2015 annual report

company profile

With annual sales of over $12 billion and over 65,000 employees, METRO is a leader in food and pharmaceutical distribution in Québec and Ontario, where it operates or supplies a network of 590 food stores under several banners including Metro, Metro Plus, Super C, Food Basics, Adonis and Première Moisson, as well as 254 drugstores under the Brunet, Metro Pharmacy and Drug Basics banners.

2015 highlights

Sales of $12,223.8 million, up 5.5%

Net earnings of $519.3 million, up 13.8%

Adjusted net earnings [1] of $523.6 million, up 13.6%

Fully diluted net earnings per share of $2.01, up 18.9%

Adjusted fully diluted net earnings per share [1] of $2.03, up 18.7%

Return on equity of 19.4%, exceeding 14% for the 22nd consecutive year

Dividends per share increase of 17.4%, the 21st consecutive year of dividend growth

Closing share price of $35.73, up 45.1%

retail network

	Québec	Ontario	Total
SUPERMARKETS	207 METRO METRO PLUS	136 METRO	343
DISCOUNT STORES	89 SUPER C	124 FOOD BASICS	213
PARTNERS			
ADONIS	7	2	9
PREMIÈRE MOISSON	24	1	25
TOTAL	327	263	590
DRUGSTORES	181 BRUNET BRUNET PLUS BRUNET CLINIQUE CLINI PLUS	73 PHARMACY DRUG BASICS	254

Forward-Looking Information: For any information on statements in this Annual Report that are of a forward-looking nature, see section on "Forward-looking information" on page 24 in the Management's Discussion and Analysis (MD&A).

[1] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements" on pages 15 and 24 in the MD&A

supermarkets

discount stores

partners

drugstores

financial highlights

	2015 52 WEEKS	2014 52 WEEKS	2013 52 WEEKS	2012 53 WEEKS	2011 WEEKS
operating results (millions of dollars)					
Sales	**12,223.8**	11,590.4	11,399.9	11,674.9	11,070.0
OI[1][2]	**857.8**	781.5	765.3	813.9	716.7
Net earnings	**519.3**	456.2	703.9	478.4	382.9
Adjusted net earnings from continuing operations[2][3]	**523.6**	460.9	460.7	460.6	398.8
Cash flows from operating activities	**678.3**	433.1	566.0	546.1	542.4
financial structure (millions of dollars)					
Total assets	**5,387.1**	5,279.5	5,064.2	5,154.9	4,817.4
Non-current debt	**1,145.1**	1,044.7	650.0	973.9	656.2
Equity	**2,657.2**	2,684.1	2,799.8	2,532.7	2,399.3
per share (dollars)					
Basic net earnings	**2.03**	1.70	2.44	1.59	1.24
Fully diluted net earnings	**2.01**	1.69	2.43	1.58	1.23
Adjusted fully diluted net earnings from continuing operations[2][3]	**2.03**	1.71	1.58	1.52	1.28
Book value	**11.00**	10.59	10.21	8.69	7.91
Dividends	**0.4500**	0.3833	0.3217	0.2792	0.2492
financial ratios (%)					
OI[1][2]/Sales	**7.0**	6.7	6.7	7.0	6.5
Return on equity	**19.4**	16.6	26.4	19.4	16.2
Non-current debt/total capital	**30.1**	28.0	18.8	27.8	29.9
share price (dollars)					
High	**38.10**	24.93	25.27	19.89	16.52
Low	**24.27**	20.00	18.84	14.59	14.04
Closing price (at year-end)	**35.73**	24.62	21.58	19.47	14.90

[1] Operating income before depreciation and amortization and associate's earnings
[2] See section on "IFRS and non-IFRS measurements" on page 24 in the MD&A
[3] See table on "Net earnings adjustments" on page 15 in the MD&A

sales
(millions of dollars)

Year	Sales
2015	12,223.8
2014	11,590.4
2013	11,399.9
2012	11,674.9
2011	11,070.0

fully diluted net earnings per share
(dollars)

Year	Value
2015	2.01
2014	1.69
2013	2.43
2012	1.58
2011	1.23

adjusted fully diluted net earnings per share from continuing operations [2][3]
(dollars)

Year	Value
2015	2.03
2014	1.71
2013	1.58
2012	1.52
2011	1.28

message from the chair of the board

Dear Shareholders,

I joined METRO INC.'s Board of Directors in 2008 and I was truly honoured last January to be appointed Chair of this great company, a leading Canadian food and pharmaceutical retailer and distributor.

In a fiercely competitive context, METRO had another strong year and its results strengthen our confidence in the strategy put in place by the executive team and the ability of the teams to successfully implement that strategy on a daily basis.

STRATEGIC PLANNING

As in past years, the Board reviewed the Corporation's strategic planning and supported management in respect of our network investment strategy as well as our many projects related to customer experience. The Board also examined and approved the financing activities and authorized the subdivision of our Common Shares on a three-for-one basis. We ascertained the quality of the company's risk management and maintained exemplary standards of governance at all times.

DIVERSITY

METRO recognizes how valuable diversity is, particularly in terms of experience, expertise and representation of women and men on the Board. For that reason, this year the Board adopted a written policy with respect to the Board of Directors' diversity, pursuant to its signature of the Catalyst Accord in 2012, confirming its intention to maintain Board composition in which each gender comprises at least 25% of the Directors. We're proud of the fact that there are five women on our Board, which represents 36% of its members.

TRANSITION ON THE BOARD OF DIRECTORS

Two of our long standing Board members, Paule Gauthier, a Director since 2001, and Michael T. Rosicki, a Director since 2009, will not be standing for re-election having reached the Board's mandatory retirement age. On behalf of my colleagues and all our shareholders, I would like to thank them for their contribution and leadership over the years. Their experience and unfailing professionalism were of tremendous value to the Corporation.

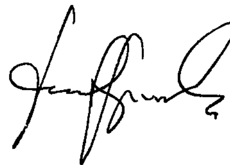
We will propose two new candidates as Board members: Christine Magee and Marc Guay. Ms. Magee is Co-Chair of the Board of Directors of Sleep Country Canada Holdings Inc., a 224-store chain, which she co-founded in 1994 and where she served as President until 2014. Mr. Guay was until just recently President of PepsiCo Foods Canada Inc., a position he had held since 2008, having spent 29 years at PepsiCo. Our Board of Directors will benefit from their vast retail and food industry experience.

RÉAL RAYMOND
Chair of the Board

AN HONOUR FOR THE GREAT METRO TEAM

In closing, I would like to acknowledge the honour bestowed upon Eric R. La Flèche, who was named CEO of the Year, Large Enterprise, by *Les Affaires*, a respected and well-known Québec business weekly. The award is the crowning achievement of a year of solid performance for METRO and recognizes the quality of Eric's leadership over the years. Of course to succeed, you have to surround yourself with the right people and the honour is definitely a reflection of METRO's great team. Congratulations to all.

I would like to thank the members of the Board of Directors for their contribution throughout the year as well as the shareholders for their trust.



RÉAL RAYMOND
Chair of the Board

message from the president and CEO

We invested with our retailers close to $220 million in our retail network, opening seven new stores as well as expanding or remodeling 20 others, for a gross expansion of 375,100 square feet and a net increase of 63,200 square feet or 0.3% of our retail network.

In Québec, Metro focused its efforts on renovating several stores to make the fresh products departments more appealing, as well as on the *metro&me* loyalty program with more personalized offers. Super C added three new stores and launched its *Zero Compromise* program, positioning itself as the best choice for consumers looking for quality at the lowest price.

ERIC R. LA FLÈCHE
President and Chief Executive Officer

Dear Fellow Shareholders,

I am pleased to present our annual report for the year ended September 26, 2015. We achieved excellent financial and operational performance, as all of our banners, in both Québec and Ontario, contributed to our sales growth. In a highly competitive market, we saw an increase in customer visits and in average transactions, which resulted in market share gains in both provinces.

Unlike recent years, we experienced some inflation in food prices, largely caused by the weakness of the Canadian dollar. We were able to properly manage those price increases, particularly with respect to meat, while at the same time making sure to continue to offer competitive prices to our customers.

Sales reached $12,223.8 million in 2015, compared to $11,590.4 million in 2014, up 5.5%. Same-store sales were up 4.0%. Adjusted net earnings[1] were $523.6 million, compared to $460.9 million in 2014, up 13.6%. Adjusted fully diluted net earnings per share[1] were $2.03, up 18.7% and the return on equity was 19.4%, exceeding 14% for a 22nd consecutive year.

These results reflect solid execution by all our teams, our investments in our network, our merchandising programs and digital innovations, all of which are designed to continuously improve the customer experience.

Given the strong performance of our share price over the last few years and in order to increase the number of shares outstanding and to make them more accessible for all investors, the Board of Directors approved, during the first quarter, the split of our Common Shares on a three-for-one basis. The shares traded in a range between $24.27 and $38.10 and the price at the end of the fiscal year was $35.73, up 45.1% for the year, 83.5% over three years and 137.4% over five years.

THE BEST CUSTOMER EXPERIENCE IN EACH OF OUR BANNERS

Throughout the year, we focused on constantly improving the customer experience in all of our stores. Our *customer first* strategy delivered the goods: the number of customers who shop in our stores increased and their level of satisfaction improved.

The adjustments made to our Ontario network in 2014 contributed to our better results. The opening last March of the Humber Bay Park Metro in Toronto is an example of our determination to differentiate the Metro brand: this urban store offers a wide range of meal solutions, fresh products, including a fine cheese section, sushi counter and rotisserie. Food Basics opened two new stores and remodeled eight stores and the *Always Fresh; Always in Stock; Always Great Prices* commercial program continued to resonate well with customers.

Adonis and Première Moisson also contributed to our strong performance. Québec Metro stores now offer a wider variety of Première Moisson bakery and deli products. As for Adonis, the network continued to expand with the opening of a nineth store last summer in the Montréal area. Québec Metro stores offered the best marinated meat from Adonis last summer for the barbecue season.

We continued to develop our digital ecosystem with our award-winning *Just for Me* innovation on our *metro.ca* website. New features were introduced and users are offered more personalised content. *Just for Me* was recognized in the industry with the Boomerang grand prize in the *Digital Loyalty Strategy* category.

[1] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements" on pages 15 and 24 in the MD&A

message from the president and CEO (cont.)

Our private label products continued to shine by winning several prestigious industry awards once again this year, acknowledgements that confirm their popularity with our clientele.

Our pharmaceutical division continued to grow in Québec with the opening of three new Brunet drugstores and the renovation of seven others. The expertise of the Brunet pharmacists, coupled with a client-focused training program helped make the shopping experience even more pleasant. In Ontario, we opened three new pharmacies in Food Basics stores and carried out three renovations. We continued to implement our nutrition program to differentiate our services.

SOLID BALANCE SHEET

Our financial position remains very solid. At the end of fiscal 2015, our non-current debt corresponded to 30.1% of the combined total of non-current debt and equity. We also had an unused revolving credit facility of more than $500 million. As we have been doing for several years, we used our excess liquidity to support our normal course issuer bid program. Between September 10, 2014 and September 9, 2015, the Corporation repurchased 11,934,311 shares at an average price of $31.94 for a total consideration of $381.1 million, representing 4.7% of the shares issued and outstanding in September of 2014.

Our annual dividend increased by 17.4% in 2015, the 21st year of consecutive increase, to $0.45 per share and representing about 25% of 2014 adjusted net earnings[1], as compared to 22% and 20% the two preceding years, all in accordance with the target communicated to shareholders in January 2014.

Given the favourable market conditions for long-term financing, the Corporation refinanced its debt on December 1, 2014, by issuing a private placement of $300.0 million aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% maturing December 1, 2021, and $300.0 million aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044, for a total of $600.0 million. The proceeds were allocated to repayment of existing debt and other general corporate purposes, including the early redemption of the $200.0 million aggregate principal amount of its Series A notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015.

[1] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements" on pages 15 and 24 in the MD&A

Metro – Humber Bay Park

Metro Plus – St-Eustache

Super C – Rouyn

"Throughout the year, we focused on constantly improving the customer experience in all of our stores."

OUTLOOK[(1)]

Our 2015 results confirm that we have the right strategy to continue to grow. We plan to accelerate our investments in our retail network to approximately $300 million in 2016. Our strategic priorities are to continue to build a differentiated Metro brand, to grow our discount store business, to improve our efficiency in order to keep a competitive cost structure, and to pursue acquisitions that will strengthen our company.

We must of course remain attentive to our customers' needs and industry trends, which are evolving rapidly. Health and wellness, digital technologies as well as the rapid adoption of smart mobile devices are changing customers' expectations and the way to communicate with them in a meaningful way.

We will remain on the lookout for any opportunity to grow our market share in the food and pharmaceutical industry. We will continue to show disciplined financial management, always in the best long-term interest of the small Corporation and its shareholders.

(1) See section on "Forward-looking information" on page 24 in the MD&A

In closing, I would like to express my sincere gratitude to all our employees, our retailers and my senior management colleagues, for their dedication and contribution to our success. I would also like to thank the members of our Board of Directors for their advice and support, as well as our shareholders for their trust.

ERIC R. LA FLÈCHE
President and Chief Executive Officer

Food Basics – Hamilton

Adonis – Anjou

Brunet – du Marais

VISION

THE BEST CUSTOMER EXPERIENCE IN EACH OF OUR BANNERS

MISSION

Exceed our customers' expectations every day to earn their long-term loyalty

PILLARS

CUSTOMER FOCUS

BEST TEAM

EXECUTION

EFFICIENCY

CORPORATE RESPONSIBILITY

PROFITABLE GROWTH

In 2008, we had set a goal to be the most performing food retailer in Canada and our mission was defined as satisfying our customers every day in order to earn their long-term loyalty.

In 2015, our vision evolved in order to more strongly reflect the priority that we have placed on providing *the best customer experience in each of our banners*, which will make METRO the best performing retailer[(1)]. To do so, we have committed to *exceed our customers' expectations in order to earn their long-term loyalty.*

Our vision essentially rests on the same pillars and our goal is to achieve profitable growth for all; employees, shareholders, business partners and the communities that we serve.

[(1)] See section on "Forward-looking information" on page 24 in the MD&A

CORPORATE RESPONSIBILITY

To learn more about METRO's orientations and achievements with respect to Corporate Responsibility, please consult the documentation available online only at *metro.ca/responsibility*.

MD&A and consolidated financial statements

FOR THE YEAR ENDED **SEPTEMBER 26, 2015**

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The following Management's Discussion and Analysis sets out the financial position and consolidated results of METRO INC. for the fiscal year ended September 26, 2015, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 26, 2015. This report is based upon information as at November 27, 2015 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for fiscal 2015, is available on the SEDAR website at www.sedar.com.

OVERVIEW

The Corporation is a leader in the food and pharmaceutical industry in Québec and Ontario.

The Corporation, as a retailer or a distributor, operates under different banners in the traditional supermarket and discount segments. For those consumers wanting service, variety, freshness and quality, we operate 343 supermarkets under the Metro and Metro Plus banners. The 213 discount stores operating under the Super C and Food Basics banners offer products at low prices to consumers who are both cost-and quality-conscious. The Adonis banner, which currently has nine stores, is specialized in perishables and Mediterranean and Middle-Eastern products. The majority of these stores are owned by the Corporation or by structured entities and their financial statements are consolidated with those of the Corporation. Independent owners bound to the Corporation by leases or affiliation agreements operate a large number of Metro and Metro Plus stores. Supplying these stores contributes to our sales. The Corporation also acts as a distributor by providing medium-surface food stores and convenience stores with banners that reflect their environment and customer base. Their purchases are included in the Corporation's sales. The Corporation also operates Première Moisson, a company specializing in artisan breads and pastries, the production of premium charcuteries and ready-to-eat offerings, and gourmet specialities. Première Moisson sells its products to the Corporation's stores, to restaurant and distribution chains as well as directly to consumers in its 25 shops.

The Corporation also acts as franchisor and distributor for 181 franchised Brunet Plus, Brunet, Brunet Clinique, and Clini Plus drugstores, owned by independent pharmacists. The Corporation also operates 73 drugstores under Metro Pharmacy and Drug Basics banners and their sales are included in the Corporation's sales. Our sales also include the supply of non-franchised drugstores and various health centres.

