



PRESS RELEASE

METRO'S FULLY DILUTED NET EARNINGS PER SHARE INCREASED BY 10.9% IN THE THIRD QUARTER OF 2010

2010 THIRD QUARTER HIGHLIGHTS

- Net earnings of \$120.0 million, up 6.6%
 - Fully diluted net earnings per share of \$1.12, up 10.9%
 - Sales of \$3,561.3 million, up 1.4%
 - Declared dividend of \$0.17 per share, up 23.6%
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(Montréal, August 11, 2010) – METRO INC. (TSX: MRU.A) announced its results today for the fiscal 2010 third quarter ended July 3, 2010. METRO realized net earnings of \$120.0 million, an increase of 6.6% over the same quarter last year, and fully diluted net earnings per share of \$1.12 versus \$1.01 last year, an increase of 10.9%.

"We are pleased with our third quarter results as they improved upon last year's excellent third quarter, despite persistent deflation in certain product categories and continuing consumer caution. Following the successful launch of our new Metro & Me loyalty card in Québec City last April, we will roll out this new program throughout the other Québec regions in the fall. Going forward, we are confident that our customer centric strategies combined with disciplined cost control will allow us to sustain⁽²⁾ our growth," stated Eric R. La Flèche, President and Chief Executive Officer.

⁽¹⁾ See section on "Non-GAAP measurements"

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

SALES

2010 third quarter sales reached \$3,561.3 million compared to \$3,513.3 million last year, an increase of 1.4%. Sales for the first 40 weeks of 2010 reached \$8,783.0 million, up 1.4% compared to sales of \$8,663.5 million for the corresponding period of fiscal 2009.

These increases were achieved despite a slight drop in the value of our basket, whereas last year, high food price inflation and the temporary closing of several stores of a competitor due to a labour conflict had a positive impact on our sales for the first three quarters. Same-store sales declined 0.6% in the third quarter due to deflation in certain product categories.

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

Third quarter EBITDA⁽¹⁾ in 2010 was \$247.7 million, up 6.3% from \$233.0 million for the same quarter last year. Third quarter EBITDA⁽¹⁾ represented 7.0% of sales versus 6.6% last year.

EBITDA⁽¹⁾ for the first 40 weeks of 2010 was \$601.4 million or 6.8% of sales compared to \$565.8 million or 6.5% of sales for the same period of 2009. Excluding non-recurring costs of \$0.9 million and \$8.7 million before taxes to convert our Ontario supermarkets to the Metro banner in the first 40 weeks of 2010 and 2009 respectively, adjusted EBITDA⁽¹⁾ represented 6.9% of sales in 2010 and 6.6% in 2009.

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

Our share of earnings from our investment in Alimentation Couche-Tard for the third quarter and the first 40 weeks of 2010 were \$8.0 million and \$25.3 million respectively, compared to \$5.2 million and \$25.7 million for the corresponding periods of fiscal 2009. Excluding non-recurring items as well as our share of earnings from our investment in Alimentation Couche-Tard, our adjusted EBITDA⁽¹⁾ for the third quarter and the first 40 weeks of 2010 were \$239.7 million and \$577.0 million respectively or 6.7% and 6.6% of sales versus \$230.7 million or 6.6% of sales for the third quarter of 2009 and \$548.8 million or 6.3% of sales for the 40-week period of 2009.

