



INTERIM REPORT – 12 WEEK PERIOD  
ENDED MARCH 14, 2009

## 2<sup>ND</sup> QUARTER 2009

# ***metro***

### HIGHLIGHTS

- Net earnings of \$76.3 million, up 41.3%
- Fully diluted net earnings per share of \$0.68, up 41.7%
- Sales of \$2,549.7 million, up 7.5%
- Same store sales up 7.3%
- Declared dividend of \$0.1375 per share, up 10.0%

# REPORT TO *shareholders*

Dear Shareholders,

I am pleased to present our interim report for the second quarter of fiscal 2009, ended March 14, 2009.

The Company's sales reached \$2,549.7 million compared to \$2,372.4 million for the second quarter of 2008, an increase of 7.5%. Excluding decreased sales due to the non-renewal of a convenience store chain supply contract, 2009 second quarter sales increased by 8.3%. Same store sales increased by 7.3%.

Second quarter net earnings were \$76.3 million compared to \$54.0 million last year, an increase of 41.3%. Fully diluted net earnings per share increased by 41.7% to \$0.68 compared to \$0.48 last year. Excluding non-recurring costs of \$1.3 million before taxes recorded in the second quarter of 2009 to convert our Ontario supermarkets to the Metro banner, our adjusted net earnings<sup>(1)</sup> were \$77.2 million, a 43.0% increase over last year.

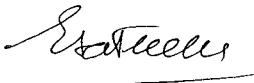
Adjusted net earnings<sup>(1)</sup> for the first 24 weeks of 2009 reached \$161.3 million versus \$116.4 million last year, up 38.6%. Adjusted fully diluted net earnings per share<sup>(1)</sup> were \$1.44, up 41.2% from \$1.02 last year.

We are very pleased with the results for the second quarter of 2009. Our strong sales and earnings growth in the second quarter are due to the efforts of our teams who have implemented effective merchandising programs and have improved the efficiency of our operations.

Our financial position at the end of the second quarter of 2009 was very solid. We had cash and cash equivalents in the amount of \$208.6 million, an unused authorized revolving line of credit in the amount of \$400.0 million, and a debt ratio (long-term debt/total capital) of 31.3%.

On April 22, 2009, the Board of Directors declared a quarterly dividend of \$0.1375 per share, an increase of 10.0% over the dividend declared last year.

Our Ontario supermarket conversion plan is on schedule with 89 of 159 stores converted to the Metro banner as of April 10, 2009 and we are pleased with the results so far. Despite the difficult economic environment, we are confident that we are well-positioned to grow<sup>(2)</sup> our business.



ERIC R. LA FLÈCHE  
President and Chief Executive Officer  
April 23, 2009

# MANAGEMENT'S DISCUSSION AND *analysis*

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on March 14, 2009. This report should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes in this interim report along with the consolidated financial statements for the fiscal year ended September 27, 2008 and related notes and MD&A presented in the Company's 2008 Annual Report. Certain comparative figures in this interim report have been restated as a consequence of the new accounting standard on inventories which the Company adopted in the first quarter of 2009. This report is based upon information as at April 10, 2009 unless otherwise stated. Additional information, including the Certification of Interim Filings letters for the quarter ended March 14, 2009 signed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer, is also available on the SEDAR website at: [www.sedar.com](http://www.sedar.com).

## **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 "to grow", "should not", "do not 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 2009 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Company and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession or the arrival of a new competitor are examples described under the "Risk Management" section of the 2008 Annual Report which could have an impact on these statements. We believe these statements to be reasonable and pertinent as at the time of publication of this interim report and represent our expectations. The Company does not intend to update any forward-looking statements contained herein, except as required by applicable law.

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

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

## **NON-GAAP MEASUREMENTS**

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

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

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

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

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

## **OPERATING RESULTS**

We realized net earnings of \$76.3 million in the second quarter of fiscal 2009 versus \$54.0 million in fiscal 2008, an increase of 41.3%. Fully diluted net earnings per share were \$0.68 versus \$0.48 last year, an increase of 41.7%. Excluding non-recurring costs of \$1.3 million before taxes to change our Ontario supermarkets to the Metro banner, our 2009 second quarter adjusted net earnings<sup>(1)</sup> were \$77.2 million a 43.0% increase over last year.

**SALES** 2009 second quarter sales reached \$2,549.7 million compared to \$2,372.4 million last year, an increase of 7.5%. Excluding decreased sales due to the non-renewal of a convenience store chain supply contract, 2009 second quarter sales increased by 8.3%. Same store sales increased by 7.3%.

Sales for the first 24 weeks of 2009 reached \$5,150.2 million, up 5.6% compared to sales of \$4,879.2 million for the corresponding period of fiscal 2008. Excluding decreased sales due to the non-renewal of a convenience store chain supply contract, sales increased by 6.5%.

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

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

Second quarter EBITDA<sup>(1)</sup> in 2009 was \$162.6 million, up 25.0% from \$130.1 million for the same quarter last year. Second quarter EBITDA<sup>(1)</sup> represented 6.4% of sales versus 5.5% last year. Excluding banner conversion costs of \$1.3 million recorded in 2009, adjusted second quarter EBITDA<sup>(1)</sup> represented 6.4% of sales.

EBITDA<sup>(1)</sup> for the first 24 weeks of 2009 was \$332.8 million or 6.5% of sales compared to \$272.3 million or 5.6% of sales for the same period last year. Excluding banner conversion costs of \$5.8 million recorded for the first 24 weeks of 2009, adjusted EBITDA<sup>(1)</sup> represented 6.6% of sales.

After experiencing difficulties in the first two quarters of 2008, namely intense competition in Ontario and issues associated with our new information systems in Ontario and our new Food Services warehouse in Québec, we achieved a turnaround and saw renewed growth in our EBITDA<sup>(1)</sup> for the third and fourth quarters of 2008 and the first two quarters of 2009. This turnaround saw a marked improvement in our gross margins.

In the first quarter of 2009, we retrospectively applied a new accounting standard issued by the Canadian Institute of Chartered Accountants (CICA), Section 3031 "Inventories", by restating prior periods' financial statements. Under this new standard, handling and transformation costs are now included in inventory costs instead of operating expenses. Cost of sales is therefore higher than in the past, gross margins and operating expenses are lower.