GOAL, MISSION AND STRATEGY

The Corporation's goal is to provide the best customer experience in each of our banners.

Our mission is to exceed our customers' expectations day in and day out to earn their long-term loyalty.

The four pillars of our business strategy are : customer focus, best team, execution, efficiency.

We put the customer at the heart of every decision. In our supermarkets and our discount stores, friendly service, a pleasant and efficient shopping experience, quality products and competitive prices are our priorities.

The best team consists of leaders who put the Corporation's interests first. Employee growth and leadership development and succession planning ensure its continued strength.

Execution and efficiency means high operating standards across the board, a results-driven corporate culture, engaging all employees and monitoring performance so as to react swiftly.

Our business strategy is founded on corporate responsibility. The fundamental purpose of our actions is to ensure profitable growth for all: employees, shareholders, business partners and the communities that we serve.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

KEY PERFORMANCE INDICATORS

We evaluate the Corporation's overall performance using the following principal indicators:

- sales:
  - Same-store sales growth;
  - dollar value of the average basket (average customer transaction) and number of transactions;
  - average weekly sales;
  - average weekly sales per square foot;
  - percentage of sales represented by customers who are loyalty program members;
  - market share;
  - customer satisfaction;
- gross margins percentage;
- sales per hour worked by store to assess productivity;
- operating income before depreciation and amortization and associate's earnings(1) as a percentage of sales;
- net earnings as a percentage of sales;
- net earnings per share growth;
- return on equity;
- retail network investments:
  - dollar value and nature of store investments;
  - number of stores;
  - average store square footage;
  - network's total square footage.

KEY ACHIEVEMENTS IN FISCAL 2015

Our sales in 2015 rose 5.5% over those for 2014. Our customer-first strategies and our investments in our retail network enabled us to increase our sales in a very competitive market. As well, we increased our adjusted net earnings(2) by 13.6% and our adjusted fully diluted net earnings per share(2) by 18.7% over those for 2014. This performance is due to higher sales volume, discipline in all our operations and our share repurchase program. We realized several projects over the fiscal year, including the following major ones:

- Along with our retailers, we opened 7 new stores and carried out major renovations and expansions of 20 stores, for a gross expansion of 375,100 square feet and a net increase of 63,200 square feet or 0.3% of our retail network;

- We focussed on improving our fresh departments. We also introduced a program of local purchasing two years ago, allowing 115 suppliers to get into the Metro and Super C stores in their region.

- We launched several major features on our digital platforms including the *Just for Me* section with two new functionalities that offer our customers an even more personalized experience: a personalized flyer with the weekly specials organized according to their preferences and the essentials which are products that they buy frequently and can easily add to their shopping list;

- Food Basics continued its forward momentum with its *Always Fresh; Always in Stock; Always Great Prices* program launched in November 2013. Innovative merchandising and the quality of our fresh products have convinced increasing numbers of customers to shop at our stores;

- In January 2015, we launched the Super C *Zero Compromise* advertising campaign that was a resounding success. It defined the overall Super C offering and promised our customers that they wouldn't have to compromise on quality because products are always fresh, always in stock and always at great prices;

- We opened a new Adonis store in Anjou, Québec, the ninth in the chain. As well, during BBQ season last summer, Québec Metro supermarkets offered Adonis marinated meats thereby increasing the brand's visibility;

- Our pharmaceutical division's Brunet banner celebrated its 160th anniversary. More than ever, Brunet is synonymous with professionalism, excellence and health. The *MaSanté* tool was honoured with an award at the 35th annual Mercuriades gala;

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

- We emphasized Première Moisson's presence in our retail network by offering consumers an expanded selection of bakery, pastry and charcuterie products;
- We added 350 new products to our private labels. Our private labels were honoured again this year with several awards, notably at the Store Brands Innovation Awards;
- We designated dedicated store-level lead people in charge of environmental programs to support the pursuit of the organic and multimaterial recovery goal set out in our corporate responsibility plan. We are proud of our progress so far and continue our efforts;
- On December 1, 2014, we refinanced our debt, issuing a private placement of $300.0 million aggregate principal amount of Series C unsecured senior notes and $300.0 million aggregate principal amount of Series D unsecured senior notes for a total of $600.0 million. The proceeds of these issues were allocated to repayment of existing debt and other general corporate purposes;
- We carried out a three-for-one stock split in the second quarter. This is the third stock split for METRO since becoming a publicly-listed company;
- We continued our normal course issuer bid program, buying back over 12 million shares on the market over the fiscal year.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

SELECTED ANNUAL INFORMATION

(Millions of dollars, unless otherwise indicated)	**2015**	2014	Change %	2013	Change %
Sales	**12,223.8**	11,590.4	5.5	11,399.9	1.7
Net earnings attributable to equity holders of the parent	**506.1**	447.1	13.2	695.2	(35.7)
Net earnings attributable to non-controlling interests	**13.2**	9.1	45.1	8.7	4.6
Net earnings	**519.3**	456.2	13.8	703.9	(35.2)
Basic net earnings per share	**2.03**	1.70	19.4	2.44	(30.3)
Fully diluted net earnings per share	**2.01**	1.69	18.9	2.43	(30.5)
Net earnings from continuing operations attributable to equity holders of the parent	**506.1**	447.1	13.2	689.0	(35.1)
Net earnings from continuing operations attributable to non-controlling interests	**13.2**	9.1	45.1	8.7	4.6
Net earnings from continuing operations	**519.3**	456.2	13.8	697.7	(34.6)
Basic net earnings per share from continuing operations	**2.03**	1.70	19.4	2.42	(29.8)
Fully diluted net earnings per share from continuing operations	**2.01**	1.69	18.9	2.41	(29.9)
Adjusted net earnings from continuing operations[(2)]	**523.6**	460.9	13.6	460.7	—
Adjusted fully diluted net earnings per share from continuing operations[(2)]	**2.03**	1.71	18.7	1.58	8.2
Return on equity *(%)*	**19.4**	16.6	—	26.4	—
Dividends per share *(Dollars)*	**0.4500**	0.3833	17.4	0.3217	19.1
Total assets	**5,387.1**	5,279.5	2.0	5,064.2	4.3
Current and non-current portions of debt	**1,161.6**	1,057.1	9.9	662.4	59.6

Corporation sales were $12,223.8 million in 2015, up 5.5% from 2014 sales. Sales for 2014 were $11,590.4 million, up 1.7% from $11,399.9 million in 2013. In 2015, same-store-sales were up 4.0% while our aggregate food basket experienced inflation of 3.3%. After slowing slightly in the first two quarters of 2014, our sales improved in the second half of the year. Through disciplined investing, we lowered our retail prices to protect our market share and have seen encouraging sales momentum across all our banners. In 2013, fierce competition, especially in Ontario, impacted sales in our last two quarters due to an accelerated increase in competitive square footage. The absence of inflation in the food basket, the increase of promotional sales, the closure of a few unprofitable stores and temporary efficiency difficulties following the implementation of a new management system in our pharmaceutical warehouse also brought our sales down.

Net earnings for fiscal 2015 reached $519.3 million, up 13.8% from the previous fiscal year. Net earnings for fiscal 2014 were $456.2 million, down 35.2% from $703.9 million in fiscal 2013. Fully diluted net earnings per share were $2.01 in 2015, an increase of 18.9% from the previous year. Fully diluted net earnings per share for 2014 were $1.69 versus $2.43 in fiscal 2013, a decrease of 30.5%.

Net earnings from continuing operations for fiscal 2015 were $519.3 million, up 13.8% from the previous fiscal year. Net earnings from continuing operations for fiscal 2014 were $456.2 million versus $697.7 million in fiscal 2013, a decrease of 34.6%. Fully diluted net earnings per share from continuing operations were $2.01 in fiscal 2015, an increase of 18.9% from the previous year. Fully diluted net earnings per share from continuing operations were $1.69 in fiscal 2014 versus $2.41 in fiscal 2013, a decrease of 29.9%.

[(1)] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[(2)] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[(3)] See section on "Forward-looking information"

We recorded non-recurring items for all three fiscal years. In 2015, we incurred after-tax Series A notes early redemption fees of $4.3 million. In 2014, we decided to consolidate our Québec produce and dairy distribution operations at our new distribution centre in Laval and close our decades-old Québec City produce warehouse. Non-recurring closure costs of $4.7 million after taxes were recorded as a result of this decision. Finally, in 2013, we sold nearly half of our investment in Alimentation Couche-Tard to three financial institutions for a net after-tax gain of $266.4 million, decided to proceed with a reorganization of our Ontario store network for reorganization costs of $29.4 million after taxes, and recorded a net after-tax earnings of $6.2 million due to the gain on disposal of our Distagro division which supplied restaurant chains and convenience stores belonging to gas station chains.

Excluding these non-recurring items, adjusted net earnings from continuing operations(2) for 2015 were $523.6 million, up 13.6% from the $460.9 million in 2014 which were stable versus $460.7 million in 2013. Adjusted fully diluted net earnings per share from continuing operations(2) for 2015, 2014 and 2013 were, respectively, $2.03, $1.71 and $1.58, up 18.7% in 2015 and 8.2% in 2014.

Return on equity totalled 19.4% in 2015, 16.6% in 2014 and 26.4% in 2013. Dividends per share were $0.4500 in 2015, $0.3833 in 2014 and $0.3217 in 2013 representing $111.9 million, $100.6 million and $91.5 million respectively, or 24.3%, 21.8% and 20.4% of the previous fiscal years' adjusted net earnings from continuing operations(2). Total assets were $5,387.1 million in 2015, $5,279.5 million in 2014 and $5,064.2 million in 2013. Debt was $1,161.6 million in 2015, $1,057.1 million in 2014 and $662.4 million in 2013.

OUTLOOK

Our 2015 results confirm that we have the right strategy to continue(3) to grow. We plan(3) to accelerate our investments in our retail network to approximately $300 million(3) in 2016. Our strategic priorities are to continue(3) to build a differentiated Metro brand, to grow(3) our discount store business, to improve(3) our efficiency in order to keep a competitive cost structure, and to pursue(3) acquisitions that will strengthen our company.

We will remain(3) on the lookout for any opportunity to grow our market share in the food and pharmaceutical industry. We will continue(3) to show disciplined financial management, always in the best long-term interest of the Corporation and its shareholders.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

OPERATING RESULTS

SALES

Sales for fiscal 2015 totalled $12,223.8 million versus $11,590.4 million for fiscal 2014, an increase of 5.5% and same-store sales were up to 4.0%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS[1]

Operating income before depreciation and amortization and associate's earnings[1] for fiscal 2015 totalled $857.8 million or 7.0% of sales versus $781.5 million or 6.7% of sales for fiscal 2014 (6.8% excluding the non-recurring warehouse closure costs of $6.4 million).

Operating income before depreciation and amortization and associate's earnings adjustments (OI)[1]

	Fiscal Year					
	2015			2014		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	**(%)**	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	**857.8**	**12,223.8**	**7.0**	781.5	11,590.4	6.7
Closure expenses	**—**			6.4		
Adjusted operating income before depreciation and amortization and associate's earnings[1]	**857.8**	**12,223.8**	**7.0**	787.9	11,590.4	6.8

Gross margin on sales for fiscal 2015 was 19.7% versus 19.1% for fiscal 2014. The increase is attributable in part to the acquisition of Première Moisson and to higher sales of fresh products.

Operating expenses as a percentage of sales for fiscal 2015 was 12.7% versus 12.3% for 2014. This change is attributable mainly to the acquisition of Première Moisson in the fourth quarter of fiscal 2014.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for fiscal 2015 was $177.0 million versus $175.8 million for fiscal 2014.

For fiscal 2015, net financial costs totalled $58.7 million compared to $49.1 million in 2014. Early redemption fees of $5.9 million of Series A Notes were incurred in the first quarter of 2015.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $64.3 million for fiscal 2015 versus $49.8 million in 2014.

INCOME TAXES

The income tax expense was $161.2 million for fiscal 2015 and $150.2 million for fiscal 2014 represented effective tax rates of 23.7% and 24.8% respectively.

NET EARNINGS

Net earnings for fiscal 2015 were $519.3 million, an increase of 13.8% over net earnings of $456.2 million for fiscal 2014. Fully diluted net earnings per share rose 18.9% to $2.01 from $1.69 last year.

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[3] See section on "Forward-looking information"

ADJUSTED NET EARNINGS(2)

Excluding after-tax Series A Notes early redemption fees of $4.3 million in fiscal 2015 and after-tax warehouse closure costs of $4.7 million in fiscal 2014, adjusted net earnings(2) and adjusted fully diluted net earnings per share(2) of 2015 were up 13.6% and 18.7% respectively over those for 2014.

Net earnings adjustments

	Fiscal Year					
	2015		2014		Change *(%)*	
	(Millions of dollars)	**Fully diluted EPS *(Dollars)***	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	**519.3**	**2.01**	456.2	1.69	13.8	18.9
Closure expenses after taxes	**—**	**—**	4.7	0.02		
Early redemption fees after taxes	**4.3**	**0.02**	—	—		
Adjusted net earnings(2)	**523.6**	**2.03**	460.9	1.71	13.6	18.7

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2015**	2014	Change *(%)*
Sales			
Q1[4]	**2,840.5**	2,701.3	5.2
Q2[4]	**2,707.1**	2,554.8	6.0
Q3[5]	**3,842.3**	3,622.1	6.1
Q4[4]	**2,833.9**	2,712.2	4.5
Fiscal	**12,223.8**	11,590.4	5.5
Net earnings			
Q1[4]	**112.5**	99.2	13.4
Q2[4]	**111.6**	96.9	15.2
Q3[5]	**163.5**	144.5	13.1
Q4[4]	**131.7**	115.6	13.9
Fiscal	**519.3**	456.2	13.8
Adjusted net earnings[2]			
Q1[4]	**116.8**	103.9	12.4
Q2[4]	**111.6**	96.9	15.2
Q3[5]	**163.5**	144.5	13.1
Q4[4]	**131.7**	115.6	13.9
Fiscal	**523.6**	460.9	13.6
Fully diluted net earnings per share ***(Dollars)***			
Q1[4]	**0.43**	0.35	22.9
Q2[4]	**0.43**	0.36	19.4
Q3[5]	**0.64**	0.54	18.5
Q4[4]	**0.52**	0.44	18.2
Fiscal	**2.01**	1.69	18.9
Adjusted fully diluted net earnings per share[2] ***(Dollars)***			
Q1[4]	**0.45**	0.37	21.6
Q2[4]	**0.43**	0.36	19.4
Q3[5]	**0.64**	0.54	18.5
Q4[4]	**0.52**	0.44	18.2
Fiscal	**2.03**	1.71	18.7

[4] 12 weeks
[5] 16 weeks

Sales in the first quarter of 2015 totalled $2,840.5 million, up 5.2% compared to $2,701.3 million for the same quarter last year. Same-store sales were up 3.8%, and our aggregate food basket experienced inflation of 3.0%. In a market that remains intensely competitive, our merchandising strategies and investments in our store network enabled us to increase sales.

Sales in the second quarter of 2015 totalled $2,707.1 million, up 6.0% compared to $2,554.8 million for the same quarter last year. Same-store sales were up 4.5% and our aggregate food basket experienced inflation of 4.0%. In a market that remains very competitive, our merchandising strategies and investments in our store network supported our sales increase.

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[3] See section on "Forward-looking information"

Sales in the third quarter of 2015 totalled $3,842.3 million, up 6.1% compared to $3,622.1 million for the same quarter last year. Same-store sales were up 4.3% while our aggregate food basket experienced inflation of 3.5%. Our constant striving to stay on top of consumers' needs and our investments in our retail network allowed us to increase sales in a highly competitive market.

Sales in the fourth quarter of 2015 totalled $2,833.9 million, up 4.5% compared to $2,712.2 million for the same quarter last year. Same-store sales were up 3.4% (3.1% in the same quarter last year) while our aggregate food basket experienced inflation of 2.8%, lower than the last quarter. Our customer-first strategies and our investments in our retail network drove our higher sales in a very competitive market.

