005 of The Great Atlantic and Pacific Tea Company. PricewaterhouseCoopers LLP also agreed to the incorporation by reference in the short-form prospectus filed on September 30, 2005 of the report to shareholders of A&P US dated May 6, 2005.

### 13.2 Interest of the Company's External Auditors

During the 2004-2005 financial year, the Company's Audit Committee obtained written confirmation from Ernst & Young LLP confirming the auditor's independence and objectivity with regard to the Company, pursuant to the Code of Ethics of the Quebec Order of Chartered Accountants.

## 14. Information on the Audit Committee

The information on the Audit Committee mandated by regulatory standards can be found in Schedules A & B hereto.

## 15. Additional Information

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interest of insiders in material transactions, is, where applicable, contained in the Company's management proxy circular dated December 12, 2005 for its next annual shareholders' meeting. Additional financial information is included in the annual financial statements of METRO for the years ended September 24, 2005 and September 25, 2004 and in "Management's Discussion & Analysis" contained in the Company's 2005 Annual Report.

These documents are available to the public under the conditions stipulated in section 87 of the Quebec *Securities Act*, and copies are available from the Finance Department at the Company's head office, 11011 Maurice-Duplessis Boulevard, Montréal, Québec H1C 1V6 or through the Company's website at [www.metro.ca](http://www.metro.ca).

Additional information concerning the Company is also available on Sedar's website at [www.sedar.com](http://www.sedar.com).

Upon request to the Secretary, the Company will provide to any person or company,

- a) when the securities of the Company are in the course of a distribution under a preliminary short form prospectus or a short form prospectus:
  - i) one copy of the Company's Annual Information Form, together with one copy of any document, or the relevant pages of any document, incorporated by reference in the Annual Information Form,
  - ii) one copy of the Company's consolidated financial statements for its most recently completed fiscal year for which financial statements have been filed together with the auditor's accompanying report and one copy of the Company's most recent interim financial statements that have been filed, if any, for any period after the end of its most recently completed fiscal year,
  - iii) one copy of the management proxy circular for the Company's most recent annual shareholders' meeting that involved the election of directors, or one copy of any annual filing prepared instead of that management proxy circular, as appropriate, and
  - iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses (i), (ii) or (iii);
- b) at any other time, one copy of any other documents referred to in a) i), ii) and iii) for which the Company may require payment of a reasonable charge if the request is made by a person or company that does not hold Company securities.

The investing public can also e-mail correspondence and comments to: [finance@metro.ca](mailto:finance@metro.ca)

### INFORMATION ON THE AUDIT COMMITTEE

#### Mandate of the Audit Committee

The mandate of the Audit Committee, approved by the Board of Directors, is set out in Schedule B to this Annual Information Form.

#### Composition of the Audit Committee, Training and Experience of its Members

The Audit Committee is composed of independent directors, namely, Mesdames Paule Gauthier and Marie-José Nadeau and Messrs. Marc DeSerres and Gérard Antoine Limoges (Chairman of the Committee). Each of the members has training and experience which is relevant to the performance of his duties. Mr. Limoges practised for 37 years as a chartered accountant and is a member and, in some cases, the chair of several audit committees of public companies. Ms. Gauthier acquired her experience by serving on other audit committees and has practised commercial law for over 20 years. Ms. Nadeau served for over 10 years on the audit and finance committee of Hydro-Québec. Mr. DeSerres acquired his experience as President of Omer DeSerres since 1980.

#### Pre-approval Policies and Procedures

The Audit Committee approved the "Policy concerning the pre-approval of audit services and non-audit services" whose main components are described below.

The external auditors are engaged to audit the annual consolidated financial statements of the Company. The external auditors may also be engaged for audit-related services, tax services and non-audit services, as long as these services do not interfere with their independence.