In quarters where the value of inventories at the beginning is higher than the value of inventories at the end, as is the case for our second quarter because of the Holidays, the decrease in inventory reduces EBITDA<sup>(1)</sup> by an amount equal to the costs, other than those that are part of the cost of sales, included in the inventory changes and which used to be included in operating expenses of prior quarter. The decrease in the 2009 second quarter EBITDA<sup>(1)</sup> resulting from the adoption of this new accounting standard was similar to the decrease in 2008 second quarter EBITDA<sup>(1)</sup> resulting from the prior periods' restatements.

However, in the first quarter of 2009, where the value of inventories at the end of the quarter was higher than at the beginning, the effect was reversed. Inventory changes in the third and fourth quarters should not<sup>(2)</sup> be significant and so should not<sup>(2)</sup> materially affect our EBITDA<sup>(1)</sup>. This new standard should not<sup>(2)</sup> have a material effect on overall fiscal year results.

Share of earnings from our investment in Alimentation Couche-Tard for the second quarter and the first 24 weeks of 2009 were \$9.4 million and \$20.5 million respectively, compared to \$5.2 million and \$10.9 million for the corresponding periods of fiscal 2008. Excluding non-recurring items as well as share of earnings from our investment in Alimentation Couche-Tard, our adjusted EBITDA<sup>(1)</sup> for the second quarter and the first 24 weeks of 2009 were \$154.5 million and \$318.1 million respectively or 6.1% and 6.2% of sales versus \$124.9 million or 5.3% of sales for the second quarter of 2008 and \$261.4 million or 5.4% of sales for the 24-week period.

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

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

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

	12 weeks/Fiscal Year					
	2009			2008		
(Millions of dollars, unless otherwise indicated)	EBITDA	Sales	EBITDA/ Sales (%)	EBITDA	Sales	EBITDA/ Sales (%)
EBITDA	<b>162.6</b>	<b>2,549.7</b>	<b>6.4</b>	130.1	2,372.4	5.5
Banner conversion costs	<b>1.3</b>	—		—	—	
Adjusted EBITDA	<b>163.9</b>	<b>2,549.7</b>	<b>6.4</b>	130.1	2,372.4	5.5
Share of earnings from our investment in Alimentation Couche-Tard	<b>(9.4)</b>	—		(5.2)	—	
Adjusted EBITDA excluding share of earnings	<b>154.5</b>	<b>2,549.7</b>	<b>6.1</b>	124.9	2,372.4	5.3

	24 weeks/Fiscal Year					
	2009			2008		
(Millions of dollars, unless otherwise indicated)	EBITDA	Sales	EBITDA/ Sales (%)	EBITDA	Sales	EBITDA/ Sales (%)
EBITDA	<b>332.8</b>	<b>5,150.2</b>	<b>6.5</b>	272.3	4,879.2	5.6
Banner conversion costs	<b>5.8</b>	—		—	—	
Adjusted EBITDA	<b>338.6</b>	<b>5,150.2</b>	<b>6.6</b>	272.3	4,879.2	5.6
Share of earnings from our investment in Alimentation Couche-Tard	<b>(20.5)</b>	—		(10.9)	—	
Adjusted EBITDA excluding share of earnings	<b>318.1</b>	<b>5,150.2</b>	<b>6.2</b>	261.4	4,879.2	5.4

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

**DEPRECIATION AND AMORTIZATION AND FINANCIAL COSTS** Total depreciation and amortization expenses for the second quarter and the first 24 weeks of fiscal 2009 amounted to \$42.6 million and \$84.2 million respectively, compared with \$39.6 million and \$79.7 million for the same periods last year. Second quarter financial costs totalled \$10.8 million in 2009 versus \$14.5 million last year, while financial costs for the 24-week period totalled \$23.3 million in 2009 versus \$28.5 million last year. Interest rates for the first 24 weeks of 2009 averaged 4.8% versus 5.4% for the corresponding period last year.

**INCOME TAXES** The 2009 second quarter and 24-week period income tax expenses of \$32.9 million and \$67.9 million represent an effective tax rate of 30.1% for each period. In 2008, the second quarter and 24-week period were \$22.5 million and \$38.2 million respectively and represented effective tax rates of 29.6% and 23.3% respectively. In the first quarter of 2008, we benefited from a tax expense decrease of \$11.4 million. Excluding this decrease, the effective tax rate for the 2008 24-week period was 30.2%.

**NET EARNINGS** The 2009 second quarter net earnings were \$76.3 million compared to \$54.0 million for the corresponding quarter last year, an increase of 41.3%. Fully diluted net earnings per share rose 41.7% to \$0.68 from \$0.48 last year. Excluding non-recurring costs of \$1.3 million before taxes recorded in the second quarter of 2009 to change our Ontario supermarkets to the Metro banner, our adjusted net earnings<sup>(1)</sup> were \$77.2 million, a 43.0% increase over last year's.

This inventory variance between the second quarter opening and closing balance and the adoption of Section 3031 "Inventories", new accounting policy from CICA, reduced the EBITDA<sup>(1)</sup> for the second quarter 2009 and 2008. This adjustment reduced the second quarter 2009 and 2008 fully diluted net earnings per share by \$0.03 each.

Net earnings for the first 24 weeks of 2009 reached \$157.4 million versus \$127.8 million last year, up 23.2%. Excluding the income tax expense decrease of \$11.4 million in 2008 and banner conversion costs of \$5.8 million before taxes in 2009, adjusted net earnings<sup>(1)</sup> for the 2009 24-week period were \$161.3 million, up 38.6% from the \$116.4 million for the corresponding period of 2008. Adjusted fully diluted net earnings per share<sup>(1)</sup> were \$1.44, up 41.2% from \$1.02 last year.