EBITDA⁽¹⁾ Adjustments

	16 weeks / Fiscal Year					
	2010			2009		
<i>(Millions of dollars, unless otherwise indicated)</i>	EBITDA	Sales	EBITDA/Sales (%)	EBITDA	Sales	EBITDA/Sales (%)
EBITDA	247.7	3,561.3	7.0	233.0	3,513.3	6.6
Banner conversion costs	—	—	—	2.9	—	—
Adjusted EBITDA	247.7	3,561.3	7.0	235.9	3,513.3	6.7
Share of earnings from our investment in Alimentation Couche-Tard	(8.0)	—	—	(5.2)	—	—
Adjusted EBITDA excluding share of earnings	239.7	3,561.3	6.7	230.7	3,513.3	6.6

	40 weeks / Fiscal Year					
	2010			2009		
<i>(Millions of dollars, unless otherwise indicated)</i>	EBITDA	Sales	EBITDA/Sales (%)	EBITDA	Sales	EBITDA/Sales (%)
EBITDA	601.4	8,783.0	6.8	565.8	8,663.5	6.5
Banner conversion costs	0.9	—		8.7	—	
Adjusted EBITDA	602.3	8,783.0	6.9	574.5	8,663.5	6.6
Share of earnings from our investment in Alimentation Couche-Tard	(25.3)	—		(25.7)	—	
Adjusted EBITDA excluding share of earnings	577.0	8,783.0	6.6	548.8	8,663.5	6.3

DEPRECIATION AND AMORTIZATION AND FINANCIAL COSTS

Total amortization expenses for the third quarter and the first 40 weeks of fiscal 2010 amounted to \$62.2 million and \$155.9 million respectively, compared with \$58.6 million and \$142.8 million for the same periods of 2009. Third quarter financial costs totalled \$13.9 million in 2010 versus \$14.6 million last year, while 2010 40-week financial costs totalled \$35.2 million versus \$37.9 million last year. Interest rates for the first 40 weeks of 2010 averaged 3.9% versus 4.6% for the corresponding period last year.

INCOME TAXES

The 2010 third quarter and 40-week period income tax expenses of \$51.6 million and \$111.9 million represented effective tax rates of 30.1% and 27.3% respectively. In the first quarter of 2010, we benefited from a \$10.0 million reduction in our net future income tax liabilities and income tax expenses. Excluding this reduction, our effective tax rate for the first 40 weeks of 2010 was 29.7%. In 2009, the third quarter and 40-week period income tax expenses of \$47.2 million and \$115.1 million represented effective tax rates of 29.5% and 29.9% respectively. In the third quarter of 2009, the Québec government reduced the tax rate on investment income and this reduction cut our future tax liability by \$2.7 million and our tax expenses by the same amount. Excluding this reduction, our effective 2009 third quarter and 40-week tax rates were 31.2% and 30.6% respectively.

NET EARNINGS

The 2010 third quarter net earnings were \$120.0 million compared to \$112.6 million for the corresponding quarter last year, an increase of 6.6%. Fully diluted net earnings per share rose 10.9% to \$1.12 from \$1.01 last year. Excluding banner conversion costs of \$2.9 million before taxes and the tax expense decrease of \$2.7 million recorded in the third quarter of 2009, our 2010 third quarter net earnings and fully diluted net earnings per share were up 7.3% and 10.9% respectively.

Net earnings for the first 40 weeks of 2010 reached \$298.4 million versus \$270.0 million last year, up 10.5%. Fully diluted net earnings per share were \$2.77 compared to \$2.42 last year, an increase of 14.5%. Excluding the 2010 first quarter and 2009 third quarter income tax expense decreases of \$10.0 million and \$2.7 million respectively and pre-tax banner conversion costs of \$0.9 million in 2010 and \$8.7 million in 2009, adjusted net earnings⁽¹⁾ for the 2010 40-week period were \$289.0 million, up 5.8% from the \$273.1 million for the corresponding period of 2009. Adjusted fully diluted net earnings per share⁽¹⁾ were \$2.68, up 9.4% from \$2.45 last year.