The Audit Committee, which is responsible inter alia for overseeing the work of the external auditors, must pre-approve all services that the external auditors of the Company may render to the Company and its subsidiaries. On an annual basis, the Committee examines and pre-approves the particulars of the services which may be provided by the external auditors and the associated level of fees. Any type of service which has not been approved by the Committee must be specifically pre-approved by the Committee if it is to be provided by the external auditors. The same applies if the service offered exceeds the pre-approved level of fees. The Committee has delegated to its Chairman the authority to specifically pre-approve services that have not already been approved. However, he must communicate any such decisions at the next committee meeting.

On a quarterly basis, the Committee examines the pre-approval status of any service other than audit services that the external auditors were asked to provide or could be asked to provide during the next quarter.

#### Policy Concerning Complaints with Respect to Accounting, Controls or Auditing Matters

The Audit Committee approved a policy allowing anyone, including the employees of the Company, to make a complaint by anonymous submission regarding accounting, accounting controls or auditing matters of the Company. All complaints received will be sent directly to the director of the Internal Audit Department who will be responsible for analysing the complaint and, if necessary, making due inquiry. The Committee will be informed at every meeting of complaints received, the results of the inquiry and, if applicable, any corrective measures to be implemented or of the fact that no complaints have been filed.

The full text of the Company's complaint policy can be found on the Company's website at [www.metro.ca](http://www.metro.ca).

#### Policy Concerning the Hiring of Partners or Employees of the External Auditors

The Audit Committee approved a policy with respect to the Company's hiring of certain candidates for key positions. This policy applies to any partner, employee or former partner or employee of the current

or former external auditors of the Company who is applying for a position in which the candidate could exercise decision-making authority or significantly influence decision making with respect to the presentation of financial information or auditing matters. Specifically, the candidate must not have been involved in the auditing of the Company's financial statements within the 12 months preceding the hiring date and, moreover, the eventual hiring of the candidate must not compromise the independence of the external auditors.

**Fees for the Services of the External Auditors**

For each of the financial years ended September 24, 2005 and September 25, 2004, the following fees were billed by the external auditors for audit services, audit-related services, tax services and the other services provided by the external auditors.

	2004	2005
Audit fees	\$ 481,236	\$ 791,487
Audit-related fees	\$ 63,652	\$ 592,270
Fees for tax services	\$ 554,351	\$ 450,922
All other fees	\$ 1,840	\$ 5,000

### MANDATE OF THE AUDIT COMMITTEE

#### 1. Objectives

The objectives of the Audit Committee are as follows:

- 1.1 Assist the Board of Directors in performing its duties, in particular ensuring that the management of the Company discharges its responsibilities with respect to:
  - 1.1.1 identifying the principal risks of the business and putting appropriate systems in place to manage such risks;
  - 1.1.2 the integrity of internal control systems and management information systems of the Company;
  - 1.1.3 the production of reliable financial information;
  - 1.1.4 compliance with the various authorities and legislation.
- 1.2 Ensure an effective communications link between the Board of Directors, management and the external and internal auditors.
- 1.3 Reinforce the independence of the external and internal auditors.
- 1.4 Ensure the integrity of the financial reports disclosed by the Company.

#### 2. Scope of Mandate

The responsibilities of the Audit Committee extend to Metro Inc., its subsidiaries and their divisions.

#### 3. Composition and Organization

- 3.1 The Committee is composed of a minimum of three and a maximum of six members of the Board of Directors who are all independent directors. All members must be financially literate.
- 3.2 At any time, the Committee may communicate directly with the external auditors, the internal auditors or the management of the Company.

#### 4. Responsibilities

The Audit Committee must periodically submit the results of the reviews conducted and its recommendations to the Board of Directors.