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

## Net Earnings Adjustments

	2009		12 weeks/Fiscal Year 2008		Change (%)	
	(Millions of dollars)	Fully dilluted EPS (Dollars)	(Millions of dollars)	Fully dilluted EPS (Dollars)	Net earnings	Fully dilluted EPS
Net earnings	76.3	0.68	54.0	0.48	41.3	41.7
Banner conversion costs after taxes	0.9	—	—	—		
Adjusted net earnings <sup>(1)</sup>	77.2	0.68	54.0	0.48	43.0	41.7

	2009		24 weeks/Fiscal Year 2008		Change (%)	
	(Millions of dollars)	Fully dilluted EPS (Dollars)	(Millions of dollars)	Fully dilluted EPS (Dollars)	Net earnings	Fully dilluted EPS
Net earnings	157.4	1.41	127.8	1.12	23.2	25.9
Banner conversion costs after taxes	3.9	0.03	—	—		
Decrease in tax expense	—	—	(11.4)	(0.10)		
Adjusted net earnings <sup>(1)</sup>	161.3	1.44	116.4	1.02	38.6	41.2

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

## Quarterly Highlights

(Millions of dollars,  
unless otherwise indicated)

	2009	2008	2007	Change (%)
<b>Sales</b>				
Q2	<b>2,549.7</b>	2,372.4	—	7.5
Q1	<b>2,600.5</b>	2,506.8	—	3.7
Q4	—	2,476.0	2,432.4	1.8
Q3	—	3,370.0	3,341.0	0.9
<b>Net earnings</b>				
Q2	<b>76.3</b>	54.0	—	41.3
Q1	<b>81.1</b>	73.8	—	9.9
Q4	—	72.5	58.4	24.1
Q3	—	91.9	89.6	2.6
<b>Adjusted net earnings<sup>(1)</sup></b>				
Q2	<b>77.2</b>	54.0	—	43.0
Q1	<b>84.1</b>	62.4	—	34.8
Q4	—	72.5	67.6	7.2
Q3	—	91.9	91.4	0.5
<b>Fully diluted net earnings per share (Dollars)</b>				
Q2	<b>0.68</b>	0.48	—	41.7
Q1	<b>0.73</b>	0.64	—	14.1
Q4	—	0.65	0.50	30.0
Q3	—	0.81	0.77	5.2
<b>Adjusted fully diluted net earnings per share<sup>(1)</sup> (Dollars)</b>				
Q2	<b>0.68</b>	0.48	—	41.7
Q1	<b>0.76</b>	0.54	—	40.7
Q4	—	0.65	0.58	12.1
Q3	—	0.81	0.78	3.8

First and second quarter sales for 2009 were up 3.7% and 7.5% respectively over those for 2008. Excluding decreased sales due to the non-renewal of a convenience store chain supply contract, 2009 first quarter sales were up 4.7% and second quarter sales were up 8.3%.

Sales in the third and fourth quarters of 2008 versus those for the corresponding quarters of 2007 were affected by increased competition in Ontario and decreased sales of tobacco products. Excluding the decreased sales of tobacco products, 2008 third and fourth quarter sales were up 1.5% and 2.1% respectively over 2007.

First quarter net earnings and fully diluted net earnings per share for 2009 were up 9.9% and 14.1% respectively over those for 2008. Excluding 2009 first quarter banner conversion costs of \$4.5 million before taxes and the income tax expense decrease of \$11.4 million in 2008 as a result of future federal income tax rate decreases, 2009 first quarter adjusted net earnings<sup>(1)</sup> and adjusted fully diluted net earnings per share<sup>(1)</sup> were up 34.8% and 40.7% respectively.

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

Second quarter net earnings and fully diluted net earnings per share for 2009 were up 41.3% and 41.7% respectively from 2008. Excluding non-recurring costs of \$1.3 million before taxes recorded in the second quarter of 2009, adjusted net earnings<sup>(1)</sup> for the second quarter of 2009 were up 43.0%.

The difficulties encountered in the first two quarters of 2008 stemming from a more intense competitive environment in Ontario and issues associated with our new information systems in Ontario and our new Food Services warehouse in Québec were resolved in the third and fourth quarters of 2008.

Third quarter net earnings and fully diluted net earnings per share in 2008 were up 2.6% and 5.2% respectively from 2007. Excluding third quarter A&P acquisition-related integration and rationalization costs before taxes of \$5.4 million and a \$1.8 million income tax expense reduction resulting from a future decrease announced in the federal tax rate, adjusted net earnings<sup>(1)</sup> and adjusted fully diluted net earnings per share<sup>(1)</sup> for the third quarter of 2008 were up 0.5% and 3.8% respectively, compared to adjusted net earnings<sup>(1)</sup> and adjusted fully diluted net earnings per share<sup>(1)</sup> for the third quarter of 2007. The turnaround achieved following the difficulties encountered in the first two quarters of 2008 contributed to this earnings growth.

Fourth quarter net earnings and fully diluted net earnings per share in 2008 were up 24.1% and 30.0% respectively over those for 2007. Excluding A&P acquisition-related integration and rationalization costs before taxes of \$14.1 million in the fourth quarter of 2007, adjusted net earnings<sup>(1)</sup> and adjusted fully diluted net earnings per share<sup>(1)</sup> for the fourth quarter of 2008 were up 7.2% and 12.1% over adjusted net earnings<sup>(1)</sup> and adjusted fully diluted net earnings per share<sup>(1)</sup> for the fourth quarter of 2007. Our return to earnings growth in the third quarter of 2008 continued in the fourth quarter.

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

(Millions of dollars)	2009		2008				2007	
	Q1	Q2	Q1	Q2	Q3	Q4	Q3	Q4
Net earnings	<b>81.1</b>	<b>76.3</b>	73.8	54.0	91.9	72.5	89.6	58.4
Integration and rationalization costs after taxes	—	—	—	—	—	—	3.6	9.2
Banner conversion costs after taxes	<b>3.0</b>	<b>0.9</b>	—	—	—	—	—	—
Decrease in tax expense	—	—	(11.4)	—	—	—	(1.8)	—
Adjusted net earnings <sup>(1)</sup>	<b>84.1</b>	<b>77.2</b>	62.4	54.0	91.9	72.5	91.4	67.6

(Dollars and per share)	2009		2008				2007	
	Q1	Q2	Q1	Q2	Q3	Q4	Q3	Q4
Fully diluted net earnings	<b>0.73</b>	<b>0.68</b>	0.64	0.48	0.81	0.65	0.77	0.50
Integration and rationalization costs after taxes	—	—	—	—	—	—	0.01	0.08
Banner conversion costs after taxes	<b>0.03</b>	—	—	—	—	—	—	—
Decrease in tax expense	—	—	(0.10)	—	—	—	—	—
Adjusted fully diluted net earnings <sup>(1)</sup>	<b>0.76</b>	<b>0.68</b>	0.54	0.48	0.81	0.65	0.78	0.58

## CASH POSITION

**OPERATING ACTIVITIES** Operating activities generated cash flows of \$123.3 million in the second quarter and \$174.1 million over the first 24 weeks of 2009, compared to \$108.5 million and \$121.5 million respectively in the corresponding periods of fiscal 2008. The increase in second quarter cash flows in 2009 compared to 2008 is due primarily to increased net earnings and a net change in non-cash items. The increase in 24-week period cash flows of 2009 compared to those for 2008 is due primarily to increased net earnings and a change in future income taxes.