Net earnings for the first quarter of 2015 were $112.5 million, an increase of 13.4% over net earnings of $99.2 million for the same quarter of 2014. Fully diluted net earnings per share rose 22.9% to $0.43 from $0.35 last year. Excluding after-tax Series A Notes early redemption fees of $4.3 million in the first quarter of 2015 and after-tax Québec City produce warehouse closure costs of $4.7 million in the first quarter of 2014, 2015 first quarter adjusted net earnings(2) and adjusted fully diluted net earnings per share(2) were up 12.4% and 21.6% respectively over those for 2014.

Net earnings for the second quarter of 2015 were $111.6 million, an increase of 15.2% over net earnings of $96.9 million for the same quarter of 2014. Fully diluted net earnings per share rose 19.4% to $0.43 from $0.36 last year.

Net earnings for the third quarter of 2015 were $163.5 million, an increase of 13.1% over net earnings of $144.5 million for the same quarter of 2014. Fully diluted net earnings per share rose 18.5% to $0.64 from $0.54 last year.

Net earnings for the fourth quarter of 2015 were $131.7 million, an increase of 13.9% over net earnings of $115.6 million for the same quarter of 2014. Fully diluted net earnings per share rose 18.2% to $0.52 from $0.44 last year.

	2015					2014				
(Millions of dollars)	**Q1**	**Q2**	**Q3**	**Q4**	**Fiscal**	Q1	Q2	Q3	Q4	Fiscal
Net earnings	**112.5**	**111.6**	**163.5**	**131.7**	**519.3**	99.2	96.9	144.5	115.6	456.2
Closure expenses after taxes	**—**	**—**	**—**	**—**	**—**	4.7	—	—	—	4.7
Early redemption fees after taxes	**4.3**	**—**	**—**	**—**	**4.3**	—	—	—	—	—
Adjusted net earnings(2)	**116.8**	**111.6**	**163.5**	**131.7**	**523.6**	103.9	96.9	144.5	115.6	460.9

	2014					2013				
Per share *(Dollars)*	**Q1**	**Q2**	**Q3**	**Q4**	**Fiscal**	Q1	Q2	Q3	Q4	Fiscal
Fully diluted net earnings	**0.43**	**0.43**	**0.64**	**0.52**	**2.01**	0.35	0.36	0.54	0.44	1.69
Closure expenses after taxes	**—**	**—**	**—**	**—**	**—**	0.02	—	—	—	0.02
Early redemption fees after taxes	**0.02**	**—**	**—**	**—**	**0.02**	—	—	—	—	—
Adjusted fully diluted net earnings(2)	**0.45**	**0.43**	**0.64**	**0.52**	**2.03**	0.37	0.36	0.54	0.44	1.71

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of $678.3 million over fiscal 2015 compared to $433.1 million for 2014. The increase is due mainly to the $74.1 million increase in pre-tax earnings, the variance between the net change in non-cash working capital items in 2015 and that in 2014 and to lower taxes paid in 2015 versus 2014, when tax balances were paid on the 2013 gain on disposal of a portion of our investment in Alimentation Couche-Tard.

INVESTING ACTIVITIES

Investing activities required outflows of $253.1 million over fiscal 2015 versus $299.8 million for 2014. Fixed and intangible asset acquisitions were greater in 2015 than 2014, but fewer funds were utilized in 2015 due to 2014 business acquisitions.

During fiscal 2015, we and our retailers opened 7 new stores and carried out major expansions and renovations of 20 stores for a gross expansion of 375,100 square feet and a net increase of 63,200 square feet or 0.3% of our retail network.

FINANCING ACTIVITIES

In fiscal 2015, we utilized $439.7 million in funds versus $178.1 million for fiscal 2014. This change is attributable to a net debt increase of $90.5 million in 2015 versus $384.1 million in 2014 offset by a lower redemption of shares in 2015, in the amount of $418.0 million versus $459.7 million in 2014.

FINANCIAL POSITION

We do not anticipate[3] any liquidity risk and consider our financial position at the end of fiscal 2015 as very solid. We had an unused authorized revolving credit facility of $502.5 million. Our non-current debt corresponded to 30.1% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of fiscal 2015, the main elements of our non-current debt were as follows:

	Interest Rate	Maturity	Balance *(Millions of dollars)*
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	November 3, 2020	97.5
Series C Notes	3.20% fixed rate	December 1, 2021	300.0
Series B Notes	5.97% fixed rate	October 15, 2035	400.0
Series D Notes	5.03% fixed rate	December 1, 2044	300.0

At the end of fiscal 2015, we had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future foreign-denominated purchases of goods and services.

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[3] See section on "Forward-looking information"

Our main financial ratios were as follows:

	As at September 26, 2015	As at September 27, 2014
Financial structure		
Non-current debt *(Millions of dollars)*	**1,145.1**	1,044.7
Equity *(Millions of dollars)*	**2,657.2**	2,684.1
Non-current debt/total capital *(%)*	**30.1**	28.0

	Fiscal Year	
	2015	2014
Results		
Operating income before depreciation and amortization and associate's earnings[1]/Financial costs *(Times)*	**14.6**	15.9

CAPITAL STOCK

To increase the number of shares outstanding and enhance affordability to investors, during the second quarter of 2015, the Corporation carried out a 3-for-1 stock split of its Common Shares. All information pertaining to shares have been retroactively restated to reflect the effect of the stock split.

	Common Shares issued	
(Thousands)	**2015**	2014
Balance – beginning of year	**254,231**	274,944
Share redemption	**(12,676)**	(21,278)
Stock options exercised	**730**	565
Balance – end of year	**242,285**	254,231
Balance as at November 27, 2015 and November 28, 2014	**239,395**	253,365

	Treasury shares	
(Thousands)	**2015**	2014
Balance – beginning of year	**761**	787
Acquisition	**200**	225
Release	**(218)**	(251)
Balance – end of year	**743**	761
Balance as at November 27, 2015 and November 28, 2014	**743**	761

STOCK OPTIONS PLAN

	As at November 27, 2015	**As at September 26, 2015**	As at September 27, 2014
Stock options *(Thousands)*	**3,681**	**3,838**	4,125
Exercise prices *(Dollars)*	**11.66 to 35.94**	**11.66 to 35.94**	8.24 to 24.69
Weighted average exercise price *(Dollars)*	**20.60**	**20.34**	16.97

PERFORMANCE SHARE UNIT PLAN

	As at November 27, 2015	**As at September 26, 2015**	As at September 27, 2014
Performance share units *(Thousands)*	**741**	**741**	803

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between September 10, 2014 and September 9, 2015, the Corporation repurchased 11,934,311 Common Shares at an average price of $31.94 for a total of $381.1 million.

The Corporation decided to renew its normal course issuer bid program as an additional option for using excess funds in the Corporation's best interest. The Board of Directors authorized the Corporation to repurchase, in the normal course of business, between September 10, 2015 and September 9, 2016, up to 18,000,000 of its Common Shares representing approximately 7.4% of its issued and outstanding shares at the close of the Toronto Stock Exchange on August 31, 2015. Repurchases are made through the stock exchange at market price and in accordance with its policies and regulations, and in any other manner allowed by the stock exchange and by any other securities regulatory agency, including private transactions. Between September 10, 2015 and November 27, 2015, the Corporation has repurchased 4,790,600 Common Shares at an average price of $35.95 for a total of $172.2 million.

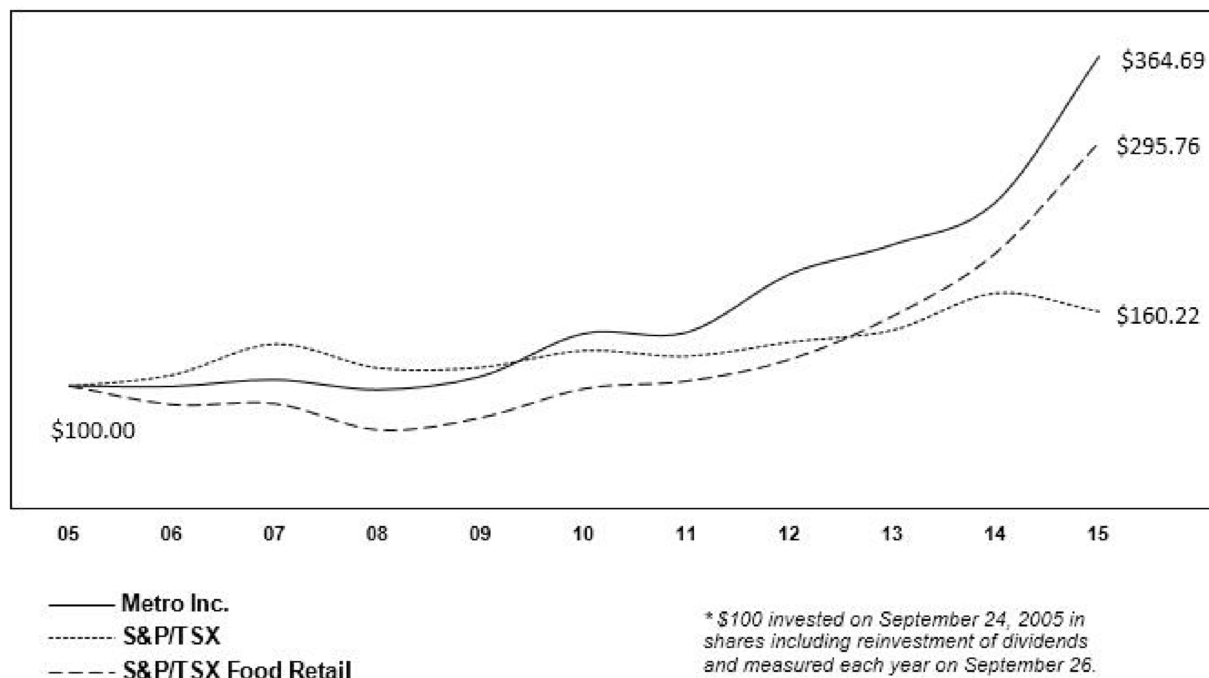
DIVIDEND POLICY

For the 21st consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 17.4%, to $0.4500 per share compared to $0.3833 in 2014, for total dividends of $111.9 million in 2015 compared to $100.6 million in 2014. Dividends paid in 2015 represented 24.3% of adjusted net earnings[(2)] of the preceding fiscal year compared to 21.8% in 2014, in accordance with the payout target communicated to shareholders in January 2014.

SHARE TRADING

The value of METRO shares remained in the $24.27 to $38.10 range throughout fiscal 2015 ($20.00 to $24.93 in 2014). A total of 184.5 million shares traded on the TSX during this fiscal year (215.1 million in 2014). The closing price on Friday, September 25, 2015 was $35.73, compared to $24.62 at the end of fiscal 2014. Since fiscal year-end, the value of METRO shares has remained in the $35.61 to $39.02 range. The closing price on November 27, 2015 was $38.75. METRO shares have maintained sustained growth over the last 10 years, reflecting a performance superior to that of the S&P/TSX index and the Canadian Food Industry sector index.

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

SOURCES OF FINANCING

Our operating activities as well as increased non-current debt generated in 2015 cash flows in the amount of $678.3 million and $90.5 million respectively. These major cash flows were used to finance our investing activities, including $258.8 million in fixed and intangible assets acquisition, to redeem shares for an amount of $418.0 million, to pay dividends of $111.9 million, and to carry out other investing and financing activities.

On December 1, 2014, the Corporation issued a private placement of $300.0 million aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% and maturing December 1, 2021, and $300.0 million aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044. The Corporation decided to allocate the proceeds to repayment of existing debt and other general corporate purposes. On December 5, 2014, the Corporation paid off its $335,0 million unsecured renewable revolving credit facility which had a weighted average interest rate of 2.39%. The Corporation also redeemed, on December 31, 2014, its $200.0 million aggregate principal amount of Series A Notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015. Early redemption fees of $5.9 million were recorded in 2015.

At 2015 fiscal year-end, our financial position mainly consisted of cash and cash equivalents in the amount of $21.5 million, a Revolving Credit Facility of $600.0 million maturing in 2020, $97.5 million of which were used, Series C Notes in the amount of $300.0 million maturing in 2021, Series B Notes in the amount of $400.0 million maturing in 2035 and Series D Notes in the amount of $300.0 million maturing in 2044.

We believe that cash flows from next year's operating activities should be sufficient to finance the Corporation's investing activities, including approximately $350 million[3] in fixed and intangible asset acquisitions.

CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

(Millions of dollars)	Facility and loans	Notes	Finance lease commitments	Service contract commitments	Operating lease commitments	Lease and sublease commitments[6]	Total
2016	15.9	48.6	6.5	68.4	178.5	42.9	360.8
2017	5.6	48.6	5.9	68.5	170.3	41.4	340.3
2018	5.0	48.6	5.4	65.1	149.2	38.5	311.8
2019	4.7	48.6	4.5	54.0	125.4	36.2	273.4
2020	4.3	48.6	3.5	22.5	102.9	32.0	213.8
2021 and thereafter	120.5	1,733.9	22.1	—	489.5	199.4	2,565.4
	156.0	1,976.9	47.9	278.5	1,215.8	390.4	4,065.5

[6] The Corporation has lease commitments with varying terms through 2034, to lease premises which it sublets to clients, generally under the same conditions.

RELATED PARTY TRANSACTIONS

During fiscal 2015, we supplied supermarkets held by a member of the Board of Directors and paid fees to Dunnhumby Canada, a joint venture, for analysis of our customer sales data. These transactions were carried out in the normal course of business and recorded at exchange value. They are itemized in note 27 to the consolidated financial statements.

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[3] See section on "Forward-looking information"

FOURTH QUARTER

(Millions of dollars, except for net earnings per share)	**2015**	2014	Change %
Sales	**2,833.9**	2,712.2	4.5
Operating income before depreciation and amortization and associate's earnings[1]	**207.4**	188.4	10.1
Net earnings	**131.7**	115.6	13.9
Fully diluted net earnings per share	**0.52**	0.44	18.2
Cash flows from:			
Operating activities	**248.0**	128.7	—
Investing activities	**(115.1)**	(162.1)	—
Financing activities	**(116.5)**	35.1	—

SALES

Sales in the fourth quarter of 2015 totalled $2,833.9 million, up 4.5% compared to $2,712.2 million for the same quarter last year. Same-store sales were up 3.4% (3.1% in the same quarter last year) while our aggregate food basket experienced inflation of 2.8%, lower than the last quarter. Our customer-first strategies and our investments in our retail network drove our higher sales in a very competitive market.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS[1]

Operating income before depreciation and amortization and associate's earnings[1] (Alimentation Couche-Tard) for the fourth quarter of 2015 totalled $207.4 million or 7.3% of sales versus $188.4 million or 6.9% of sales for the same quarter last year.

Gross margin on sales for the fourth quarter was 20.0% versus 19.3% for the corresponding quarter of 2014. The increase is attributable in part to the acquisition of Première Moisson and to higher sales of fresh products. Operating expenses as a percentage of sales for the fourth quarter 2015 was 12.6% versus 12.3% for the corresponding quarter of 2014. This change is attributable mainly to the acquisition of Première Moisson in the fourth quarter of fiscal 2014.

DEPRECIATION AND AMORTIZATION, NET FINANCIAL COSTS AND EARLY REDEMPTION FEES

Total depreciation and amortization expense for the fourth quarter of 2015 was $42.9 million versus $40.1 million for the corresponding quarter of 2014.

Net financial costs for the fourth quarter of 2015 totalled $13.4 million compared to $12.1 million for the corresponding quarter last year.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $21.4 million for the fourth quarter of 2015 versus $16.6 million for the corresponding quarter of 2014.

INCOME TAXES

The 2015 fourth quarter income tax expense of $40.8 million represented an effective tax rate of 23.7% compared with the 2014 fourth quarter tax expense of $37.2 million for an effective tax rate of 24.3%.

NET EARNINGS

Net earnings for the fourth quarter of 2015 were $131.7 million, an increase of 13.9% over net earnings of $115.6 million for the same quarter of 2014. Fully diluted net earnings per share rose 18.2% to $0.52 from $0.44 last year.