⁽¹⁾ See section on "Non-GAAP measurements"

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

Net Earnings Adjustments

	16 weeks / Fiscal Year					
	2010		2009		Change (%)	
	<i>(Millions of dollars)</i>	Fully diluted EPS (Dollars)	<i>(Millions of dollars)</i>	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	120.0	1.12	112.6	1.01	6.6	10.9
Banner conversion costs after taxes	—	—	1.9	0.02		
Decrease in tax expense	—	—	(2.7)	(0.02)		
Adjusted net earnings ⁽¹⁾	120.0	1.12	111.8	1.01	7.3	10.9

	40 weeks / Fiscal Year					
	2010		2009		Change (%)	
	<i>(Millions of dollars)</i>	Fully diluted EPS (Dollars)	<i>(Millions of dollars)</i>	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	298.4	2.77	270.0	2.42	10.5	14.5
Banner conversion costs after taxes	0.6	—	5.8	0.05		
Decrease in tax expense	(10.0)	(0.09)	(2.7)	(0.02)		
Adjusted net earnings ⁽¹⁾	289.0	2.68	273.1	2.45	5.8	9.4

⁽¹⁾ See section on “Non-GAAP measurements”

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

Quarterly Highlights

<i>(Millions of dollars, unless otherwise indicated)</i>	2010	2009	2008	Change (%)
Sales				
Q1	2,645.0	2,600.5	—	1.7
Q2	2,576.7	2,549.7	—	1.1
Q3	3,561.3	3,513.3	—	1.4
Q4	—	2,532.5	2,476.0	2.3
Net earnings				
Q1	98.1	81.1	—	21.0
Q2	80.3	76.3	—	5.2
Q3	120.0	112.6	—	6.6
Q4	—	84.4	72.5	16.4
Adjusted net earnings⁽¹⁾				
Q1	88.7	84.1	—	5.5
Q2	80.3	77.2	—	4.0
Q3	120.0	111.8	—	7.3
Q4	—	85.9	72.5	18.5
Fully diluted net earnings per share <i>(Dollars)</i>				
Q1	0.91	0.73	—	24.7
Q2	0.74	0.68	—	8.8
Q3	1.12	1.01	—	10.9
Q4	—	0.77	0.65	18.5
Adjusted fully diluted net earnings per share⁽¹⁾ <i>(Dollars)</i>				
Q1	0.82	0.76	—	7.9
Q2	0.74	0.68	—	8.8
Q3	1.12	1.01	—	10.9
Q4	—	0.78	0.65	20.0

First, second and third quarter sales for 2010 were up 1.7%, 1.1% and 1.4% respectively over those in fiscal 2009. These increases were achieved despite persistent deflation in certain product categories in 2010, whereas last year, high food price inflation and the temporary closing of several stores of a competitor due to a labour conflict had a positive impact on our sales for the corresponding quarters.

Fourth quarter sales for 2009 were up 2.3% over those for 2008. Effective merchandising programs allowed us to post this increase. Excluding decreased tobacco sales, 2009 fourth quarter sales were up 3.2% over 2008.

First quarter net earnings and fully diluted net earnings per share for 2010 were up 21.0% and 24.7% respectively over those in fiscal 2009. Excluding banner conversion costs of \$0.9 million and \$4.5 million before taxes recorded respectively in the first quarters of 2010 and 2009, as well as the income tax expense decrease of \$10.0 million in the first quarter of 2010 further to future decreases in the Ontario tax rate, adjusted net earnings⁽¹⁾ were up 5.5% and adjusted fully diluted net earnings per share⁽¹⁾ were up 7.9%.

Second quarter net earnings and fully diluted net earnings per share for 2010 were up 5.2% and 8.8% respectively from those in 2009.

⁽¹⁾ See section on "Non-GAAP measurements"

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

Third quarter net earnings and fully diluted net earnings per share in 2010 were up 6.6% and 10.9% respectively from 2009. Excluding non-recurring items recorded in the third quarter of 2009, namely \$2.9 million before taxes to convert our Ontario supermarkets to the Metro banner as well as an income tax expense decrease of \$2.7 million, net earnings and fully diluted net earnings per share for the third quarter of 2010 were up 7.3% and 10.9%, compared to adjusted net earnings⁽¹⁾ and adjusted fully diluted net earnings per share⁽¹⁾ for the third quarter of 2009.