**INVESTING ACTIVITIES** Investing activities required outflows of \$35.2 million in the second quarter and \$90.3 million in the first 24 weeks of 2009 versus \$21.3 million in the second quarter and \$76.3 million in the first 24 weeks of 2008. These increases are due primarily to greater acquisition of fixed assets.

During the first 24 weeks of 2009, the Company and the retailers invested \$153.8 million in our retail network, for a gross expansion of 264,000 square feet and a net expansion of 105,000 square feet or 0.6%. Major renovations and expansions of 14 stores were completed, and six new stores were opened.

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

**FINANCING ACTIVITIES** Financing activities required outflows of \$21.6 million and \$26.9 million in the second quarter and 24-week period of 2009 versus 2008 second quarter and 24-week outflows of \$49.0 million and \$79.9 million. The decrease in outflows between the 2009 periods and the 2008 periods is largely attributable to the greater issuance of shares, for \$18.8 million in the second quarter and \$36.2 million over the 24-week period, versus \$0.9 million and \$1.9 million for the corresponding periods of 2008, as well as to a reduced redemption of Class A Subordinate Shares for the first 24 weeks of 2009 compared to the corresponding period of 2008.

### FINANCIAL POSITION

Despite the financial market crisis, we do not anticipate<sup>(1)</sup> any liquidity risk and consider our financial position at the end of the second quarter of 2009 as very solid. We had \$208.6 million in cash and cash equivalents and an unused authorized revolving line of credit of \$400.0 million. Our long-term debt corresponded to 31.3% of the combined total of long-term debt and shareholders' equity (long-term debt/total capital).

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

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

At the end of the quarter, interest rate swap agreements in the notional amount of \$100.0 million were outstanding under our Credit A Facility. These agreements provide for the exchange of variable interest payments for fixed interest payments according to the following terms:

Fixed Rates	Notional Amount (Millions of dollars)	Maturity
3.9820%	50.0	December 16, 2009
4.0425%	50.0	December 16, 2010

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

Giving effect to these swap agreements, at the end of the quarter, long-term indebtedness comprised \$700.0 million at fixed rates ranging from 4.482% to 5.97% and \$269.3 million at variable rates which fluctuate with changes in bankers' acceptance rates.

## FINANCIAL RATIOS

	<b>As at March 14, 2009</b>	As at September 27, 2008
<b>Financial structure</b>		
Long-term debt ( <i>Millions of dollars</i> )	<b>1,006.4</b>	1,005.0
Shareholders' equity ( <i>Millions of dollars</i> )	<b>2,205.3</b>	2,068.3
Long-term debt/total capital (%)	<b>31.3</b>	32.7
	<b>Fiscal 2009 (24 weeks)</b>	Fiscal 2008 (24 weeks)
<b>Results</b>		
EBITDA <sup>(1)</sup> /Financial costs ( <i>Times</i> )	<b>14.3</b>	9.6

## CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	<b>As at March 14, 2009</b>	As at September 27, 2008
Number of Class A Subordinate Shares outstanding ( <i>Thousands</i> )	<b>110,708</b>	109,806
Number of Class B Shares outstanding ( <i>Thousands</i> )	<b>739</b>	750
<b>Stock options:</b>		
Number outstanding ( <i>Thousands</i> )	<b>1,874</b>	3,534
Exercise price ( <i>Dollars</i> )	<b>17.23 to 39.17</b>	17.01 to 39.17
Weighted average exercise price ( <i>Dollars</i> )	<b>25.78</b>	23.63
<b>Performance share units:</b>		
Number outstanding ( <i>Thousands</i> )	<b>293</b>	210
Weighted average maturity ( <i>Months</i> )	<b>18</b>	18

**NORMAL COURSE ISSUER BID PROGRAM** Under the normal course issuer bid program, the Company may repurchase up to 6 million of its Class A Subordinate Shares between September 5, 2008 and September 4, 2009. Since September 5, 2008, the Company repurchased 1,481,500 shares at an average price of \$31.12 for a total of \$46.1 million. This program offers us an additional option for using excess funds. Thus, we can decide, in the shareholders' best interest, to reimburse debt or to repurchase Company shares.

**DIVIDENDS** On April 22, 2009, the Company's Board of Directors declared a quarterly dividend of \$0.1375 per Class A Subordinate Share and Class B Share payable June 9, 2009, an increase of 10.0% over the dividend for the same quarter last year. On an annualized basis, this dividend represents more than 20% of 2008 net earnings.

**SHARE TRADING** The value of METRO INC. shares remained in the range of \$27.38 to \$40.00 over the first two quarters of fiscal 2009. During this period, a total of 63.3 million shares were traded on the Toronto Stock Exchange. The closing price on Friday, April 10, 2009 was \$38.35 compared to \$31.77 at the end of fiscal 2008.

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

## **NEW ACCOUNTING POLICIES**

### **ADOPTED IN 2009**

**INVENTORIES** In the first quarter of 2009, the Company adopted Section 3031 "Inventories". Under this new standard, inventories shall be measured at the lower of cost and net realizable value and the retail method may be used if it is close to cost. Furthermore, all costs incurred in bringing the inventories to their present location and condition shall be included in the cost of inventories. Other costs shall be recognized as expenses in the period in which they are incurred.

The Company measures its wholesale inventories at the lower of cost, determined by the average cost method net of certain considerations received from vendors, and net realizable value. Retail inventories are valued at the retail price less the gross margin and certain considerations received from vendors. Following this new section's adoption, the Company has included certain costs in its cost of inventories, such as receiving and shelving costs and also costs for products transformed in store. Warehousing costs are recognized as operating expenses.

The new Section 3031 was applied retrospectively with restatement of prior periods' financial statements.

The adjustments are explained in note 2 to the consolidated financial statements included in this interim report.