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[3] See section on "Forward-looking information"

CASH POSITION

Operating activities

Operating activities generated cash flows of $248.0 million in the fourth quarter of 2015 compared to $128.7 million for the corresponding quarter of 2014. The increase is attributable to the $19.7 million increase in pre-tax earnings and the variance between the net change in non-cash working capital items in 2015 and that in 2014.

Investing activities

Investing activities required outflows of $115.1 million in the fourth quarter of 2015 versus $162.1 million for the corresponding quarter of 2014. Fixed and intangible asset acquisitions were greater in 2015 than 2014, but fewer funds were utilized in the 2015 fourth quarter due to 2014 business acquisitions.

Financing activities

In the fourth quarter of 2015, financing activities required outflows of $116.5 million versus $35.1 million of generated cash flows in the same quarter of 2014. This change is attributable to the greater redemption of shares in the fourth quarter of 2015, in the amount of $143.1 million versus $68.0 million for the same quarter of 2014, and to a smaller net debt increase of $53.5 million in the fourth quarter of 2015 versus one of $126.4 million in the same quarter of 2014.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation adopted a risk management policy, approved by the Board of Directors in April 2010, setting forth guidelines relating to its use of derivative financial instruments. These guidelines prohibit the use of derivatives for speculative purposes. During fiscal 2015, the Corporation used derivative financial instruments as described in notes 2 and 29 to the consolidated financial statements.

NEW ACCOUNTING POLICIES

RECENTLY ISSUED

Financial instruments

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 “Financial Instruments”. This new standard replaces the various rules of IAS 39 “Financial Instruments: Recognition and Measurement” with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statement users to better understand an entity’s risk exposure and its risk management activities.

In July 2014, the IASB issued a new impairment model for financial assets based on expected credit losses. IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” which is a replacement of IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements.

In July 2015, the IASB deferred the mandatory effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

Presentation of financial statements

In December 2014, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

FORWARD-LOOKING INFORMATION

We have used, throughout this annual 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 in this report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as “continue”, “plan”, “grow”, “improve”, “pursue”, “remain”, “anticipate”, "expect", "estimate" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained in this report are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2016 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. The arrival of a new competitor is an example of those described under the “Risk Management” section of this annual report that could have an impact on these statements. We believe these statements to be reasonable and relevant as at the date of publication of this report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

IFRS AND NON-IFRS MEASUREMENTS

We have included certain International Financial Reporting Standards (IFRS) and non-IFRS earnings measurements. These measurements are presented for information purposes only. They do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measurements presented by other public companies.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

Operating income before depreciation and amortization and associate's earnings is a measurement of earnings before financial costs, taxes, depreciation and amortization **(EBITDA)**, early redemption fees and associate's earnings. It is an IFRS measurement and it is presented separately in the consolidated statements of income. We believe that this measurement helps readers of financial statements to better evaluate the Corporation's operational cash-generating capacity.

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS, ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS, ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization and associate's earnings, adjusted net earnings from continuing operations, adjusted fully diluted net earnings per share from continuing operations, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude non-recurring items. They are non-IFRS measurements. We believe that presenting earnings without non-recurring items leaves readers of financial statements better informed as to the current period and corresponding period's earnings, thus enabling them to better evaluate the Corporation's performance and judge its future outlook.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

CONTROLS AND PROCEDURES

The President and Chief Executive Officer, and the Senior Vice-President, Chief Financial Officer and Treasurer of the Corporation, are responsible for the implementation and maintenance of disclosure controls and procedures (DC&P), and of the internal control over financial reporting (ICFR), as provided for in National Instrument 52-109 regarding the Certification of Disclosure in Issuers' Annual and Interim Filings. They are assisted in this task by the Disclosure Committee, which is comprised of members of the Corporation's senior management.

An evaluation was completed under their supervision in order to measure the effectiveness of DC&P and ICFR. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President, Chief Financial Officer and Treasurer of the Corporation concluded that the DC&P and the ICFR were effective as at the end of the fiscal year ended September 26, 2015.

Therefore, the design of the DC&P provides reasonable assurance that material information relating to the Corporation is made known to it by others, particularly during the period in which the annual filings are being prepared, and that the information required to be disclosed by the Corporation in its annual filings, interim filings and other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Furthermore, the design of the ICFR provides reasonable assurance regarding the reliability of the Corporation's financial reporting and the preparation of its financial statements for external purposes in accordance with IFRS.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Our Management's Discussion and Analysis is based upon our annual consolidated financial statements, prepared in accordance with IFRS, and it is presented in Canadian dollars, our unit of measure. The preparation of the consolidated financial statements and other financial information contained in this Management's Discussion and Analysis requires management to make judgements, estimates and assumptions that affect the recognition and valuation of assets, liabilities, sales, other income and expenses. These estimates and assumptions are based on historical experience and other factors deemed relevant and reasonable and are reviewed at every closing date. The use of different estimates could produce different amounts in the consolidated financial statements. Actual results may differ from these estimates.

JUDGEMENTS

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

Consolidation of structured entities

The Corporation has no voting rights in certain food stores. However, the franchise contract gives it the ability to control these stores' main activities. Its decisions are not limited to protecting its trademarks. The Corporation retains the majority of stores' profits and losses. For these reasons, the Corporation consolidates these food stores in its financial statements.

The Corporation has no voting rights in the trust created for performance share unit plan participants. However, under the trust agreement, it instructs the trustee as to the sale and purchase of Corporation shares and payments to beneficiaries, gives the trustee money to buy Corporation shares, assumes vesting variability, and ensures that the trust holds a sufficient number of shares to meet its obligations to the beneficiaries. For these reasons, the Corporation consolidates this trust in its financial statements.

The Corporation also has an agreement with a distributor that operates a plant exclusively for the needs and according to the specifications of the Corporation’s, which assumes all costs. For these reasons, the Corporation consolidates this distributor in its financial statements.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

Investment in an associate

The Corporation holds less than 20% of the voting rights in an associate, but one of its representatives sits on the associate's board of directors and is involved in financial and operating policy decisions. Management has concluded that the Corporation exercises significant influence over the associate; so the Corporation in its consolidated financial statements, accounts for its investment in the associate using the equity method.

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free licence methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rate. The key assumptions are disclosed in notes 15 and 16 to the annual consolidated financial statements.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 24 to the annual consolidated financial statements.

Non-controlling interests

The non-controlling interest-related liability is calculated in relation to the price to be paid by the Corporation for the non-controlling interest, which price is based mainly on the future earnings of Adonis, Phoenicia and Première Moisson as of the date the options will become exercisable. Given the uncertainty associated with the estimation of these future earnings, the Corporation used, at the end of the fiscal year, its most probable estimate and various other assumptions, including the discount rate, growth rate and capital investments. Additional information is presented in note 29 to the annual consolidated financial statements.

RISK MANAGEMENT

Management identifies the main risks to which the Corporation is exposed as well as the appropriate measures for proactively managing these risks, and presents both the risks and risk reduction measures to the Audit Committee and the Board of Directors on an ongoing basis. Internal Audit has the mandate to audit all business risks triennially. Hence, each segment is audited every three years to ensure that controls have been implemented to deal with the business risks related to its business area.

In the normal course of business, we are exposed to various risks, which are described below, that could have a material impact on our earnings, financial position and cash flows. In order to counteract the principal risk factors, we have implemented strategies specifically adapted to them.

FOOD SAFETY

We are exposed to potential liability and costs regarding defective products, food safety, product contamination and handling. Such liability may arise from product manufacturing, packaging and labelling, design, preparation, warehousing, distribution and presentation. Food products represent the greater part of our sales and we could be at risk in the event of a major outbreak of food-borne illness or an increase in public health concerns regarding certain food products.

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[3] See section on "Forward-looking information"

To counter these risks, we apply very strict food safety procedures and controls throughout the whole distribution chain. Employees receive continuous training in this area from Metro's *L'École des professionnels*. Our main meat distribution facilities are *Hazard Analysis and Critical Control Point (*HACCP) accredited, the industry's highest international standard. Our systems also enable us to trace every meat product distributed from any of our main distribution centres to its consumer point of sale.

CRISIS MANAGEMENT

Events outside our control that could seriously affect our operations may arise. We have set up business recovery plans for all our operations. These plans provide for several disaster recovery sites, generators in case of power outages and back-up computers as powerful as the Corporation's existing computers. A steering committee oversees and regularly reviews all our recovery plans. We have also developed a contingency plan in the event of a pandemic to minimize its impact.

LABOUR RELATIONS

The majority of our store and distribution centre employees is unionized. Collective bargaining may give rise to work stoppages or slowdowns that could hurt us. We negotiate agreements with different maturity dates, conditions that ensure our competitiveness and terms that promote a positive work environment in all our business segments. We have experienced some minor labour conflicts over the last few years but expect[(3)] to maintain good labour relations in the future.

OCCUPATIONAL HEALTH AND SAFETY

Workplace accidents may occur at one of our sites. To minimize this risk, we developed an accident prevention policy. Furthermore at all of our sites, we have workplace health and safety committees responsible for accident prevention.

CORPORATE RESPONSIBILITY

If our actions do not respect our environmental, social and economic responsibilities, we are exposed to criticism, claims, boycotts and even lawsuits, should we fail to comply with to our legal obligations.

In order to go beyond its role of distributor and become an active player in sustainable development, the Corporation introduced in 2010 its Corporate Responsibility Roadmap. Closely linked to our business strategy, our approach is built on four pillars: Delighted Customers, Respect for the Environment, Strengthened Communities and Empowered Employees, all of which involve priorities. Every year since, the Corporation has published a report updating the progress of various projects, and a new 2016-2020 Corporate Responsibility Plan was developed in 2015. During the course of the 2014 fiscal year, the Fédération des chambres de commerce du Québec (Federation of Chambers of Commerce of Québec) awarded METRO First Prize in the Sustainable Development - Large Company category. For more information, visit *metro.ca/responsibility*.

REGULATIONS

Changes are regularly brought about to accounting policies, laws, regulations, rules or policies impacting our operations. We monitor these changes closely.

MARKET AND COMPETITION

Intensifying competition, the possible arrival of new competitors and changing consumer needs are constant concerns for us.

To cope with competition and maintain our leadership position in the Québec and Ontario markets, we are on the alert for new ways of doing things and new sites. We have an ongoing investment program for all our stores to ensure that our retail network remains one of the most modern in Canada.

We have also developed a successful market segmentation strategy. Our grocery banners: the conventional Metro supermarkets, Super C and Food Basics discount banners, and Adonis ethnic food stores, target three different market segments. In fiscal 2014, we acquired Première Moisson, a company specializing in artisan breads, pastries and charcuteries to enhance our product offering. In the pharmacy market, we have large, medium, and small pharmacies under the Brunet Plus, Brunet, Brunet Clinique, Clini Plus, Pharmacy, and Drug Basics banners.

(1) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
(3) See section on "Forward-looking information"

With the *metro&moi* and *Air Miles*® loyalty programs in our Metro and Metro Plus supermarkets and our partner Dunnhumby Canada Limited, we are able to know the buying habits of loyal customers, offer them personalized promotions and increase their purchases at our stores.

PRICE OF FUEL, ENERGY AND UTILITIES

We are a big consumer of utilities, electricity, natural gas and fuel. Increases in the price of these items may affect us.

SUPPLIERS

Negative events could affect a supplier and lead to service breakdowns and store delivery delays. As a remedy for this situation, we deal with several suppliers. In the event of a supplier's service breakdown, we can turn to another supplier reasonably quickly.

FRANCHISEES AND AFFILIATES

Some of our franchisees and affiliates might breach prescribed clauses of franchise or affiliation contracts, such as purchasing policies and marketing plans. Non-compliance with such clauses may have an impact on us. A team of retail operations advisers ensures our operating standards' consistent application in all of these stores.

FINANCIAL INSTRUMENTS

We make some foreign-denominated purchases of goods and services, exposing ourselves to exchange rate risks. According to our risk management policy, we may use derivative financial instruments, such as foreign exchange forward contracts. The policy's guidelines prohibit us from using derivative financial instruments for speculative purposes, but they do not guarantee that we will not sustain losses as a result of our derivative financial instruments.

We hold receivables generated mainly from sales to affiliate customers. To guard against credit losses, we have adopted a credit policy that defines mandatory credit requirements to be maintained and guarantees to be provided. Affiliate customer assets guarantee the majority of our receivables.

We are also exposed to liquidity risk mainly through our non-current debt and creditors. We evaluate our cash position regularly and estimate[3] that cash flows generated by our operating activities are sufficient to provide for all outflows required by our financing activities.

Montréal, Canada, December 11, 2015

[1] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS measurements"
[3] See section on "Forward-looking information"

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

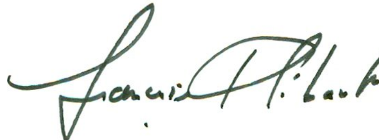
The preparation and presentation of the consolidated financial statements of METRO INC. and the other financial information contained in this Annual Report are the responsibility of management. This responsibility is based on a judicious choice of appropriate accounting principles and policies, the application of which requires making estimates and informed judgements. It also includes ensuring that the financial information in the Annual Report is consistent with the consolidated financial statements. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards and were approved by the Board of Directors.

METRO INC. maintains accounting systems and internal controls over the financial reporting process which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's affairs.

The Board of Directors fulfills its duty to oversee management in the performance of its financial reporting responsibilities and to review the consolidated financial statements and Annual Report, principally through its Audit Committee. This Committee is comprised solely of directors who are independent of the Corporation and is also responsible for making recommendations for the nomination of external auditors. Also, it holds periodic meetings with members of management as well as internal and external auditors to discuss internal controls, auditing matters and financial reporting issues. The external and internal auditors have access to the Committee without management. The Audit Committee has reviewed the consolidated financial statements and Annual Report of METRO INC. and recommended their approval to the Board of Directors.

The enclosed consolidated financial statements were audited by Ernst & Young LLP and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

Eric R. La Flèche
President and Chief Executive Officer



François Thibault
Senior Vice-President,
Chief Financial Officer and Treasurer

December 11, 2015

INDEPENDENT AUDITORS' REPORT

To the shareholders of **METRO INC.**

We have audited the accompanying consolidated financial statements of METRO INC., which comprise the consolidated statements of financial position as at September 26, 2015 and September 27, 2014, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **METRO INC.** as at September 26, 2015 and September 27, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada
November 17, 2015

[1] CPA auditor, CA, public accountancy permit no. A120803

A member firm of Ernst & Young Global Limited

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Annual Consolidated Financial Statements

METRO INC.