Fourth quarter net earnings and fully diluted net earnings per share in 2009 were up 16.4% and 18.5% over those for 2008. Excluding 2009 fourth quarter banner conversion costs of \$2.3 million before taxes, adjusted net earnings⁽¹⁾ and adjusted fully diluted net earnings per share⁽¹⁾ for the fourth quarter of 2009 were up 18.5% and 20.0% over net earnings and fully diluted net earnings per share for the fourth quarter of 2008. The fourth quarter of 2009 saw an increase in gross margins due to the increase in sales and our ongoing efforts to improve execution in Ontario.

	2010			2009				2008
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q4
<i>(Millions of dollars)</i>								
Net earnings	98.1	80.3	120.0	81.1	76.3	112.6	84.4	72.5
Banner conversion costs after taxes	0.6	—	—	3.0	0.9	1.9	1.5	—
Decrease in tax expense	(10.0)	—	—	—	—	(2.7)	—	—
Adjusted net earnings ⁽¹⁾	88.7	80.3	120.0	84.1	77.2	111.8	85.9	72.5

	2010			2009				2008
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	Q4
<i>(Dollars and per share)</i>								
Fully diluted net earnings	0.91	0.74	1.12	0.73	0.68	1.01	0.77	0.65
Banner conversion costs after taxes	—	—	—	0.03	—	0.02	0.01	—
Decrease in tax expense	(0.09)	—	—	—	—	(0.02)	—	—
Adjusted fully diluted net earnings ⁽¹⁾	0.82	0.74	1.12	0.76	0.68	1.01	0.78	0.65

Cash Position

OPERATING ACTIVITIES

Operating activities generated cash flows of \$190.4 million in the third quarter and \$368.5 million over the first 40 weeks of 2010, compared to \$115.2 million in the third quarter and \$289.3 million in the first 40 weeks of 2009. The increases in generated cash are due primarily to increased net earnings and variations in non-cash working capital.

INVESTING ACTIVITIES

Investing activities required outflows of \$55.4 million in the third quarter and \$309.6 million in the first 40 weeks of 2010 compared to \$73.7 million and \$164.0 million respectively in the corresponding periods of fiscal 2009. The decrease in third quarter outflows in 2010 compared with 2009 is due primarily to reduced acquisition of fixed assets in 2010, while the increase in 40-week outflows in 2010 compared with 2009 is attributable to the 2010 acquisition of 18 stores for valuable cash consideration of \$152.3 million (net of cash acquired totalling \$0.3 million).

During the first 40 weeks of 2010, the Company and its retailers invested \$231.6 million in our retail network, for a net expansion of 406,200 square feet or 2.1%. Major renovations and expansions of 32 stores were completed, and 13 new stores were opened.

⁽¹⁾ See section on "Non-GAAP measurements"

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

FINANCING ACTIVITIES

Financing activities required outflows of \$86.7 million in the third quarter of 2010 compared to \$86.0 million in the third quarter of 2009.

Financing activities required outflows of \$180.1 million for the 40-week period of 2010 compared to \$112.9 million for the corresponding period of 2009. The increase of outflows is attributable to a greater number of Class A Subordinate shares being repurchased, and a decrease in issuance of shares in 2010 compared to 2009.

Financial Position

Despite the difficult economic environment, we do not anticipate⁽²⁾ any liquidity risk and consider our financial position at the end of the third quarter of fiscal 2010 as very solid. We had an unused authorized revolving line of credit of \$400.0 million. Our long-term debt corresponded to 29.5% of the combined total of long-term debt and shareholders' equity (long-term debt/total capital).

At the end of the third quarter of 2010, the main elements of our long-term debt were as follows:

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

At the end of the quarter, one interest rate swap agreement in the notional amount of \$50.0 million was outstanding under our Credit A Facility. This agreement provides for the exchange of variable interest payment for fixed interest payment according to the following term:

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

Giving effect to this swap agreement, at the end of the quarter, long-term indebtedness comprised \$650.0 million at fixed rates ranging from 4.4925% to 5.97% and \$319.3 million at variable rates which fluctuate with changes in bankers' acceptance rates.