**GOODWILL AND INTANGIBLE ASSETS** In the first quarter of 2009, the Company adopted the Section 3064 "Goodwill and Other Intangible Assets". The new section states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill and disclosure, Section 3064 carries forward the requirements of the old Section 3062 "Goodwill and Other Intangible Assets". The adoption of these guidelines did not have any material effect on the Company's results, financial position or cash flows.

**CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES** In the second quarter of 2009, the Company adopted EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". Under this new standard, an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of these guidelines did not have any material effect on the Company's results, financial position or cash flows.

**RECENTLY ISSUED**

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

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

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

Phase 1: Preliminary Study and Diagnostic

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

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## Phase 2: Analysis of Standards

Actions	<p>Analysis of the differences between GAAP and IFRS.</p> <p>Selection of the accounting policies that the Company will apply on an ongoing basis.</p> <p>Company's selection of IFRS 1 exemptions at the date of transition.</p> <p>Calculation of the quantitative impacts on the consolidated financial statements.</p> <p>Disclosure analysis.</p> <p>Preparation of draft consolidated financial statements and notes.</p> <p>Identification of the collateral impacts in the following areas:</p> <ul style="list-style-type: none"><li>– information technology;</li><li>– internal control over financial reporting;</li><li>– disclosure controls and procedures;</li><li>– contracts;</li><li>– compensation;</li><li>– taxation;</li><li>– training.</li></ul>
Timetable	<p>We have prepared a detailed timetable which contemplates the bulk of the analysis that will be completed by the end of September 2010. We prioritized standards, based on their ranking in the diagnostic, the time needed to complete the analysis and implementation, working group members' availability, as well as the timing of discussion papers, exposure drafts and new standards to be issued by the International Accounting Standards Board (IASB).</p>
Progress	<p>In the second quarter of fiscal 2009, we began the analysis of eight IFRS standards and interpretations out of a total of approximately 50 that will have an impact on our Company.</p>

## Phase 3: Implementation

Actions	<p>Preparation of the opening balance sheet at the date of transition.</p> <p>Compilation of the comparative financial data.</p> <p>Production of the interim consolidated financial statements and the associated disclosure.</p> <p>Production of the annual consolidated financial statements and the associated disclosure.</p> <p>Implementation of changes regarding collateral impacts.</p>
Timetable	<p>At the end of fiscal 2011, our opening balance sheet, comparative financial data under IFRS and changes regarding collateral impacts will be completed.</p> <p>In fiscal 2012, we will produce our interim and annual consolidated financial statements and disclosure in accordance with IFRS.</p>
Progress	<p>Not yet commenced.</p>

Throughout our IFRS transition project, we will provide update reports on our work plan. We will also explain the main differences between our existing accounting policies and those we will be implementing under IFRS (both narrative and quantitative information), as well as our selection of IFRS 1 exemptions available at the date of transition.

### **SUBSEQUENT EVENTS**

On March 17, 2009, the Québec government completed a milestone in the approval process for its 2007-2008 budget providing for the reduction of the tax rate applicable to a corporation's investment income from 16.25% to 11.9%, in line with the tax rate applicable to its business income. This rate decrease, in the third quarter of 2009, will reduce our future income tax liabilities by \$2.7 million and our income tax expenses by the same amount.

In its 2009 budget presentation on March 26, 2009, the Ontario government announced successive reductions in the corporate tax rate, cutting it from 14% to 10% between July 1, 2010 and July 1, 2013. When specific milestones in the budget's approval process will be completed, we will reduce our future income tax liabilities and income tax expenses by the same amount. If these milestones are completed before the end of our 2009 fiscal year, this impact will be of \$7.2 million.

On April 22, Robert Sawyer was appointed Executive Vice-President and Chief Operating Officer of the Company. Over his 30-year career at METRO, Robert has held several positions of increasing responsibility including Senior Vice-President of the Quebec division and most recently Senior Vice-President of the Ontario division where he led the turnaround of its performance. He will now oversee all food operations of the Company and will continue to make an important contribution to our success.

### **OUTLOOK**

We are very pleased with the results for the second quarter of 2009. Our strong sales and earnings growth in the second quarter are due to the efforts of our teams who have implemented effective merchandising programs and improved the efficiency of our operations. Our Ontario supermarket conversion plan is on schedule with 89 of 159 stores converted to the Metro banner as of April 10, 2009 and we are pleased with the results so far. Despite the difficult economic environment, we are confident that we are well-positioned to grow<sup>(1)</sup> our business.

Montréal, April 23, 2009

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

# CONSOLIDATED STATEMENTS OF *earnings*

PERIODS ENDED March 14, 2009 and March 15, 2008 <i>(Unaudited) (Millions of dollars, except for net earnings per share)</i>	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2009	2008 <i>(Restated - note 2)</i>	2009	2008 <i>(Restated - note 2)</i>
<b>Sales</b>	<b>\$ 2,549.7</b>	\$ 2,372.4	<b>\$ 5,150.2</b>	\$ 4,879.2
Cost of sales and operating expenses <i>(note 8)</i>	<b>(2,395.2)</b>	(2,247.5)	<b>(4,832.1)</b>	(4,617.8)
Share of earnings in a public company subject to significant influence	<b>9.4</b>	5.2	<b>20.5</b>	10.9
Banner conversion costs <i>(note 3)</i>	<b>(1.3)</b>	—	<b>(5.8)</b>	—
<b>Earnings before financial costs, taxes, depreciation and amortization</b>	<b>162.6</b>	130.1	<b>332.8</b>	272.3
Depreciation and amortization	<b>(42.6)</b>	(39.6)	<b>(84.2)</b>	(79.7)
<b>Operating income</b>	<b>120.0</b>	90.5	<b>248.6</b>	192.6
Financial costs, net <i>(note 5)</i>	<b>(10.8)</b>	(14.5)	<b>(23.3)</b>	(28.5)
<b>Earnings before income taxes</b>	<b>109.2</b>	76.0	<b>225.3</b>	164.1
Income taxes <i>(note 6)</i>	<b>(32.9)</b>	(22.5)	<b>(67.9)</b>	(38.2)
<b>Earnings before minority interest</b>	<b>76.3</b>	53.5	<b>157.4</b>	125.9
Minority interest	—	0.5	—	1.9
<b>Net earnings</b>	<b>\$ 76.3</b>	\$ 54.0	<b>\$ 157.4</b>	\$ 127.8
<b>Net earnings per share</b> <i>(Dollars) (note 7)</i>				
Basic	<b>0.69</b>	0.48	<b>1.42</b>	1.13
Fully diluted	<b>0.68</b>	0.48	<b>1.41</b>	1.12