September 26, 2015

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Consolidated statements of income

Years ended September 26, 2015 and September 27, 2014
(Millions of dollars, except for net earnings per share)

	2015	2014
Sales *(notes 6 and 27)*	**12,223.8**	11,590.4
Cost of sales and operating expenses *(notes 6 and 27)*	**(11,366.0)**	(10,802.5)
Closure expenses *(note 6)*	**—**	(6.4)
Operating income before depreciation and amortization and associate's earnings	**857.8**	781.5
Depreciation and amortization *(note 6)*	**(177.0)**	(175.8)
Financial costs, net *(note 6)*	**(58.7)**	(49.1)
Early redemption fees *(notes 6 and 20)*	**(5.9)**	—
Share of an associate's earnings *(notes 6 and 11)*	**64.3**	49.8
Earnings before income taxes	**680.5**	606.4
Income taxes *(note 7)*	**(161.2)**	(150.2)
Net earnings	**519.3**	456.2
Attributable to:		
Equity holders of the parent	**506.1**	447.1
Non-controlling interests	**13.2**	9.1
	519.3	456.2
Net earnings per share *(Dollars) (notes 8 and 22)*		
Basic	**2.03**	1.70
Fully diluted	**2.01**	1.69

See accompanying notes

Consolidated statements of comprehensive income

Years ended September 26, 2015 and September 27, 2014

(Millions of dollars)

	2015	2014
Net earnings	**519.3**	456.2
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (losses)	**7.4**	(35.0)
Asset ceiling effect	**5.1**	4.7
Minimum funding requirement	**(1.2)**	8.0
Share of an associate's other comprehensive income	**0.2**	—
Corresponding income taxes	**(3.0)**	5.8
	8.5	(16.5)
Items that will be reclassified later to net earnings		
Share of an associate's other comprehensive income	**5.8**	0.1
Corresponding income taxes	**(0.8)**	—
	5.0	0.1
	13.5	(16.4)
Comprehensive income	**532.8**	439.8
Attributable to:		
Equity holders of the parent	**519.6**	430.7
Non-controlling interests	**13.2**	9.1
	532.8	439.8

See accompanying notes

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Consolidated statements of financial position

As at September 26, 2015 and September 27, 2014

(Millions of dollars)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	**21.5**	36.0
Accounts receivable *(notes 12 and 27)*	**290.6**	310.1
Inventories *(note 9)*	**824.2**	820.7
Prepaid expenses	**18.9**	15.8
Current taxes	**13.1**	8.5
	1,168.3	1,191.1
Assets held for sale *(note 10)*	**4.6**	5.2
	1,172.9	1,196.3
Non-current assets		
Investment in an associate *(note 11)*	**315.3**	251.4
Other financial assets *(note 12)*	**32.7**	29.5
Fixed assets *(note 13)*	**1,473.2**	1,405.8
Investment properties *(note 14)*	**25.7**	27.0
Intangible assets *(note 15)*	**379.2**	346.2
Goodwill *(note 16)*	**1,931.5**	1,946.6
Deferred taxes *(note 7)*	**30.7**	58.1
Defined benefit assets *(note 24)*	**25.9**	18.6
	5,387.1	5,279.5
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans *(note 17)*	**0.9**	1.5
Accounts payable *(notes 18 and 27)*	**999.4**	982.7
Current taxes	**43.3**	66.6
Provisions *(note 19)*	**3.7**	13.7
Current portion of debt *(note 20)*	**16.5**	12.4
	1,063.8	1,076.9
Non-current liabilities		
Debt *(note 20)*	**1,145.1**	1,044.7
Defined benefit liabilities *(note 24)*	**97.9**	101.8
Provisions *(note 19)*	**4.3**	7.0
Deferred taxes *(note 7)*	**187.4**	162.2
Other liabilities *(note 21)*	**10.1**	10.6
Non-controlling interests *(note 29)*	**221.3**	192.2
	2,729.9	2,595.4
Equity		
Capital stock *(note 22)*	**579.0**	599.2
Treasury shares *(note 22)*	**(18.5)**	(15.2)
Contributed surplus	**18.0**	15.8
Retained earnings	**2,059.7**	2,068.6
Accumulated other comprehensive income	**5.2**	0.2
Equity attributable to equity holders of the parent	**2,643.4**	2,668.6
Non-controlling interests	**13.8**	15.5
	2,657.2	2,684.1
	5,387.1	5,279.5

Commitments and contingencies *(notes 25 and 26)*

See accompanying notes

On behalf of the Board:

ERIC R. LA FLÈCHE
Director

MICHEL LABONTÉ
Director

Consolidated statements of changes in equity

Years ended September 26, 2015 and September 27, 2014

(Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 22)*	Treasury shares *(note 22)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 27, 2014	**599.2**	**(15.2)**	**15.8**	**2,068.6**	**0.2**	**2,668.6**	**15.5**	**2,684.1**
Net earnings	—	—	—	**506.1**	—	**506.1**	**13.2**	**519.3**
Other comprehensive income	—	—	—	**8.5**	**5.0**	**13.5**	—	**13.5**
Comprehensive income	—	—	—	**514.6**	**5.0**	**519.6**	**13.2**	**532.8**
Stock options exercised	**9.9**	—	**(1.8)**	—	—	**8.1**	—	**8.1**
Shares redeemed	**(30.1)**	—	—	—	—	**(30.1)**	—	**(30.1)**
Share redemption premium	—	—	—	**(387.9)**	—	**(387.9)**	—	**(387.9)**
Acquisition of treasury shares	—	**(7.0)**	—	—	—	**(7.0)**	—	**(7.0)**
Share-based compensation cost	—	—	**7.8**	—	—	**7.8**	—	**7.8**
Performance share units settlement	—	**3.7**	**(3.8)**	**(0.2)**	—	**(0.3)**	—	**(0.3)**
Dividends *(note 23)*	—	—	—	**(111.9)**	—	**(111.9)**	**(8.6)**	**(120.5)**
Change in fair value of non-controlling interests liability *(note 29)*	—	—	—	**(24.7)**	—	**(24.7)**	**(4.4)**	**(29.1)**
Repurchase of shares in joint ventures	—	—	—	**1.2**	—	**1.2**	**(1.9)**	**(0.7)**
	(20.2)	**(3.3)**	**2.2**	**(523.5)**	—	**(544.8)**	**(14.9)**	**(559.7)**
Balance as at September 26, 2015	**579.0**	**(18.5)**	**18.0**	**2,059.7**	**5.2**	**2,643.4**	**13.8**	**2,657.2**

See accompanying notes

Consolidated statements of changes in equity

Years ended September 26, 2015 and September 27, 2014

(Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 22)*	Treasury shares *(note 22)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 28, 2013	640.4	(14.4)	14.6	2,157.8	0.1	2,798.5	1.3	2,799.8
Net earnings	—	—	—	447.1	—	447.1	9.1	456.2
Other comprehensive income	—	—	—	(16.5)	0.1	(16.4)	—	(16.4)
Comprehensive income	—	—	—	430.6	0.1	430.7	9.1	439.8
Stock options exercised	8.6	—	(1.6)	—	—	7.0	—	7.0
Shares redeemed	(49.8)	—	—	—	—	(49.8)	—	(49.8)
Share redemption premium	—	—	—	(409.9)	—	(409.9)	—	(409.9)
Acquisition of treasury shares	—	(4.6)	—	—	—	(4.6)	—	(4.6)
Share-based compensation cost	—	—	6.6	—	—	6.6	—	6.6
Performance share units settlement	—	3.8	(3.8)	(0.3)	—	(0.3)	—	(0.3)
Dividends *(note 23)*	—	—	—	(100.6)	—	(100.6)	(8.7)	(109.3)
Change in fair value of non-controlling interests liability *(note 29)*	—	—	—	(9.0)	—	(9.0)	(0.7)	(9.7)
Business acquisitions *(note 5)*	—	—	—	—	—	—	14.5	14.5
	(41.2)	(0.8)	1.2	(519.8)	—	(560.6)	5.1	(555.5)
Balance as at September 27, 2014	599.2	(15.2)	15.8	2,068.6	0.2	2,668.6	15.5	2,684.1

See accompanying notes

Consolidated statements of cash flows

Years ended September 26, 2015 and September 27, 2014

(Millions of dollars)

	2015	2014
Operating activities		
Earnings before income taxes	**680.5**	606.4
Non-cash items		
Share of an associate's earnings	**(64.3)**	(49.8)
Closure expenses *(note 6)*	**—**	6.4
Depreciation and amortization	**177.0**	175.8
Loss on disposal and write-offs of fixed and intangible assets and investment properties	**0.6**	0.1
Impairment losses on fixed and intangible assets and assets held for sale	**10.5**	11.6
Impairment loss reversals on fixed and intangible assets	**(4.4)**	(4.1)
Share-based compensation cost	**7.8**	6.6
Difference between amounts paid for employee benefits and current period cost	**(4.2)**	(8.6)
Early redemption fees *(note 20)*	**5.9**	—
Financial costs, net	**58.7**	49.1
	868.1	793.5
Net change in non-cash working capital items	**10.6**	(98.7)
Interest paid	**(58.1)**	(46.8)
Income taxes paid	**(142.3)**	(214.9)
	678.3	433.1
Investing activities		
Business acquisitions, net of cash acquired totalling $1.3 in 2014 *(note 5)*	**—**	(100.3)
Repurchase of shares in joint ventures	**(0.7)**	—
Net change in other financial assets	**(3.2)**	(2.0)
Dividends from an associate	**6.4**	4.9
Additions to fixed assets	**(220.0)**	(190.6)
Proceeds on disposal of fixed assets, investment properties and assets held for sale	**3.2**	5.0
Additions to intangible assets	**(38.8)**	(16.8)
	(253.1)	(299.8)
Financing activities		
Net change in bank loans	**(0.6)**	(0.5)
Shares issued *(note 22)*	**8.1**	7.0
Shares redeemed *(note 22)*	**(418.0)**	(459.7)
Acquisition of treasury shares *(note 22)*	**(7.0)**	(4.6)
Performance share units cash settlement	**(0.3)**	(0.3)
Increase in debt	**701.8**	395.5
Repayment of debt	**(611.3)**	(11.4)
Net change in other liabilities	**(0.5)**	(3.5)
Dividends *(note 23)*	**(111.9)**	(100.6)
	(439.7)	(178.1)
Net change in cash and cash equivalents	**(14.5)**	(44.8)
Cash and cash equivalents – beginning of year	**36.0**	80.8
Cash and cash equivalents – end of year	**21.5**	36.0

See accompanying notes

1. DESCRIPTION OF BUSINESS

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

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

Sales recognition

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

Recognition of consideration from vendors

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

Loyalty programs

The Corporation has two loyalty programs.

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

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

Foreign currency translation

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

Income taxes

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

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

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

Share-based payment

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

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

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

Net earnings per share

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

Cash and cash equivalents

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

Accounts receivable

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

Inventories

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

Assets held for sale

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

Investment in an associate

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

Investment in a joint venture

The Corporation has an interest in a joint venture, whereby the venturers have a contractual agreement that establishes joint control over the economic activities of the entity. This investment is accounted for using the equity method. The Corporation's share in the joint venture's earnings is recorded in the cost of sales and operating expenses. The financial information related to this investment is not material and is not presented separately.

Fixed assets

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

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

Leases

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

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

Investment properties

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

Intangible assets

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

Leasehold rights	20 to 40 years
Software	3 to 7 years
Retail network retention premiums	5 to 30 years
Customer relationships	10 years

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

Goodwill

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

Impairment of non financial assets

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

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

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

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

Deferred financing costs

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

Employee benefits

Employee benefits include short-term employee benefits which correspond to wages and fringe benefits and are recognized immediately in net earnings as are termination benefits which are also recorded as a liability when the Corporation cannot withdraw the offer of termination.

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

- Defined benefit obligations and the cost of pension, ancillary retirement benefits and other long-term benefits earned by participants are determined from actuarial calculations according to the projected credit unit method. The calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation and expected health care costs.
- Defined benefit obligations are discounted using high-quality corporate bond yield rates with cash flows that match the timing and amount of expected benefit payments.
- Defined benefit plan assets or liabilities recognized in the consolidated statement of financial position correspond to the difference between the present value of defined benefit obligations and the fair value of plan assets. Plan assets are measured at fair value. In the case of a surplus funded plan, these assets are limited at the lesser of the actuarial value determined for accounting purposes or the value of the future economic benefit by way of surplus refunds or contribution holidays. Furthermore, an additional liability could be recorded when minimum funding requirements for past services exceed economic benefits available.
- The interest expense on defined benefit obligations, on the asset ceiling and on the minimum funding requirement is net of interest income on plan assets, which is calculated by applying the same rate used to evaluate the obligations, and is recognized as financing costs.
- Actuarial gains or losses on pension plans and ancillary post-employment benefits arise from changes to current year end actuarial assumptions used to determine the defined benefit obligations. They also arise from variances between the experience adjustments of the plans for the current year and the assumptions defined at the end of the previous fiscal year to determine the employee benefit expense for the current fiscal year and the defined benefit obligations at the previous fiscal year end.
- Remeasurements of defined benefit net liabilities include actuarial gains or losses, the yield on plan assets, and asset ceiling and minimum funding requirement changes, excluding the amount already recorded in net interest. Remeasurements are recognized under other comprehensive income during the period in which they occur and reclassified from accumulated other comprehensive income to retained earnings at the end of each period.
- Actuarial gains or losses to other long-term employee benefits are recognized in full immediately in net earnings.
- Past service amendment costs are recognized immediately in net earnings.
- Defined contribution plan costs, including those of multi-employer plans, are recorded when the contributions are due. As sufficient information to reliably determine multi-employer defined benefit plan obligations and assets is not available and as there is no actuarial valuation according to IFRS, these plans are accounted for as defined contribution plans. In 2015, Quebec's legislation governing multi-employer negotiated contribution pension plans was amended, clarifying that employer participation is limited to the negotiated contributions. The vast majority of the Corporation's contributions to multi-employer plans are paid into the Canadian Commercial Workers Industry Pension Plan (CCWIPP). The Corporation and its franchisees represent approximately 25% of the Plan's total number of participants. In 2015, a long-term agreement to ensure the plan's sustainability was signed, whereby the Corporation agreed to increase its rate of contribution to the CCWIPP over the coming fiscal years.

Provisions

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

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

Other financial liabilities

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

Non-controlling interests

Non-controlling interests are generally recognized in equity. However, with respect to its interests in Adonis, Phoenicia and Première Moisson, the Corporation has the option to buy out the minority interests and the minority shareholders in these companies have the option to be bought out by the Corporation under certain conditions as of the options' exercisable dates. Given these options, the non-controlling interests become a financial liability that is classified as "Financial liabilities held for trading" and measured at fair value. Gains or losses resulting from the revaluation at the end of each period recorded in net earnings or in retained earnings. The Corporation elected to record them in retained earnings.

Derivative financial instruments

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

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

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

Fair value measurements hierarchy

Fair value measurements of assets and liabilities recognized at fair value in the consolidated statements of financial position or whose fair value is presented in the notes to the consolidated financial statements are categorized in accordance with the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal years ended September 26, 2015 and September 27, 2014 included 52 weeks of operations.

3. NEW ACCOUNTING POLICIES

RECENTLY ISSUED

Financial instruments

In November 2009, the IASB issued IFRS 9 “Financial Instruments”. This new standard replaces the various rules of IAS 39 “Financial Instruments: Recognition and Measurement” with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statement users to better understand an entity’s risk exposure and its risk management activities.

In July 2014, the IASB issued a new impairment model for financial assets based on expected credit losses. IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” which is a replacement of IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements.

In July 2015, the IASB deferred the mandatory effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

Presentation of financial statements

In December 2014, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Consolidation of structured entities

The Corporation has no voting rights in certain food stores. However, the franchise contract gives it the ability to control these stores' main activities. Its decisions are not limited to protecting its trademarks. The Corporation retains the majority of stores' profits and losses. For these reasons, the Corporation consolidates these food stores in its financial statements.

The Corporation has no voting rights in the trust created for PSU plan participants. However, under the trust agreement, it instructs the trustee as to the sale and purchase of Corporation shares and payments to beneficiaries, gives the trustee money to buy Corporation shares, assumes vesting variability, and ensures that the trust holds a sufficient number of shares to meet its obligations to the beneficiaries. For these reasons, the Corporation consolidates this trust in its financial statements.

The Corporation also has an agreement with a distributor that operates a plant exclusively for the needs and according to the specifications of the Corporation's, which assumes all costs. For these reasons, the Corporation consolidates this distributor in its financial statements.

Investment in an associate

The Corporation holds less than 20% of the voting rights in an associate, but one of its representatives sits on the associate's board of directors and is involved in financial and operating policy decisions. Management has concluded that the Corporation exercises significant influence over the associate; so the Corporation in its consolidated financial statements, accounts for its investment in the associate using the equity method.

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free licence methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rate. The key assumptions are disclosed in notes 15 and 16.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 24.

Non-controlling interests

The non-controlling interest-related liability is calculated in relation to the price to be paid by the Corporation for the non-controlling interest, which price is based mainly on the future earnings of Adonis, Phoenicia and Première Moisson as of the date the options will become exercisable. Given the uncertainty associated with the estimation of these future earnings, the Corporation used, at the end of the fiscal year, its most probable estimate and various other assumptions, including the discount rate, growth rate and capital investments. Additional information is presented in note 29.