At the end of the third quarter, we also had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future U.S. dollar denominated purchases. The fair value of these short-term foreign exchange forward contracts was insignificant.

FINANCIAL RATIOS

	As at July 3, 2010	As at September 26, 2009
Financial structure		
Long-term debt (Millions of dollars)	1,004.9	1,004.3
Shareholders' equity (Millions of dollars)	2,400.5	2,264.1
Long-term debt/total capital (%)	29.5	30.7
	Fiscal 2010 (40 weeks)	Fiscal 2009 (40 weeks)
Results		
EBITDA ⁽¹⁾ /Financial costs (Times)	17.1	14.9

⁽¹⁾ See section on "Non-GAAP measurements"

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

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at July 3, 2010	As at September 26, 2009
Number of Class A Subordinate Shares outstanding <i>(Thousands)</i>	105,209	107,830
Number of Class B Shares outstanding <i>(Thousands)</i>	631	718
Stock options:		
Number outstanding <i>(Thousands)</i>	1,737	1,864
Exercise prices <i>(Dollars)</i>	20.20 to 44.19	17.23 to 39.17
Weighted average exercise price <i>(Dollars)</i>	31.75	28.53
Performance share units:		
Number outstanding <i>(Thousands)</i>	309	268
Weighted average maturity <i>(Months)</i>	19	18

NORMAL COURSE ISSUER BID PROGRAM

The Company decided to renew the issuer bid program as an additional option for using excess funds. Thus, we will be able to decide, in the shareholders' best interest, to reimburse debt or to repurchase Company shares. Subject to regulatory approval, the Board of Directors authorized the Company to repurchase, in the normal course of business, between September 8, 2010 and September 7, 2011, up to 6,000,000 of its Class A Subordinate Shares representing approximately 5.7% of its issued and outstanding shares at the close of the Toronto Stock Exchange on August 6, 2010. Repurchases will be made through the stock exchange at market price and in accordance with its policies and regulations. The Class A Subordinate Shares so repurchased will be cancelled. Under the existing normal course issuer bid program covering the period from September 8, 2009 to July 30, 2010, the Company repurchased 3,496,300 Class A Subordinate shares at an average price of \$39.76 per share for a total of \$139.0 million.

DIVIDENDS

On August 10, 2010, the Company's Board of Directors declared a quarterly dividend of \$0.17 per Class A Subordinate Share and Class B Share payable September 3, 2010, an increase of 23.6% over last year. On an annualized basis, this dividend represents 20.3% of 2009 net earnings.

SHARE TRADING

The value of METRO shares remained in the \$33.02 to \$45.56 range over the first three quarters of fiscal 2010. During this period, a total of 58.1 million shares traded on the Toronto Stock Exchange. The closing price on Friday, July 30, 2010 was \$43.94, compared with \$34.73 at the end of fiscal 2009.

New Accounting Policy Recently Published

International Financial Reporting Standards

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

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

(1) See section on "Non-GAAP measurements"