See accompanying notes

# CONSOLIDATED *balance sheets*

	As at March 14, 2009	As at September 27, 2008
<i>(Unaudited) (Millions of dollars)</i>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 208.6	\$ 151.7
Accounts receivable	325.0	309.7
Inventories (note 8)	654.2	641.6
Prepaid expenses	11.9	7.6
Income taxes receivable	5.4	25.0
Future income taxes	32.1	38.4
	<b>1,237.2</b>	<b>1,174.0</b>
Investments and other assets	188.0	169.1
Fixed assets	1,241.6	1,231.9
Intangible assets	323.5	328.6
Goodwill	1,478.6	1,478.6
Future income taxes	2.7	2.7
Accrued benefit assets	48.9	40.7
	<b>\$ 4,520.5</b>	<b>\$ 4,425.6</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank loans	\$ 1.1	\$ 0.9
Accounts payable	1,034.3	1,062.7
Income taxes payable	34.9	50.9
Future income taxes	6.0	6.0
Current portion of long-term debt	4.9	6.3
	<b>1,081.2</b>	<b>1,126.8</b>
Long-term debt	1,006.4	1,005.0
Accrued benefit obligations	50.2	50.7
Future income taxes	145.2	140.8
Other long-term liabilities	32.2	34.0
	<b>2,315.2</b>	<b>2,357.3</b>
<b>Shareholders' equity</b>		
Capital stock (note 9)	730.0	697.6
Contributed surplus	2.1	4.9
Retained earnings	1,476.4	1,366.8
Accumulated other comprehensive income (note 10)	(3.2)	(1.0)
	<b>2,205.3</b>	<b>2,068.3</b>
	<b>\$ 4,520.5</b>	<b>\$ 4,425.6</b>

See accompanying notes

# CONSOLIDATED STATEMENTS OF *cash flows*

PERIODS ENDED	12 weeks Fiscal Year		24 weeks Fiscal Year	
March 14, 2009 and March 15, 2008 (Unaudited) (Millions of dollars)	2009	2008 (Restated – note 2)	2009	2008 (Restated – note 2)
<b>Operating activities</b>				
Net earnings	\$ 76.3	\$ 54.0	\$ 157.4	\$ 127.8
Non-cash items				
Share of earnings in a public company subject to significant influence	(9.4)	(5.2)	(20.5)	(10.9)
Depreciation and amortization	42.6	39.6	84.2	79.7
Amortization of deferred financing costs	0.5	0.5	1.0	1.0
Gain on disposal and write-off of fixed and intangible assets	(0.6)	(0.9)	(0.6)	(1.2)
Gain on disposal of investments	—	(0.6)	—	(0.6)
Interest income on investments	(0.2)	—	(0.2)	—
Future income taxes	5.8	2.0	11.6	(8.0)
Stock-based compensation cost	1.0	0.9	2.1	1.5
Excess of amounts paid for employee future benefits over current period cost	(2.2)	(2.7)	(8.7)	(4.2)
Minority interest	—	(0.5)	—	(1.9)
	<b>113.8</b>	<b>87.1</b>	<b>226.3</b>	<b>183.2</b>
Net change in non-cash working capital related to operations	9.5	21.4	(52.2)	(61.7)
	<b>123.3</b>	<b>108.5</b>	<b>174.1</b>	<b>121.5</b>
<b>Investing activities</b>				
Net change in investments and other assets	(2.5)	2.7	(2.7)	1.0
Dividends from public company subject to significant influence	0.8	0.8	1.5	1.5
Acquisition of fixed assets	(37.0)	(19.9)	(89.1)	(63.9)
Disposal of fixed assets	11.1	6.1	11.8	6.4
Acquisition of intangible assets	(7.6)	(11.0)	(11.8)	(21.3)
	<b>(35.2)</b>	<b>(21.3)</b>	<b>(90.3)</b>	<b>(76.3)</b>
<b>Financing activities</b>				
Net change in bank loans	(2.1)	(24.6)	0.2	0.1
Issuance of shares (note 9)	18.8	0.9	36.2	1.9
Redemption of shares (note 9)	(13.8)	(10.4)	(23.1)	(51.3)
Acquisition of treasury shares (note 9)	(4.3)	(0.9)	(4.3)	(0.9)
Increase of long-term debt	1.1	0.3	3.8	1.1
Repayment of long-term debt	(3.4)	(1.3)	(5.7)	(3.0)
Net change in other long-term liabilities	(2.6)	1.1	(4.9)	(0.5)
Dividends paid	(15.3)	(14.1)	(29.1)	(27.3)
	<b>(21.6)</b>	<b>(49.0)</b>	<b>(26.9)</b>	<b>(79.9)</b>
<b>Net change in cash and cash equivalents</b>	<b>66.5</b>	<b>38.2</b>	<b>56.9</b>	<b>(34.7)</b>
Cash and cash equivalents – beginning of period	142.1	27.6	151.7	100.5
Cash and cash equivalents – end of period	\$ 208.6	\$ 65.8	\$ 208.6	\$ 65.8
<b>Other information</b>				
Interest paid	1.0	6.8	23.3	30.4
Income taxes paid	29.2	20.7	52.9	62.8

See accompanying notes

2<sup>ND</sup> Q U A R T E R 2 0 0 9

## CONSOLIDATED STATEMENTS OF *retained earnings*

24-WEEK PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008 <i>(Unaudited) (Millions of dollars)</i>	Fiscal Year	
	2009	2008 <i>(Restated – note 2)</i>
Balance – beginning of period	\$ 1,359.6	\$ 1,214.3
Adjustment due to a new accounting policy related to inventories <i>(note 2)</i>	7.2	7.7
Restated balance	1,366.8	1,222.0
Net earnings	157.4	127.8
Dividends	(29.1)	(27.3)
Share redemption premium	(18.7)	(39.0)
Balance – end of period	\$ 1,476.4	\$ 1,283.5