5. BUSINESS ACQUISITIONS

In 2014, the Corporation acquired 75% of the net assets of Première Moisson, which has 23 stores and three production centres in Québec, and 100% of the net assets including real estate of two food stores from a competitor in Ontario. The purchase price of these interests totalled $101.6. The acquisitions were accounted for using the purchase method. The Corporation controls the acquired businesses and consolidated their earnings as of their respective acquisition dates. The final total purchase price allocation was as follows:

Net assets acquired at their fair value	
Cash	1.3
Accounts receivable	5.8
Inventories	5.5
Prepaid expenses	0.4
Fixed assets	55.9
Investment property	0.7
Intangible assets	
Finite useful life	9.0
Indefinite useful life	23.0
Goodwill	53.9
Accounts payable	(7.5)
Debt	(4.4)
Deferred tax liabilities	(5.5)
Non-controlling interests	(22.0)
	116.1

Cash consideration	101.6
Non-controlling interests - Joint ventures	14.5
	116.1

The goodwill from the acquisitions correspond, on the one hand, to the possibility for the Corporation to further differentiate itself by offering customers a broader range of premium bakery products made by Première Moisson and, on the other hand, to an increase in customers buying from new food stores. In the goodwill's tax treatment, 75% of the goodwill is treated as eligible assets with related tax deductions and 25% as non-deductible.

Between their acquisition dates and September 27, 2014, the acquired businesses have increased Corporation sales and net earnings by $16.1 and $1.4 respectively. If their acquisitions had taken place at the beginning of fiscal 2014, the acquired businesses would have increased Corporation sales and net earnings by an additional amount of $124.9 and $10.7 respectively.

In fiscal 2014, acquired-related costs of $1.2 were recorded in operating expenses.

6. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	2015	2014
Sales	**12,223.8**	11,590.4
Cost of sales and operating expenses		
Cost of sales	**(9,813.5)**	(9,375.6)
Wages and fringe benefits	**(686.8)**	(645.6)
Employee benefits expense *(note 24)*	**(69.7)**	(63.7)
Rents, taxes and common costs	**(274.2)**	(265.6)
Electricity and natural gas	**(135.4)**	(124.6)
Impairment losses on fixed and intangible assets and assets held for sale *(notes 10,13 and 15)*	**(10.5)**	(11.6)
Impairment loss reversals on fixed and intangible assets *(notes 13 and 15)*	**4.4**	4.1
Other expenses	**(380.3)**	(319.9)
	(11,366.0)	(10,802.5)
Closure expenses	**—**	(6.4)
Operating income before depreciation and amortization and associate's earnings	**857.8**	781.5
Depreciation and amortization		
Fixed assets *(note 13)*	**(150.1)**	(144.3)
Investment properties *(note 14)*	**(0.1)**	—
Intangible assets *(note 15)*	**(26.8)**	(31.5)
	(177.0)	(175.8)
Financing costs, net		
Current interest	**(4.1)**	(4.1)
Non-current interest	**(51.1)**	(41.9)
Interests on defined benefit obligations net of plan assets *(note 24)*	**(4.3)**	(3.9)
Amortization of deferred financing costs	**(1.0)**	(0.8)
Interest income	**2.2**	1.9
Passage of time	**(0.4)**	(0.3)
	(58.7)	(49.1)
Early redemption fees *(note 20)*	**(5.9)**	—
Share of an associate's earnings	**64.3**	49.8
Earnings before income taxes	**680.5**	606.4

Impairment losses and impairment loss reversals were mainly on food stores assets where cash flows decreased or increased due to local competition. As at September 26, 2015, the recoverable amount for stores on which the Corporation recorded an impairment loss or impairment loss reversal was $53.9 ($34.9 in 2014).

On November 28, 2013, the Corporation announced the spring 2014 closure of a produce distribution centre. During fiscal 2014, closure costs of $6.4 before taxes were recorded for severances, assets write-offs and others.

7. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	**2015**	2014
Combined statutory income tax rate	**26.9**	26.9
Changes		
Share of an associate's earnings	**(1.4)**	(1.3)
Others	**(1.8)**	(0.8)
	23.7	24.8

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

Consolidated income statements

	2015	2014
Current		
Current tax expense	**114.5**	136.6
Deferred		
Adjustment related to temporary differences	**46.7**	13.6
	161.2	150.2

Consolidated comprehensive income statements

	2015	2014
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial gains (losses)	**1.9**	(9.2)
Asset ceiling effect	**1.4**	1.3
Minimum funding requirement	**(0.3)**	2.1
Share of an associate's other comprehensive income	**0.8**	—
	3.8	(5.8)

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

	Consolidated statements of financial position		Consolidated statements of income	
	As at September 26, 2015	As at September 27, 2014	**2015**	2014
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	**8.5**	4.8	**3.7**	1.9
Deferred tax losses	**1.1**	3.6	**(2.5)**	1.9
Inventories	**(9.7)**	(9.5)	**(0.2)**	(0.3)
Employee benefits	**17.3**	21.1	**(0.8)**	(1.3)
Investment in an associate	**(41.9)**	(33.4)	**(7.9)**	(6.0)
Difference between net carrying value and tax value				
Fixed assets	**(39.6)**	(3.9)	**(34.3)**	(6.0)
Investment properties	**0.6**	0.7	**(0.1)**	(0.1)
Intangible assets	**(55.9)**	(55.2)	**0.2**	0.8
Goodwill	**(37.1)**	(32.3)	**(4.8)**	(4.5)
	(156.7)	(104.1)	**(46.7)**	(13.6)

Deferred tax assets	**30.7**	58.1
Deferred tax liabilities	**(187.4)**	(162.2)
	(156.7)	(104.1)

8. NET EARNINGS PER SHARE

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

(Millions)	**2015**	2014
Weighted average number of shares outstanding – Basic	**248.9**	262.6
Dilutive effect under:		
Stock option plan	**1.6**	1.0
Performance share unit plan	**0.7**	0.8
Weighted average number of shares outstanding – Fully diluted	**251.2**	264.4

9. INVENTORIES

	2015	2014
Wholesale inventories	**369.2**	351.8
Retail inventories	**455.0**	468.9
	824.2	820.7

10. ASSETS HELD FOR SALE

As at September 26, 2015, the Corporation was committed to sell assets for the amount of $4.6 ($5.2 as at September 27, 2014) presented as assets held for sale in the consolidated statements of financial position and measured at the lower of carrying amount and fair value less costs to sell. A loss of $0.6 was recorded on these assets during fiscal 2015 ($3.7 in 2014).

The fair value of the assets held for sale was $4.6 as at September 26, 2015 ($5.2 as at September 27, 2014). The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs, i.e. offers from third-party buyers for these assets or similar assets.

11. INVESTMENT IN AN ASSOCIATE

The Corporation has a 5.7% (5.7% in 2014) interest in a publicly traded associate in the convenience store industry, which is Alimentation Couche-Tard. The investment associate's fair value, corresponding to its quoted market value, was $2,006.1 as at September 26, 2015 ($1,139.2 as at September 27, 2014). The Corporation categorized the fair value measurement in Level 1, as it is derived from quoted prices in active markets.

The associate's consolidated financial statements reporting date is the last Sunday of April of every year. The Corporation applied the equity method, using the associate’s most recent condensed consolidated financial statements in US$ as at July 19, 2015 (July 20, 2014).

The summarized financial information, according to the associate's consolidated statements of financial position converted at the exchange rate at the reporting date, was as follows:

	As at July 19, 2015	As at July 20, 2014
Current assets	**3,966.4**	3,484.2
Non-current assets	**10,524.2**	7,723.2
Current liabilities	**(3,273.2)**	(3,024.7)
Non-current liabilities	**(5,754.9)**	(3,757.9)
Net assets of the associate	**5,462.5**	4,424.8

The summarized financial information, according to the associate's consolidated statements of income converted at the average exchange rate, was as follows:

	2015	2014
Sales	**40,582.1**	40,988.5
Net earnings	**1,139.6**	884.3
Other comprehensive income	**(931.1)**	(9.9)
Comprehensive income	**208.5**	873.3

These amounts are the totals of the associate's previous fiscal year second, third and fourth quarters and current fiscal year first quarter.

The reconciliation of the summarized financial information and the carrying amount of the Corporation's investment in the associate was as follows:

	2015	2014
Net assets of the associate	**5,462.5**	4,424.8
Corporation's share of the associate	**5.7%**	5.7%
	311.4	252.2
Other adjustments	**3.9**	(0.8)
Investment in an associate	**315.3**	251.4

12. OTHER FINANCIAL ASSETS

	2015	2014
Loans to certain customers, bearing interest at floating rates, repayable in monthly instalments, maturing through 2031	**31.6**	29.2
Other assets	**4.4**	2.6
	36.0	31.8
Current portion included in accounts receivable	**3.3**	2.3
	32.7	29.5

13. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Buildings under finance leases	Total
Cost						
Balance as at September 28, 2013	214.2	536.7	1,218.3	590.9	55.6	2,615.7
Acquisitions	13.4	59.4	83.4	42.0	1.6	199.8
Acquisitions through business combinations - preliminary purchase price allocation *(note 5)*	4.4	20.5	16.8	7.4	0.1	49.2
Transfers to assets held for sale and investment properties	(6.2)	(11.0)	(4.0)	—	—	(21.2)
Disposals and write-offs	(2.8)	(0.2)	(46.2)	(15.3)	(6.6)	(71.1)
Balance as at September 27, 2014	**223.0**	**605.4**	**1,268.3**	**625.0**	**50.7**	**2,772.4**
Acquisitions	**5.2**	**41.3**	**106.0**	**67.5**	**—**	**220.0**
Adjustments following the business acquisitions final purchase price allocation *(note 5)*	**1.9**	**(1.1)**	**7.8**	**(1.8)**	**(0.1)**	**6.7**
Disposals and write-offs	**(0.4)**	**(0.7)**	**(114.5)**	**(33.7)**	**—**	**(149.3)**
Balance as at September 26, 2015	**229.7**	**644.9**	**1,267.6**	**657.0**	**50.6**	**2,849.8**
Accumulated depreciation and impairment						
Balance as at September 28, 2013	(0.4)	(137.0)	(790.7)	(331.8)	(27.4)	(1,287.3)
Depreciation	—	(19.9)	(77.1)	(44.3)	(3.0)	(144.3)
Transfers to assets held for sale	—	5.1	1.7	—	—	6.8
Disposals and write-offs	—	—	41.9	15.3	6.5	63.7
Impairment losses	—	(0.1)	(4.6)	(3.5)	(0.7)	(8.9)
Impairment loss reversals	0.3	0.7	1.4	1.0	—	3.4
Balance as at September 27, 2014	**(0.1)**	**(151.2)**	**(827.4)**	**(363.3)**	**(24.6)**	**(1,366.6)**
Depreciation	**—**	**(20.5)**	**(81.7)**	**(45.5)**	**(2.4)**	**(150.1)**
Disposals and write-offs	**—**	**0.3**	**112.6**	**33.1**	**—**	**146.0**
Impairment losses	**—**	**—**	**(4.5)**	**(4.6)**	**—**	**(9.1)**
Impairment loss reversals	**—**	**0.1**	**1.6**	**1.3**	**0.2**	**3.2**
Balance as at September 26, 2015	**(0.1)**	**(171.3)**	**(799.4)**	**(379.0)**	**(26.8)**	**(1,376.6)**
Net carrying value						
Balance as at September 27, 2014	222.9	454.2	440.9	261.7	26.1	1,405.8
Balance as at September 26, 2015	**229.6**	**473.6**	**468.2**	**278.0**	**23.8**	**1,473.2**

Net additions of fixed assets excluded from the consolidated statements of cash flows was nil in 2015 ($9.2 in 2014).

14. INVESTMENT PROPERTIES

	Cost	Accumulated depreciation	Net carrying value
Balance as at September 28, 2013	32.2	(11.5)	20.7
Acquisitions through business combinations - preliminary purchase price allocation *(note 5)*	0.9	—	0.9
Transfers from fixed assets	5.5	—	5.5
Disposals and write-offs	(0.4)	0.3	(0.1)
Balance as at September 27, 2014	**38.2**	**(11.2)**	**27.0**
Adjustments following the business acquisitions final purchase price allocation *(note 5)*	**(0.2)**	**—**	**(0.2)**
Disposals and write-offs	**(1.1)**	**0.1**	**(1.0)**
Depreciation	**—**	**(0.1)**	**(0.1)**
Balance as at September 26, 2015	**36.9**	**(11.2)**	**25.7**

The fair value of investment properties was $36.0 as at September 26, 2015 ($35.2 as at September 27, 2014). The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs, i.e. recent transactions on these assets or similar assets.

15. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Leasehold rights	Software	Retail network retention premiums	Customer relationships	Total
Cost					
Balance as at September 28, 2013	70.8	162.3	230.8	19.0	482.9
Acquisitions	—	3.6	16.8	—	20.4
Disposals and write-offs	(7.9)	(0.8)	(20.8)	(0.3)	(29.8)
Balance as at September 27, 2014	**62.9**	**165.1**	**226.8**	**18.7**	**473.5**
Acquisitions	**—**	**6.6**	**26.5**	**—**	**33.1**
Adjustments following the business acquisitions final purchase price allocation *(note 5)*	**—**	**—**	**—**	**9.0**	**9.0**
Disposals and write-offs	**(4.3)**	**(2.9)**	**(17.7)**	**(0.3)**	**(25.2)**
Balance as at September 26, 2015	**58.6**	**168.8**	**235.6**	**27.4**	**490.4**
Accumulated amortization and impairment					
Balance as at September 28, 2013	(43.2)	(142.8)	(96.4)	(8.7)	(291.1)
Amortization	(2.0)	(9.0)	(19.8)	(0.7)	(31.5)
Disposals and write-offs	5.2	0.8	17.7	0.3	24.0
Impairment losses	(2.7)	—	—	—	(2.7)
Impairment loss reversals	0.7	—	—	—	0.7
Balance as at September 27, 2014	**(42.0)**	**(151.0)**	**(98.5)**	**(9.1)**	**(300.6)**
Amortization	**(1.9)**	**(4.2)**	**(18.0)**	**(2.7)**	**(26.8)**
Disposals and write-offs	**3.8**	**2.1**	**13.3**	**0.3**	**19.5**
Impairment losses	**(0.8)**	**—**	**—**	**—**	**(0.8)**
Impairment loss reversals	**1.2**	**—**	**—**	**—**	**1.2**
Balance as at September 26, 2015	**(39.7)**	**(153.1)**	**(103.2)**	**(11.5)**	**(307.5)**
Net carrying value					
Balance as at September 27, 2014	20.9	14.1	128.3	9.6	172.9
Balance as at September 26, 2015	**18.9**	**15.7**	**132.4**	**15.9**	**182.9**

Net additions of intangible assets excluded from the consolidated statement of cash flows amounted to $12.9 in 2015 ($3.6 in 2014).

Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balance as at September 28, 2013 and September 27, 2014	**110.3**	**39.5**	**23.5**	**173.3**
Adjustments following the business acquisitions final purchase price allocation *(note 5)*	**23.0**	**—**	**—**	**23.0**
Balance as at September 26, 2015	**133.3**	**39.5**	**23.5**	**196.3**

Impairment testing of loyalty programs and certain private labels was conducted at the level of the asset itself. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the capitalized excess EBIT method. The estimated EBIT directly allocated to the programs and private labels, after deduction of the return on contributory assets, was based on historical data reflecting past experience. For loyalty programs, the earnings multiple used was 6.9 (6.7 in 2014) considering a growth rate of 2.0% (2.0% in 2014) corresponding to the consumer price index. For these private labels, the earnings multiple used was 7.5 (7.3 in 2014) considering a growth rate of 2.0% (2.0% in 2014) corresponding to the consumer price index. The Corporation categorized the fair value measurement in Level 3, as it is derived from unobservable market inputs.

Impairment testing of banners and certain private labels were conducted at the level of the asset itself. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the royalty-free licence method. The estimated royalty rate was based on information from external sources and historical data reflecting past experience. For the banners, the earnings multiples used were 7.5 and 11.8 (7.3 and 11.8 in 2014) considering growth rate of 2.0% (2.0% in 2014) corresponding to the consumer price index. For these private labels, the earnings multiple used was 12.5 (12.5 in 2014) considering a growth rate of 2.0% (2.0% in 2014) corresponding to the consumer price index. The Corporation categorized the fair value measurement in Level 3, as it is derived from unobservable market inputs.