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

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

Phase 1: Preliminary Study and Diagnostic

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

Phase 2: Standards Analysis

Actions	Analysis of the differences between GAAP and IFRS.
	Selection of the accounting policies that the Company will apply on an ongoing basis.
	Company's selection of IFRS 1 exemptions at the date of transition.
	Calculation of the quantitative impact on the consolidated financial statements.
	Disclosure analysis.
	Preparation of draft consolidated financial statements and notes.
	Identification of the collateral impacts in the following areas: <ul style="list-style-type: none"> • information technology (IT) • internal control over financial reporting (ICFR) • disclosure controls and procedures (DC&P) • contracts • compensation • taxation • training
Timetable	We have prepared a detailed timetable that contemplates the bulk of the analysis that will be completed by the end of September 2010. We prioritized standards based on their ranking in the diagnostic, the time needed to complete the analysis and implementation as well as working group members' availability.
Progress	<p>At the end of the third quarter of fiscal 2010, analysis of all IFRS standards and interpretations that may have an impact on our Company was underway or completed.</p> <p>Given a weighting system based on the individual standards' complexity and degree of implementation difficulty, we estimate overall progress at 87%. We are satisfied with this result, are following our work plan, and are confident that we shall meet our deadline.</p> <p>As for ICFR and DC&P, analysis of IFRS standards and interpretations shows that the impact will not be material. However, for the year of transition, we will have to implement further controls regarding comparatives and additional information that will be disclosed.</p>

(1) See section on "Non-GAAP measurements"

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

Phase 3: Implementation

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

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

Differences in accounting treatment and choices made

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

(1) See section on "Non-GAAP measurements"

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

Impairment of assets	<p>IFRS: Impairment testing of our assets is conducted at the level of the 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.</p> <p>GAAP: Impairment testing is conducted at the level of a group of assets or a reporting unit.</p>	<p>Our impairment testing will be conducted at the level of each store (CGU).</p> <p>Impairment testing of warehouses will be done at the level of a group of CGUs.</p> <p>Impairment testing of corporate assets and goodwill will be conducted at the level of different groups of CGUs.</p> <p>Impairment testing results will be different, but their impact should not be material.</p>
Share-based payment	<p>IFRS: When stock option awards vest gradually, each tranche is to be considered as a separate award.</p> <p>GAAP: The gradually vested tranches could be considered as a single award.</p>	<p>The compensation expense will have to be recognized over the expected term of each vested tranche. It will be different, but the impact should not be material.</p>
Earnings per share	<p>IFRS: We have to independently determine, for the interim period and the year-to-date, the number of potentially dilutive shares to consider in calculating diluted earnings per share.</p> <p>GAAP: The number is independently determined for the interim period, but the year-to-date is a weighted average of the periods.</p>	<p>Diluted earnings per share will be different, but the impact should not be material.</p>
Customer loyalty programs	<p>IFRS: As we are acting as an authorized agent of the Air Miles™ reward program, we have to record the cost of points as a reduction in sales.</p> <p>GAAP: No standard exists, but the Canadian practice is to record the cost of points in the cost of sales and operating expenses.</p>	<p>Sales will be different, but the impact should not be material.</p> <p>There will be no impact on net earnings.</p>
Employee Benefits	<p>IFRS: We have the choice of deferring recognition of actuarial gains and losses using the corridor approach or of immediately recognizing actuarial gains and losses in full in P&L or in comprehensive income.</p> <p>GAAP: We have a similar choice of accounting policy without the possibility of immediate recognition to comprehensive income.</p>	<p>We will recognize full actuarial gains and losses immediately in comprehensive income, without impacting P&L.</p>

(1) See section on "Non-GAAP measurements"