See accompanying notes

2<sup>ND</sup> Q U A R T E R 2 0 0 9

## CONSOLIDATED STATEMENTS OF *comprehensive income*

PERIODS ENDED March 14, 2009 and March 15, 2008 <i>(Unaudited) (Millions of dollars)</i>	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2009	2008 <i>(Restated – note 2)</i>	2009	2008 <i>(Restated – note 2)</i>
Net earnings	\$ 76.3	\$ 54.0	\$ 157.4	\$ 127.8
Other comprehensive income <i>(note 10)</i>				
Change in fair value of derivatives designated as cash flow hedges	(0.4)	(2.8)	(3.1)	(3.6)
Corresponding income taxes	0.1	0.9	0.9	1.2
Comprehensive income	\$ 76.0	\$ 52.1	\$ 155.2	\$ 125.4

See accompanying notes

# NOTES TO INTERIM *consolidated statements*

PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008  
(Unaudited) (Millions of dollars, unless otherwise indicated)

## **1** STATEMENT PRESENTATION

The unaudited interim consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies and procedures used in preparing these interim consolidated financial statements are the same as those used in preparing the audited annual consolidated financial statements for the year ended September 27, 2008, except for the new accounting policies described in note 2. The unaudited interim consolidated financial statements should be read along with the audited annual consolidated financial statements and notes to the statements in the Company's 2008 Annual Report. The operating results for the interim period covered do not necessarily reflect overall results for the fiscal year. Certain comparative figures have been reclassified to conform to the presentation being used in the current fiscal year.

## **2** NEW ACCOUNTING POLICIES ADOPTED IN 2009

**INVENTORIES** In the first quarter of 2009, the Company adopted Section 3031 "Inventories". Under this new standard, inventories shall be measured at the lower of cost and net realizable value and the retail method may be used if it is close to cost. Furthermore, all costs incurred in bringing the inventories to their present location and condition shall be included in the cost of inventories. Other costs shall be recognized as expenses in the period in which they are incurred.

The Company measures its wholesale inventories at the lower of cost, determined by the average cost method net of certain considerations received from vendors, and net realizable value. Retail inventories are valued at the retail price less the gross margin and certain considerations received from vendors. Following this new section's adoption, the Company has included certain costs in its cost of inventories, such as receiving and shelving costs and also costs for products transformed in store. Warehousing costs are recognized as operating expenses.

The new Section 3031 was applied retrospectively with restatement of prior periods' financial statements.

The Company recorded the following adjustments in fiscal 2009:

### Balance sheet components

<i>Increase or (Decrease)</i>	Beginning balance September 28, 2008
Inventories	26.0
Goodwill	(11.5)
Long-term future income taxes liability	7.3
Retained earnings	7.2

## NOTES TO INTERIM *consolidated statements*

PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008  
(Unaudited) (Millions of dollars, unless otherwise indicated)

The Company recorded the following adjustments to its fiscal 2008 second quarter:

### Balance sheet components

<i>Increase or (Decrease)</i>	Beginning balance September 30, 2007	Ending balance March 15, 2008
Inventories	26.8	26.8
Goodwill	(11.5)	(11.5)
Long-term future income tax liability	7.6	7.6
Retained earnings	7.7	7.7

### Earnings components

<i>Increase or (Decrease)</i>	12-week period ended March 15, 2008
Cost of sales and operating expenses	5.7
Income taxes	(1.6)
Net earnings	(4.1)
Basic net earnings per share ( <i>Dollars</i> )	(0.04)
Fully diluted net earnings per share ( <i>Dollars</i> )	(0.03)

The adjustments on the earnings for the 24-week period of 2008 are not material.

**GOODWILL AND INTANGIBLE ASSETS** In the first quarter of 2009, the Company adopted the Section 3064 "Goodwill and Intangible Assets". The new section states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. As for subsequent measurement of intangible assets, goodwill and disclosure, Section 3064 carries forward the requirements of the old Section 3062 "Goodwill and Other Intangible Assets". The adoption of these guidelines did not have any material effect on the Company's results, financial position or cash flows.

**CREDIT RISK AND THE FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES** In the second quarter of 2009, the Company adopted EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". Under this new standard, an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of these guidelines did not have any material effect on the Company's results, financial position or cash flows.

## NOTES TO INTERIM *consolidated statements*

PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008  
(Unaudited) (Millions of dollars, unless otherwise indicated)

### 3 BANNER CONVERSION COSTS

On August 7, 2008, the Company announced its conversion plan for changing the five banners under which it operates its 159 Ontario supermarkets to the Metro banner by December 2009. The Company also announced that an amount of approximately \$25 will be incurred for this conversion, most of which had already been recorded under the A&P Canada integration plan.

Banner conversion costs of \$5.8 for the 24-week period of 2009, including \$1.3 incurred in the second quarter, are part of those not recorded under the A&P Canada integration plan. More costs will be incurred and expensed over the next few quarters.

### 4 EMPLOYEE FUTURE BENEFITS

The Company offers several defined benefit and defined contribution plans that provide most participants with pension, other retirement and other post-employment benefits. The Company's defined benefit and defined contribution plan expenses were as follows:

	12 weeks Fiscal Year		24 weeks Fiscal Year		2009		2008	
	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans
<b>Defined contribution plans</b>	<b>\$ 6.2</b>	<b>\$ 0.2</b>	\$ 5.9	\$ 0.1	<b>\$ 12.8</b>	<b>\$ 0.3</b>	\$ 12.0	\$ 0.2
<b>Defined benefit plans</b>								
Current service cost	4.7	0.3	5.2	0.3	9.6	0.6	10.5	0.7
Interest cost	7.8	0.5	7.0	0.5	15.5	0.9	14.1	0.9
Projected return on plan assets	(9.2)	—	(9.7)	—	(18.3)	—	(19.5)	—
Amortization of actuarial losses (gains) and past service cost	0.4	(0.1)	0.4	—	0.7	(0.1)	0.7	—
	<b>3.7</b>	<b>0.7</b>	2.9	0.8	<b>7.5</b>	<b>1.4</b>	5.8	1.6
	<b>\$ 9.9</b>	<b>\$ 0.9</b>	\$ 8.8	\$ 0.9	<b>\$ 20.3</b>	<b>\$ 1.7</b>	\$ 17.8	\$ 1.8