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

16. GOODWILL

	2015	2014
Balance – beginning of year	**1,946.6**	1,855.6
Acquisitions through business combinations (adjustments following the final purchase price allocation) *(note 5)*	**(15.1)**	91.1
Disposals	**—**	(0.1)
Balance – end of year	**1,931.5**	1,946.6

For impairment testing, the carrying amount of goodwill was allocated to the unique operating segment of the Corporation. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. The forecasts reflected past experience. A pre-tax discount rate of 13.5% (14.1% in 2014) was used and any growth rate was taken into consideration. No reasonably possible change of any of these assumptions would result in a carrying amount higher than the recoverable amount.

17. BANK LOANS

As at September 26, 2015 and September 27, 2014, the Corporation's only bank loans were the credit margins of structured entities. The consolidated structured entities have credit margins totaling $7.9 ($7.9 as at September 27, 2014), bearing interest at prime plus 0.5%, unsecured and maturing on various dates through 2016. As at September 26, 2015, $0.9 ($1.5 as at September 27, 2014) had been drawn down under credit margins at an interest rate of 3.2% (3.5% as at September 27, 2014).

18. OFFSETTING

	2015	2014
Accounts payable (gross)	**1,051.7**	1,033.7
Vendor rebate receivables	**(52.3)**	(51.0)
Accounts payable (net)	**999.4**	982.7

19. PROVISIONS

	Onerous leases	Restructuring charges	Other *(note 6)*	Total
Balance as at September 28, 2013	3.8	34.3	6.1	44.2
Additional provisions	1.3	—	7.9	9.2
Amounts used	(2.7)	(17.0)	(13.0)	(32.7)
Transfers	12.6	(12.6)	—	—
Balance as at September 27, 2014	15.0	4.7	1.0	20.7
Current provisions	8.0	4.7	1.0	13.7
Non-current provisions	7.0	—	—	7.0
Balance as at September 27, 2014	15.0	4.7	1.0	20.7
Balance as at September 27, 2014	**15.0**	**4.7**	**1.0**	**20.7**
Additional provisions	**3.5**	**—**	**9.5**	**13.0**
Amounts used	**(10.5)**	**(4.7)**	**(10.5)**	**(25.7)**
Balance as at September 26, 2015	**8.0**	**—**	**—**	**8.0**
Current provisions	**3.7**	**—**	**—**	**3.7**
Non-current provisions	**4.3**	**—**	**—**	**4.3**
Balance as at September 26, 2015	**8.0**	**—**	**—**	**8.0**

Onerous leases correspond to leases for premises that are no longer used for the Corporation's operations, including those related to stores closed during fiscal 2014 with the reorganization of the Ontario store network. The amount of the provision for these leases equals the discounted present value of the future lease payments less the estimated future sublease income. The estimate may vary with the sublease assumptions. The remaining terms of these leases are from one to 14 years.

The restructuring provision was related to the reorganization of the Ontario store network in fiscal 2014, in which, certain Metro supermarkets are converted into Food Basics discount stores, collective agreements are bought out, early exit packages are offered to some employees and closure of stores.

Other provisions included amounts concerning provincial worker's compensation plans as well as a provision for costs related to the closure of a produce distribution centre which occurred in fiscal 2014.

20. DEBT

	2015	2014
Revolving Credit Facility, bearing interest at a weighted average rate of 2.63% (2.50% in 2014), repayable on November 3, 2020 or earlier	**97.5**	391.7
Series A Notes, bearing interest at a fixed nominal rate of 4.98%, redeemed on December 31, 2014	**—**	200.0
Series C Notes, bearing interest at a fixed nominal rate of 3.20%, maturing on December 1, 2021 and redeemable at the issuer's option at fair value at any time prior to maturity	**300.0**	—
Series B Notes, bearing interest at a fixed nominal rate of 5.97%, maturing on October 15, 2035 and redeemable at the issuer's option at fair value at any time prior to maturity	**400.0**	400.0
Series D Notes, bearing interest at a fixed nominal rate of 5.03%, maturing on December 1, 2044 and redeemable at the issuer's option at fair value at any time prior to maturity	**300.0**	—
Loans, maturing on various dates through 2027, bearing interest at an average rate of 2.95% (3.08% in 2014)	**38.0**	32.4
Obligations under finance leases, bearing interest at an effective rate of 8.4% (8.5% in 2014)	**33.0**	36.9
Deferred financing costs	**(6.9)**	(3.9)
	1,161.6	1,057.1
Current portion	**16.5**	12.4
	1,145.1	1,044.7

The revolving credit facility with a maximum of $600.0 bears interest at rates that fluctuate with changes in bankers' acceptance rates and is unsecured. As at September 26, 2015, the unused authorized revolving credit facility was $502.5 ($208.3 as at September 27, 2014). Given that the Corporation frequently increases and decreases this credit facility through bankers' acceptances with a minimum of 30 days and to simplify its presentation, the Corporation found that it is preferable for the understanding of its financing activities to present the consolidated statement of cash flows solely with net annual changes. On September 17, 2015, the maturity of the revolving credit facility was extended to November 3, 2020.

On December 1, 2014, the Corporation issued a private placement of $300.0 aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% and maturing December 1, 2021, and $300.0 aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044. The Corporation decided to allocate the proceeds to repayment of existing debt and other general corporate purposes. On December 5, 2014, the Corporation paid off its $335,0 unsecured renewable revolving credit facility which had a weighted average interest rate of 2.39%. The Corporation also redeemed, on December 31, 2014, its $200.0 aggregate principal amount of Series A Notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015. Early redemption fees of $5.9 were recorded in 2015.

Repayments of debt in the upcoming fiscal years will be as follows:

	Facility and loans	Notes	Obligations under finance leases	Total
2016	12.5	—	6.5	19.0
2017	2.4	—	5.9	8.3
2018	1.8	—	5.4	7.2
2019	1.6	—	4.5	6.1
2020	1.3	—	3.5	4.8
2021 and thereafter	115.9	1,000.0	22.1	1,138.0
	135.5	1,000.0	47.9	1,183.4

The minimum payments in respect of the obligations under finance leases included interest amounting to $14.9 on these obligations in 2015 ($17.8 in 2014).

21. OTHER LIABILITIES

	2015	2014
Lease liabilities	**8.5**	9.3
Other liabilities	**1.6**	1.3
	10.1	10.6

22. CAPITAL STOCK

The authorized capital stock of the Corporation was summarized as follows:

- unlimited number of Common Shares, bearing one voting right per share, participating, without par value;
- unlimited number of Preferred Shares, non-voting, without par value, issuable in series.

In 2015, the Corporation carried out a 3-for-1 stock split of its Common Shares. All information pertaining to shares have been retroactively restated to reflect the effect of the stock split.

Common Shares issued

The Common Shares issued and the changes during the year were summarized as follows:

	Number *(Thousands)*	
Balance as at September 28, 2013	274,944	640.4
Shares redeemed for cash, excluding premium of $409.9	(21,278)	(49.8)
Stock options exercised	565	8.6
Balance as at September 27, 2014	**254,231**	**599.2**
Shares redeemed for cash, excluding premium of $387.9	**(12,676)**	**(30.1)**
Stock options exercised	**730**	**9.9**
Balance as at September 26, 2015	**242,285**	**579.0**

Treasury shares

The treasury shares changes during the year were summarized as follows:

	Number *(Thousands)*	
Balance as at September 28, 2013	787	(14.4)
Acquisition	225	(4.6)
Release	(251)	3.8
Balance as at September 27, 2014	**761**	**(15.2)**
Acquisition	**200**	**(7.0)**
Release	**(218)**	**3.7**
Balance as at September 26, 2015	**743**	**(18.5)**

Treasury shares are held in trust for the PSU plan. They will be released into circulation when the PSUs settle. The trust, considered a structured entity, is consolidated in the Corporation's financial statements.

Stock option plan

The Corporation has a stock option plan for certain Corporation employees providing for the grant of options to purchase up to 30,000,000 Common Shares. As at September 26, 2015, a balance of 7,148,016 shares could be issued following the exercise of stock options (7,878,156 as at September 27, 2014). The subscription price of each Common Share under an option granted pursuant to the plan is equal to the market price of the shares on the day prior to option grant date and must be paid in full at the time the option is exercised. While the Board of Directors determines other terms and conditions for the exercise of options, no options may have a term of more than five years from the date the option may initially be exercised, in whole or in part, and the total term may in no circumstances exceed ten years from the option grant date. Options may generally be exercised two years after their grant date and vest at the rate of 20% per year.

The outstanding options and the changes during the year were summarized as follows:

	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 28, 2013	4,054	15.37
Granted	742	22.03
Exercised	(565)	12.33
Cancelled	(106)	16.16
Balance as at September 27, 2014	**4,125**	**16.97**
Granted	**484**	**35.42**
Exercised	**(730)**	**11.15**
Cancelled	**(41)**	**23.42**
Balance as at September 26, 2015	**3,838**	**20.34**

The information regarding the stock options outstanding and exercisable as at September 26, 2015 was summarized as below :

	Outstanding options			Exercisable options	
Range of exercise prices *(Dollars)*	Number *(Thousands)*	Weighted average remaining period *(Months)*	Weighted average exercise price *(Dollars)*	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
11.66 to 15.71	1,343	20.9	14.49	939	14.12
17.72 to 20.30	705	43.2	18.01	235	18.03
21.58 to 24.69	1,311	60.8	22.07	105	22.10
35.42 to 35.94	479	78.7	35.42	—	—
	3,838	45.9	20.34	1,279	15.49

The weighted average fair value of $4.32 per option ($2.96 in 2014) for stock options granted during fiscal 2015 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 0.9% (1.7% in 2014), expected life of 5.3 years (5.3 years in 2014), expected volatility of 15.3% (16.3% in 2014) and expected dividend yield of 1.3% (1.8% in 2014). The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

Compensation expense for these options amounted to $2.2 for fiscal 2015 ($2.2 in 2014).

Performance share unit plan

The Corporation has a PSU plan. Under this program, senior executives and other key employees (participants) periodically receive a given number of PSUs which may increase if the Corporation meets certain financial performance indicators. The PSUs entitle the participant to Common Shares of the Corporation, or at the latter's discretion, the cash equivalent. PSUs vest at the end of a period of three years.

PSUs outstanding and changes during the year were summarized as follows:

	Number *(Units)*
Balance as at September 28, 2013	771
Granted	334
Settled	(265)
Cancelled	(37)
Balance as at September 27, 2014	**803**
Granted	**175**
Settled	**(229)**
Cancelled	**(8)**
Balance as at September 26, 2015	**741**

The weighted average fair value of $33.48 per PSU ($21.65 in 2014) for PSUs granted during fiscal 2015 was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all of these PSUs amounted to $5.6 for fiscal 2015 ($4.4 in 2014).

23. DIVIDENDS

In fiscal 2015, the Corporation paid $111.9 in dividends to holders of Common Shares ($100.6 in 2014), or $0.45 per share ($0.3833 in 2014). On September 28, 2015, the Corporation's Board of Directors declared a quarterly dividend of $0.1166667 per Common Share payable November 25, 2015.

24. EMPLOYEE BENEFITS

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

Defined benefit pension plans and ancillary retirement benefit plans expose the Corporation to actuarial risks such as interest-rate risk, longevity risk, investment risk and inflation risk. Consequently, the Corporation's investment policy prescribes a diversified portfolio whose bond component matches the expected timing and payments of benefits.

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

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance – beginning of year	**981.2**	**39.6**	818.8	38.3
Participant contributions	**5.9**	**—**	4.8	—
Benefits paid	**(38.4)**	**(3.5)**	(37.8)	(3.5)
Items in net earnings				
Current service cost	**37.1**	**2.1**	31.5	2.1
Interest cost	**42.2**	**1.7**	40.4	1.9
Plan amendments	**—**	**0.3**	0.5	1.0
Actuarial gains	**—**	**(0.8)**	—	—
	79.3	**3.3**	72.4	5.0
Items in comprehensive income				
Actuarial losses (gains) from demographic assumptions	**1.5**	**(1.0)**	30.7	(2.0)
Actuarial losses (gains) from financial assumptions	**(2.3)**	**0.1**	91.5	2.1
Adjustments due to experience	**0.1**	**—**	0.8	(0.3)
	(0.7)	**(0.9)**	123.0	(0.2)
Balance – end of year	**1,027.3**	**38.5**	981.2	39.6

The present value of the defined benefit obligation may be reflected as follows:

	2015		2014	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Active plan participants	**61**	**74**	61	74
Deferred plan participants	**4**	**—**	4	—
Retirees	**35**	**26**	35	26

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

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
Fair value – beginning of year	**949.0**	**—**	814.4	—
Employer contributions	**41.1**	**3.5**	42.1	3.5
Participant contributions	**5.9**	**—**	4.8	—
Benefits paid	**(38.4)**	**(3.5)**	(37.8)	(3.5)
Items in net earnings				
Interest income	**40.0**	**—**	39.6	—
Administration costs	**(1.7)**	**—**	(1.9)	—
	38.3	**—**	37.7	—
Items in comprehensive income				
Return on plan assets, excluding the amounts included in interest income	**5.8**	**—**	87.8	—
Fair value – end of year	**1,001.7**	**—**	949.0	—

The changes in the asset ceiling and the minimum funding requirement for pension plans were as follows:

	2015		2014	
	Asset ceiling effect	**Minimum funding requirement**	Asset ceiling effect	Minimum funding requirement
Balance - beginning of year	**(11.4)**	**—**	(15.3)	(7.6)
Interests	**(0.4)**	**—**	(0.8)	(0.4)
Change in asset ceiling effect	**5.1**	**—**	4.7	—
Change in the minimum funding requirement	**—**	**(1.2)**	—	8.0
Balance - end of year	**(6.7)**	**(1.2)**	(11.4)	—

The value of the economic benefit that determined the asset ceiling represents the present value of future contribution holidays, and the minimum funding requirement represents the present value of required contributions under the law, which do not result, once made, in an economic benefit for the Corporation.

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

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance of defined benefit obligation – end of year	**(1,027.3)**	**(38.5)**	(981.2)	(39.6)
Fair value of plan assets – end of year	**1,001.7**	**—**	949.0	—
Funding position	**(25.6)**	**(38.5)**	(32.2)	(39.6)
Asset ceiling effect	**(6.7)**	**—**	(11.4)	—
Minimum funding requirement	**(1.2)**	**—**	—	—
	(33.5)	**(38.5)**	(43.6)	(39.6)
Defined benefit assets	**25.9**	**—**	18.6	—
Defined benefit liabilities	**(59.4)**	**(38.5)**	(62.2)	(39.6)
	(33.5)	**(38.5)**	(43.6)	(39.6)

The defined contribution and defined benefit plans expense recorded in net earnings was as follows:

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
Defined contribution plans, including multi-employer plans	**28.7**	**0.6**	26.1	0.6
Defined benefit plans				
Current service cost	**37.1**	**2.1**	31.5	2.1
Past service cost	**—**	**0.3**	0.5	1.0
Actuarial gains	**—**	**(0.8)**	—	—
Administration costs	**1.7**	**—**	1.9	—
	38.8	**1.6**	33.9	3.1
Employee benefits expense	**67.5**	**2.2**	60.0	3.7
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in financing costs	**2.6**	**1.7**	2.0	1.9
Net total expense	**70.1**	**3.9**	62.0	5.6

The remeasurements recognized as other comprehensive income were as follows:

	2015		2014	
	Pension plans	**Other plans**	Pension plans	Other plans
Actuarial losses (gains) on obligations incurred	**(0.7)**	**(0.9)**	123.0	(0.2)
Return on plan assets	**(5.8)**	**—**	(87.8)	—
Change in asset ceiling effect	**(5.1)**	**—**	(4.7)	—
Change in the minimum funding requirement	**1.2**	**—**	(8.0)	—
	(10.4)	**(0.9)**	22.5	(0.2)

Total cash payments for employee benefits, consisting of cash contributed by the Corporation to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to $44.6 in 2015 ($45.6 in 2014). The Corporation plans to contribute $54.1 to the defined benefit plans during the next fiscal year and $28.9 to multi-employer plans.