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

Employee Benefits (cont'd)	<p>IFRS: We have to recognize past service cost for vested benefits immediately in P&L.</p> <p>GAAP: Past service cost has to be amortized in a straight line over the average remaining service period of active participants until the full eligibility date, regardless of vesting.</p>	<p>At the date of transition, we will recognize past service cost for vested benefits in retained earnings. After the changeover, past service cost for vested benefits will be recognized in P&L.</p>
	<p>IFRS: Recognition of defined benefit assets is limited to the availability of future contribution reductions based on future obligations calculated on an accounting, going concern and solvency basis.</p> <p>GAAP: Recognition of defined benefit assets is limited to the availability of future contribution reductions based on future obligations calculated solely on an accounting basis.</p>	<p>Valuation of future obligations calculated on a going concern and solvency basis should decrease the availability of future contribution reductions and increase our defined benefit obligations. We will recognize differences at the date of transition in retained earnings, and future variations in comprehensive income.</p>
	<p>IFRS: A multi-employer plan with implicit obligations shall be accounted for as a defined benefit plan. However, when sufficient information is not available, it shall be accounted for as if it were a defined contribution plan. Additional information shall be added to the financial statements. Furthermore, if there is a contractual commitment, it shall be recognized in P&L.</p> <p>GAAP: A multi-employer plan is generally accounted for as a defined contribution plan because information is usually not available. However, if sufficient information is available, it must be accounted for as a defined benefit plan. The employee future benefits standard doesn't specifically address the accounting treatment of a contractual agreement. However, other GAAP standards cover this type of commitment and the accounting treatment is the same as IFRS.</p>	<p>Our multi-employer plans are defined benefit plans, however they will be accounted for as if they were defined contribution plans since sufficient information is not available to accurately determine our obligations.</p> <p>Additional information regarding this situation will have to be disclosed.</p>
Joint ventures	<p>IFRS: We may account for our interests in joint ventures using proportionate consolidation or the equity method.</p> <p>GAAP: We have to account for them using proportionate consolidation.</p>	<p>We will use the equity method. There will be no material impact on the presentation of financial statements and no impact on net earnings.</p>

(1) See section on "Non-GAAP measurements"

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

Provisions	<p>IFRS: We have to account for a provision when we have a present obligation resulting from a past event, it is more likely than not (interpreted as 50% and more) that an outflow of resources will be required to settle the obligation and its amount can be reliably estimated. Moreover, we have to disclose total provisions separately in the statement of financial position (GAAP: balance sheet).</p> <p>GAAP: The criteria are the same with the exception of the high probability (interpreted as approximately 75% and more) that an outflow of resources will be required.</p>	<p>The impact on our provisions should not be material.</p> <p>Some provisions might be presented separately in the statement of financial position.</p>
Business combinations	<p>IFRS: The fair value of issued stock is calculated at the date of acquisition.</p> <p>GAAP: It's calculated over a reasonable period before and after the date of the transaction's announcement.</p>	<p>There will be no impact on our past business combinations, since we chose to take advantage of the exemption from retrospective application (IFRS 1).</p>
	<p>IFRS: Acquisition-related costs are expensed when incurred.</p> <p>GAAP: They are considered in the purchase price allocation if they represent incremental costs.</p>	
	<p>IFRS: The provision for restructuring costs, considered in the purchase price allocation, excludes costs for a restructuring plan determined and developed by the acquirer.</p> <p>GAAP: These restructuring costs can be included in the purchase price allocation if they meet certain conditions.</p>	
Investments in associates	<p>IFRS: In applying the equity method, the difference between the associate's reporting date and the investor's cannot be greater than three months.</p> <p>GAAP: No time limit is mentioned.</p>	<p>It will have no impact on our investment in Alimentation Couche-Tard, since the difference between the two reporting dates is always less than three months.</p>

(1) See section on "Non-GAAP measurements"