##### 4.1 Financial Information

- 4.1.1 The Committee reviews, before their public disclosure, the audited annual and interim financial statements, the MD&A and all press releases relating to the financial statements.
- 4.1.2 The Committee reviews with the management of the Company and the external auditors the various accounting practices and the changes being proposed thereto as well as the various estimates made by management which may have a significant impact on the financial position.
- 4.1.3 The Committee reviews with the management of the Company and the external auditors all important decisions made concerning the evaluation or presentation of financial information.
- 4.1.4 The Committee reviews the accounting treatment of material or unusual transactions.
- 4.1.5 The Committee ensures coordination between the management of the Company and the various regulatory organizations as well as the external auditors.
- 4.1.6 The Committee ensures that adequate procedures are in place for the review of the Company's disclosure to the public of information extracted or derived from the Company's financial statements, other than the information covered by paragraph 4.1.1 hereof, and periodically assesses the adequacy of such procedures.

##### 4.2 Internal Control

- 4.2.1 The Committee reviews, by means of communication with the external auditors and the internal auditors, the effectiveness of controls and the reliability of the financial information disclosed.
- 4.2.2 The Committee keeps informed, by means of the external and internal auditors, of any weaknesses of the systems which could lead to errors or irregularities in the financial information produced, of any departures from the Company's accounting policies and of various legislation.

- 4.2.3 The Committee ensures the effectiveness of the coordination between the internal audit and the external audit.
  - 4.2.4 The Committee analyses the conditions surrounding the departure or appointment of the officer responsible for finance and any other key financial executive who participates in the financial information process.
- 4.3 Internal Audit
- 4.3.1 The Committee examines the mandate of the internal auditors.
  - 4.3.2 The Committee evaluates the degree of independence of the internal auditors in relation to the financial executives of the Company and its subsidiaries.
  - 4.3.3 The Committee reviews the annual internal audit plan and recommends mandates or studies, if it deems necessary.
  - 4.3.4 The Committee reviews the audit management letters, including management's comments, and reviews the corrective measures taken by management.
- 4.4 External Audit
- 4.4.1 The Committee recommends the appointment and the compensation of the external auditors to the Board of Directors.
  - 4.4.2 The Committee reviews the reports of the external auditors which are sent to it directly. The Committee also monitors all the work performed by the external auditors, its audit plans and the results of its audits.
  - 4.4.3 The Committee discusses with the external auditors, by means of meetings, problems encountered during the audit, including the existence, if applicable, of restrictions imposed by the management of the Company or areas of disagreement with the latter about the financial information and ensures that such disagreements are resolved.
  - 4.4.4 The Committee, or one or more of its members to whom it has delegated authority, pre-approves non-audit services that are assigned to the external auditors. The Committee may also adopt policies and procedures concerning the pre-approval of non-audit services that are assigned to the external auditors. It monitors the fees paid with respect to such mandates.
  - 4.4.5 The Committee must be informed of cases where the management of the Company has requested opinions from an accounting firm other than the one appointed as auditors.
  - 4.4.6 The Committee makes sure that the external auditors have obtained the cooperation of the employees and officers of the Company.
  - 4.4.7 The Committee examines the post-audit letter or the management letter of the external auditors as well as the reactions of management and management's response to the deficiencies observed.
  - 4.4.8 The Committee examines the qualifications, performance and independence of the external auditors and ensures that the audit report accompanying the financial statements is issued by an audit firm that is a participant in the program of the Canadian Public Accountability Board and that the firm respects any sanctions and restrictions imposed by the board.
  - 4.4.9 The Committee reviews and approves the Company's hiring policy concerning (current and former) partners and employees of the (current and former) external auditor.
- 4.5 Integrity of the Company
- 4.5.1 The Committee monitors the Company's conduct by establishing inter alia complaint procedures regarding accounting, internal accounting controls or auditing matters and by establishing procedures respecting confidentiality and the protection of the anonymity of persons who may file such complaints.
  - 4.5.2 The Committee has the authority to engage any advisor it deems necessary in order to help it in the performance of its duties, and to set the compensation of such advisor.
- 4.6 Environment
- 4.6.1 The Committee ensures that the Company's environmental policy is applied and complied with and reports to the Board accordingly.