Weighted average duration of defined benefit obligations was 15.7 years (16.4 years in 2014).

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2013 and September 2015. The next valuations will be performed between December 2015 and December 2017.

Plan assets, primarily based on quoted market prices in an active market, held in trust and their weighted average allocation as at the measurement dates were as follows:

Asset categories *(Percentage)*	**2015**	**2014**
Shares in Canadian corporations	**26**	27
Shares in foreign corporations	**26**	26
Government and corporation bonds	**40**	40
Others	**8**	7

Pension plan assets included shares issued by the Corporation with a fair value of $5.9 as at September 26, 2015 ($6.1 as at September 27, 2014).

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

	2015		2014	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Discount rate	**4.20**	**4.20**	4.20	4.20
Rate of compensation increase	**3.0**	**3.0**	3.0	3.0
Mortality table	**CPM2014Priv**	**CPM2014Priv**	CPM2014Priv	CPM2014Priv

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

A 1% change in the discount rate, taking into consideration any modifications to other assumptions, would have the following effects:

	Pension plans		Other plans	
(en millions de dollars)	1% increase	1% decrease	1% increase	1% decrease
Effect on defined benefit obligation	(143.3)	171.0	(3.2)	3.8

The assumed annual health care cost trend rate per participant was set at 5.9% (6.5% in 2014). Under the assumption used, this rate should gradually decline to 4.5% in 2034 and remain at that level thereafter. A 1% change in this rate would have the following effects:

(Millions of dollars)	1% increase	1% decrease
Effect on defined benefit obligation	2.1	(1.9)

25. COMMITMENTS

Operating leases

The Corporation has operating lease commitments, with varying terms through 2037 and one to 14 five-year renewal options, to lease premises and equipment used for business purposes. The Corporation does not have an option to purchase the leased assets when the leases expire, but it has the right of first refusal in certain cases. Future minimum lease payments under these operating leases will be as follows:

	2015	2014
Under 1 year	**178.5**	172.5
Between 1 and 5 years	**547.8**	590.6
Over 5 years	**489.5**	495.3
	1,215.8	1,258.4

In addition, the Corporation has committed to leases for premises, with varying terms through 2034 and one to 17 five-year lease renewal options, which it sublets to clients generally under the same terms and conditions. Future minimum lease payments under these operating leases will be as follows:

	2015	2014
Under 1 year	**42.9**	43.3
Between 1 and 5 years	**148.1**	156.5
Over 5 years	**199.4**	236.5
	390.4	436.3

Finance leases

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

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
Under 1 year	**6.5**	6.7	**4.0**	4.0
Between 1 and 5 years	**19.3**	22.3	**13.0**	14.6
Over 5 years	**22.1**	25.7	**16.0**	18.3
Minimum lease payments	**47.9**	54.7	**33.0**	36.9
Future finance costs	**(14.9)**	(17.8)	**—**	—
Present value of minimum lease payments	**33.0**	36.9	**33.0**	36.9

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2020 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2015	2014
Under 1 year	**68.4**	79.0
Between 1 and 5 years	**210.1**	233.6
Over 5 years	**—**	26.2
	278.5	338.8

26. CONTINGENCIES

Guarantees

For certain customers with established business relationships, the Corporation is contingently liable as guarantor in connection with lease agreements with varying terms through 2026 for which the average annual minimum lease payments for the next five years will be $0.3 ($0.3 in 2014). The maximum contingent liability under these guarantees as at September 26, 2015 was $2.1 ($2.0 as at September 27, 2014). In addition, the Corporation has guaranteed loans granted to certain customers by financial institutions, with varying terms through 2025. The balance of these loans amounted to $27.2 as at September 26, 2015 ($22.8 as at September 27, 2014). No liability has been recorded in respect of these guarantees for the years ended September 26, 2015 and September 27, 2014.

Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and management believes that any forthcoming settlement in respect of these claims will not have a material effect on the Corporation's financial position or on consolidated earnings.

27. RELATED PARTY TRANSACTIONS

The Corporation has significant interest in the following subsidiaries, joint venture and associate:

Names	Country of incorporation	Percentage of interest in the capital	Percentage of voting rights
Subsidiaries			
Metro Richelieu Inc.	Canada	100.0	100.0
McMahon Distributeur pharmaceutique Inc.	Canada	100.0	100.0
Metro Ontario Inc.	Canada	100.0	100.0
Metro Québec Immobilier Inc.	Canada	100.0	100.0
Metro Ontario Real Estate Limited	Canada	100.0	100.0
Metro Ontario Pharmacies Limited	Canada	100.0	100.0
Groupe Adonis Inc.	Canada	55.0	55.0
Groupe Phoenicia Inc.	Canada	55.0	55.0
Groupe Première Moisson Inc.	Canada	75.0	75.0
Joint venture			
Dunnhumby Canada Limitée	Canada	50.0	50.0
Associate			
Alimentation Couche-Tard Inc.	Canada	5.7	17.0

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

	2015		2014	
	Sales	**Services received**	Sales	Services received
Joint venture	**—**	**10.4**	—	11.3
Companies controlled by a member of the Board of Directors	**30.0**	**—**	29.1	—
	30.0	**10.4**	29.1	11.3

	2015		2014	
	Account receivables	**Account payables**	Account receivables	Account payables
Joint venture	**1.0**	**(0.7)**	1.4	(0.8)
Companies controlled by a member of the Board of Directors	**0.9**	**—**	1.0	—
	1.9	**(0.7)**	2.4	(0.8)

Compensation for the principal officers was as follows:

	2015	2014
Compensation and current employee benefits	**5.8**	4.1
Post-employment benefits	**0.8**	0.7
Share-based payment	**3.1**	4.3
	9.7	9.1

28. MANAGEMENT OF CAPITAL

The Corporation aims to maintain a capital level that enables it to meet several objectives, namely:

- Striving for a percentage of non-current debt to total combined non-current debt and equity (non-current debt/total capital ratio) of less than 50%.
- Maintaining an adequate credit rating to obtain an investment grade rating for its term notes.
- Paying total annual dividends representing a range of 20% to 30% of the prior fiscal year's net earnings, excluding non recurring items, with a target of 25%.

In its capital structure, the Corporation considers its stock option and PSU plans for key employees and officers. In addition, the Corporation's stock redemption plan is one of the tools it uses to achieve its objectives.

The Corporation is not subject to any capital requirements imposed by a regulator.

The Corporation's fiscal 2015 annual results regarding its capital management objectives were as follows:

- a non-current debt/total capital ratio of 30.1% (28.0% as at September 27, 2014);
- a BBB credit rating confirmed by S&P and DBRS (same rating in 2014);
- a dividend representing 24.3% of net earnings, excluding non recurring items, for the previous fiscal year (21.8% in 2014).

The capital management objectives remain the same as for the previous fiscal year.

29. FINANCIAL INSTRUMENTS

FAIR VALUE

The financial instruments' book and fair values were as follows:

	2015		2014	
	Book value	**Fair value**	Book value	Fair value
Other financial assets				
Loans and receivables				
Loans to certain customers *(note 12)*	**31.6**	**31.6**	29.2	29.2
Non-controlling interests				
Financial liability held for trading	**221.3**	**221.3**	192.2	192.2
Debt *(note 20)*				
Other financial liabilities				
Revolving Credit Facility	**97.5**	**97.5**	391.7	391.7
Series A Notes	**—**	**—**	200.0	206.6
Series C Notes	**300.0**	**307.6**	—	—
Series B Notes	**400.0**	**453.1**	400.0	454.1
Series D Notes	**300.0**	**303.2**	—	—
Loans	**38.0**	**38.0**	32.4	32.4
Obligations under finance leases	**33.0**	**39.2**	36.9	40.8
	1,168.5	**1,238.6**	1,061.0	1,125.6

The foreign exchange forward contracts, classified as “Financial assets or liabilities at fair value through net earnings”, are not shown in the above table, as they are insignificant in value.

The fair value of loans to certain customers, revolving credit facility and loans payable is equivalent to their carrying value since their interest rates are comparable to market rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs.

The fair value of notes represents the obligations that the Corporation would have to meet in the event of the negotiation of similar notes under current market conditions. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs.

The fair value of the non-controlling interest-related liability is equivalent to the estimated price to be paid which is based mainly on the discounted value of the projected future earnings of Adonis, Phoenicia and Première Moisson as of the date the options will become exercisable. The Corporation categorized the fair value measurement in Level 3, as it is derived from data that is not observable. The projected future earnings of these entities are measured again at each period using a strategic development plan with a weighted annual growth rate of 8.6% as at September 26, 2015 (9.6% as at September 27, 2014). A 1% increase in these earnings would result in a $2.0 increase in the fair value of the non-controlling interest-related liability.

The changes of the non-controlling interest-related liability were as follows:

	2015	2014
Balance – beginning of year	**192.2**	160.5
Issuance through business combinations *(note 5)*	**—**	22.0
Change in fair value	**29.1**	9.7
Balance – end of year	**221.3**	192.2

INTEREST RATE RISK

In the normal course of business, the Corporation is exposed primarily to interest rate fluctuations risk as a result of loans and receivables that it grants, as well as revolving credit facility and loans payable that it contracts at variable interest rates.

The Corporation keeps a close watch on interest rate fluctuations and, if warranted, uses derivative financial instruments such as interest rate swap contracts. As at September 26, 2015 and September 27, 2014, there were no outstanding interest rate swap contracts.

CREDIT RISK

Loans and receivables / Guarantees

The Corporation sells products to consumers and merchants in Canada. When it sells products, it gives merchants credit. In addition, to help certain merchants finance business acquisitions, the Corporation grants them long-term loans or guarantees loans obtained by them from financial institutions. Hence, the Corporation is subject to credit risk.

To mitigate such risk, the Corporation performs ongoing credit evaluations of its customers and has adopted a credit policy that defines the credit conditions to be met and the required guarantees. As at September 26, 2015 and September 27, 2014, no customer accounted for over 10% of total loans and receivables.

To cover its credit risk, the Corporation holds guarantees over its clients' assets in the form of deposits, movable hypothecs on the Corporation stock and/or second hypothecs on their inventories, movable property, intangible assets and receivables.

In recent years, the Corporation has not suffered any material losses related to credit risk.

As at September 26, 2015, the maximum potential liability under guarantees provided amounted to $27.2 ($22.8 as at September 27, 2014) and no liability had been recognized as at that date.

Financial assets at fair value through net earnings

With regard to its financial assets at fair value through net earnings, consisting of foreign exchange forward contracts, the Corporation is subject to credit risk when these contracts result in receivables from financial institutions. In accordance with its risk management policy, the Corporation entered into these agreements with major Canadian financial institutions to reduce its credit risk.

As at September 26, 2015 and September 27, 2014, the Corporation was not exposed to credit risk in respect of its foreign exchange forward contracts, as they resulted in amounts payable.

LIQUIDITY RISK

The Corporation is exposed to liquidity risk primarily as a result of its debt and trade accounts payable.

The Corporation regularly assesses its cash position and feels that its cash flows from operating activities are sufficient to fully cover its cash requirements as regards its financing activities. Its revolving credit facility and its Series C, B and D Notes mature only in 2020, 2021, 2035 and 2044, respectively. The Corporation also has an unused authorized balance of $502.5 on its revolving credit facility.

	Undiscounted cash flows (capital and interest)					
	Accounts payable	Facility and loans	Notes	Finance lease commitments	Non-controlling interests	Total
Maturing under 1 year	999.4	15.9	48.6	6.5	—	1,070.4
Maturing in 1 to 10 years	—	121.4	700.3	27.0	221.3	1,070.0
Maturing in 11 to 20 years	—	2.8	789.7	13.1	—	805.6
Maturing over 20 years	—	15.9	438.3	1.3	—	455.5
	999.4	156.0	1,976.9	47.9	221.3	3,401.5

FOREIGN EXCHANGE RISK

Given that some of its purchases are denominated in foreign currencies, the Corporation is exposed to foreign exchange risk.

In accordance with its risk management policy, the Corporation uses derivative financial instruments, consisting of foreign exchange forward contracts, to hedge against the effect of foreign exchange rate fluctuations on its future foreign-denominated purchases of goods and services.

As at September 26, 2015 and September 27, 2014, the fair value of foreign exchange forward contracts was insignificant.

30. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of fiscal year ended September 26, 2015 (including comparative figures) were approved for issue by the Board of Directors on November 17, 2015.

directors and officers

board of directors

Maryse Bertrand [3]
Montréal, Québec

Stephanie Coyles [1]
Toronto, Ontario

Marc DeSerres [1][3]
Montréal, Québec

Claude Dussault [2]
Québec City, Québec

Serge Ferland
Québec City, Québec

Paule Gauthier [2][3]
Québec City, Québec

Russell Goodman [1]
Lac-Tremblant-Nord, Québec

Christian W.E. Haub [2]
Greenwich, Connecticut

Michel Labonté [1][2]
Montréal, Québec

Eric R. La Flèche
Town of Mount-Royal, Québec
President and
Chief Executive Officer

Marie-José Nadeau [2][3]
Montréal, Québec

Réal Raymond
Montréal, Québec
Chair of the Board

Line Rivard [1]
Montréal, Québec

Michael T. Rosicki [3]
Orillia, Ontario

management of METRO INC.

Eric R. La Flèche
President and
Chief Executive Officer

François Thibault
Senior Vice President
Chief Financial Officer
and Treasurer

Christian Bourbonnière
Senior Vice President
Québec Division Head

Carmine Fortino
Senior Vice President
Ontario Division Head

Serge Boulanger
Senior Vice President
National Procurement and
Corporate Brands

Martin Allaire
Vice President
Real Estate & Engineering

Geneviève Bich
Vice President
Human Resources

Mireille Desjarlais
Vice President
Corporate Controller

Frédéric Legault
Vice President
Information Systems

Luc Martinovitch
Vice President and
General Manager
McMahon Distributeur
pharmaceutique inc.

Gino Plevano
Vice President
Digital Strategy and Loyalty

Simon Rivet
Vice President
General Counsel and
Corporate Secretary

Roberto Sbrugnera
Vice President
Treasury, Risk and
Investor Relations

Yves Vézina
National Vice President
Logistics and Distribution

[1] Member of the Audit Committee
[2] Member of the Human Resources Committee
[3] Member of the Corporate Governance and Nominating Committee

shareholder information

Transfer agent and registrar
CST Trust Company

Stock listing
Toronto Stock Exchange
Ticker Symbol: MRU

Auditors
Ernst & Young LLP

Head Office
11011 Maurice-Duplessis Blvd.
Montréal, Québec H1C 1V6

The Annual Information Form may be obtained from the Investor Relations Department:
Tel: (514) 643-1000

Vous pouvez vous procurer la version française de ce rapport auprès du service des relations avec les investisseurs:
Tél : (514) 643-1000

METRO INC.'s corporate information and press releases are available on the Internet at the following address.
www.metro.ca

Annual meeting
The Annual General Meeting of Shareholders will be held on January 26, 2016 at 10:00 a.m. at:
Centre Mont-Royal
2200 Mansfield Street
Montréal, Québec H3A 3R8

dividends* 2016 fiscal year

Declaration Date	Record Date	Payment Date
— January 25, 2016	— February 17, 2016	— March 15, 2016
— April 19, 2016	— May 18, 2016	— June 9, 2016
— August 12, 2016	— September 2, 2016	— September 23, 2016
— September 26, 2016	— October 28, 2016	— November 11, 2016

* Subject to approval by the Board of Directors

Cabana Séguin inc.

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METRO is committed to respecting the principles of corporate responsibility notably in terms of the environment. The Company is therefore proud to present this annual report, printed using recycled paper that includes post-consumer fibres and is certified FSC.

The FSC® (Forest Stewardship Council®) is an international certification and labeling system that guarantees that the forest products you purchase, from the forest to the shelf, come from responsibly managed sources.