## NOTES TO INTERIM *consolidated statements*

PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008  
(Unaudited) (Millions of dollars, unless otherwise indicated)

### 5 FINANCIAL COSTS, NET

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2009	2008	2009	2008
Interest, short term	\$ 0.3	\$ 1.0	\$ 0.9	\$ 2.0
Interest, long term	10.7	13.9	22.8	28.1
Amortization of deferred financing costs	0.5	0.5	1.0	1.0
Interest income	(0.7)	(0.9)	(1.4)	(2.6)
	<b>\$ 10.8</b>	<b>\$ 14.5</b>	<b>\$ 23.3</b>	<b>\$ 28.5</b>

### 6 INCOME TAXES

The effective income tax rates were as follows:

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2009	2008 (Restated – note 2)	2009	2008 (Restated – note 2)
(Percentage)				
Combined statutory income tax rate	31.2	31.2	31.3	31.4
Changes				
Impact of federal tax rate decrease of 3.5% on future taxes (2008 – \$11.4)	—	—	—	(6.9)
Share of earnings in a public company subject to significant influence	(1.4)	(1.0)	(1.5)	(1.1)
Other	0.3	(0.6)	0.3	(0.1)
	<b>30.1</b>	<b>29.6</b>	<b>30.1</b>	<b>23.3</b>

### 7 NET EARNINGS PER SHARE

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

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2009	2008	2009	2008
(Millions)				
Weighted average number of shares outstanding – Basic	111.2	113.0	110.9	113.5
Dilutive effect under stock option plan and performance share units	0.9	0.6	0.9	0.9
Weighted average number of shares outstanding – Diluted	<b>112.1</b>	<b>113.6</b>	<b>111.8</b>	<b>114.4</b>

## NOTES TO INTERIM *consolidated statements*

PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008  
(Unaudited) (Millions of dollars, unless otherwise indicated)

### 8 INVENTORIES

The breakdown of inventories was as follows:

	<b>As at March 14, 2009</b>	<b>As at September 27, 2008 (Restated – note 2)</b>
Wholesale inventories	<b>\$ 291.2</b>	\$ 293.7
Retail inventories	<b>363.0</b>	347.9
	<b>\$ 654.2</b>	\$ 641.6

The cost of inventories recognized as an expense for the 12-week period ended March 14, 2009 was \$2,101.9 (2008 – \$1,972.4) and \$4,241.8 for the 24-week period of 2009 (2008 – \$4,059.2).

### 9 CAPITAL STOCK OUTSTANDING

	Class A Subordinate Shares		Class B Shares		Total
	Number (Thousands)	\$	Number (Thousands)	\$	
Balance as at September 27, 2008	109,806	\$ 696.1	750	\$ 1.5	\$ 697.6
Shares issued for cash — options exercised	1,692	36.2	—	—	36.2
Transfer from contributed surplus — options exercised	—	1.3	—	—	1.3
Shares redeemed for cash, excluding premium of \$18.7	(686)	(4.4)	—	—	(4.4)
Conversion of Class B Shares into Class A Subordinate Shares	11	—	(11)	—	—
Acquisition of treasury shares, excluding premium of \$3.6	(115)	(0.7)	—	—	(0.7)
Balance as at March 14, 2009	110,708	\$ 728.5	739	\$ 1.5	\$ 730.0

**STOCK OPTION PLAN** As at March 14, 2009, 1,874,060 stock options were outstanding at exercise prices varying from \$17.23 to \$39.17, with expiry dates up to 2015. Of these stock options, 594,680 could be exercised for a weighted average exercise price of \$25.21.

## NOTES TO INTERIM *consolidated statements*

PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008  
(Unaudited) (Millions of dollars, unless otherwise indicated)

Granted stock options were as follows:

	24 weeks Fiscal Year	
	2009	2008
Granted stock options during the period ( <i>Units</i> )	<b>10,000</b>	53,800
Weighted average exercise price ( <i>Dollars</i> )	<b>33.60</b>	28.09
Weighted average fair value ( <i>Dollars</i> )	<b>7.58</b>	7.54

No stock options were granted during the 12-week periods ended March 14, 2009 and March 15, 2008.

During the 24-week period ended March 14, 2009, the weighted average fair value of stock options granted during the period was established at the time of grant using the Black & Scholes model and based on the following weighted average assumptions: risk-free interest rate of 2.8% (2008 — 3.8%), expected six-year term (2008 – six-year term), anticipated volatility of 22.0% (2008 — 25.0%) and an anticipated 1.4% dividend yield (2008 — 1.5%).

The compensation expense for these stock options amounted to \$0.5 for the 12-week period ended March 14, 2009 (2008 — \$0.4) and to \$1.0 for the 24-week period of 2009 (2008 — \$0.7).

**PERFORMANCE SHARE UNIT PLAN** As at March 14, 2009, 293,174 performance share units (PSUs) were outstanding. During the second quarter of 2009, 82,702 PSUs were granted (2008 — 80,694) and no PSU was cancelled (2008 – 1,778). During the 24-week period ended March 14, 2009, 82,702 PSUs were granted (2008 – 108,441) and no PSU was cancelled (2008 — 6,912).

As at March 14, 2009, 309,000 shares were held in trust for participants until the PSUs shall have vested or been cancelled (194,000 as at September 27, 2008). During this quarter, 115,000 shares (2008 – 40,000) have been acquired for a total of \$4.3 (2008 – \$0.9).

A compensation expense of \$0.5 and \$1.1 respectively during the 12-week period and the 24-week period ended March 14, 2009 pertaining to PSUs was recorded (2008 – \$0.5 and \$0.8).

NOTES TO INTERIM *consolidated statements*

PERIODS ENDED MARCH 14, 2009 AND MARCH 15, 2008  
(Unaudited) (Millions of dollars, unless otherwise indicated)

**10 ACCUMULATED OTHER COMPREHENSIVE INCOME**

Derivatives designated as cash flow hedges constitute the sole item in Accumulated Other Comprehensive Income. The changes that occurred during the 24-week period were as follows:

	Fiscal Year	
	2009	2008
Balance — beginning of period	\$ (1.0)	\$ 1.2
Change in fair value of derivatives designated net of income taxes of \$0.9 (2008 — \$1.2)	(2.2)	(2.4)
Balance — end of period	\$ (3.2)	\$ (1.2)

**INFORMATION**

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