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

Income taxes	<p>IFRS: Deferred tax (GAAP: future income tax) is calculated on any temporary difference. However, there are two exemptions where no deferred tax is recognized :</p> <ul style="list-style-type: none"> • initially on goodwill • on an asset acquired outside a business combination whose carrying amount and tax base differ. <p>GAAP: Future income tax is calculated on any temporary difference. However, no future income tax is initially recognized for goodwill and for intangible asset acquisition, deductible from the cumulative eligible capital amount at 75% of its book value, as its tax basis is adjusted with the result that it is deemed equal to the carrying amount.</p> <p>Moreover, when an asset is acquired outside a business combination and its tax basis differs from its carrying amount, future income tax is recognized on the variance and the cost of the asset is adjusted in consideration.</p>	<p>At the date of transition, we will recognize a deferred tax adjustment for the assets concerned. The impact at the date of transition should not be material.</p> <p>Additional deferred taxes may be recognized for intangible asset that are deductible from the cumulative eligible capital acquired in a business combination through an assets acquisition.</p>
	<p>IFRS: Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted.</p> <p>GAAP: A tax rate has effect or substantive effect when a majority government bill is tabled for first reading or when a minority government bill is tabled for third reading.</p>	<p>At the date of transition, we will examine current bills, and adjust, if necessary, our deferred taxes.</p>
	<p>IFRS: Accounting for subsequent changes in deferred tax of a transaction is consistent with the accounting for the transaction itself, i.e. in P&L, equity or other comprehensive income.</p> <p>GAAP: When a subsequent event affects the amount of future income tax initially recognized, the adjustment of the amount must be recognized in P&L.</p>	<p>The impact of a change in rate or regulations will have to be recognized where the initial transaction was recognized.</p>
	<p>IFRS: Deferred tax should be recognized on transactions between entities of a consolidated group, whose profits are not realized, at the tax rate of the corporation acquiring the assets.</p> <p>GAAP: No future income tax is recognized on transactions between entities of a consolidated group whose profits are not realized.</p>	<p>Deferred tax at the rate of the entity acquiring the assets will have to be recognized on intercompany transactions. The impact should not be material.</p>

(1) See section on "Non-GAAP measurements"

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

IFRS 1 provides exemptions from retrospective application of some of the above standards, from which we have made the choices set out in the following table:

Optional Exemptions	Preliminary Findings
Borrowing costs	This exemption allows us not to capitalize borrowing costs on our qualifying assets before the IFRS transition date. Given that we will not capitalize these borrowing costs, we will not use the exemption.
Deemed cost	On the IFRS transition date, we can recognize each fixed and intangible asset and investment property at its deemed cost, which shall be its fair value. We shall analyze our fixed and intangible assets and investment property to determine whether or not to use the exemption.
Share-based payment	This exemption would relieve us from applying the standard to equity instruments acquired before the IFRS transition date. We have decided not to avail ourselves of this exemption.
Employee benefits	The exemption allows us to recognize all actuarial gains or losses at the date of transition to IFRS in retained earnings, regardless of the subsequent accounting treatment chosen. We have chosen to take advantage of this exemption.
Business combinations	The exemption allows us not to apply the standard to business combinations occurred before the date of transition to IFRS. We have chosen to take advantage of this exemption for business combinations concluded before September 26, 2010.

Differences in presentation and choices made

Standards	Comparison between IFRS and GAAP / choices made as warranted
Statement of financial position	IFRS: A statement of financial position as at the beginning of the comparative period has to be presented when: <ul style="list-style-type: none"> • an accounting policy is applied retrospectively; • items in financial statements are retrospectively restated or reclassified. GAAP: This third balance sheet column is not required.
	IFRS: Deferred tax assets (liabilities) are classified as non-current items (GAAP: long-term). GAAP: The short-term and long-term future income tax assets (liabilities) are presented separately.

⁽¹⁾ See section on "Non-GAAP measurements"

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

Statement of comprehensive income	<p>IFRS: All items of income and expense recognized in a period are to be presented:</p> <ul style="list-style-type: none"> • in a single statement of comprehensive income; or • in two statements: a separate income statement and a second statement beginning with profit or loss and displaying components of other comprehensive income. <p>GAAP: All comprehensive income items may be presented:</p> <ul style="list-style-type: none"> • immediately under total net income; or • in a separate statement beginning with net income. <p>Choice: We will continue to present two separate statements.</p>
Statement of changes in equity	<p>IFRS: Expenses are classified based on their nature or their function.</p> <p>GAAP: This classification of expenses is not required.</p> <p>Choice: We will keep the existing income statement and will disclose, through a note to the financial statements, expenses by nature or by function.</p>
Statement of cash flows	<p>IFRS: A statement of changes in equity must show a reconciliation between the carrying amount at the beginning and the end of the period for each component of equity.</p> <p>GAAP: Only a statement of retained earnings has to be presented.</p>
Statement of cash flows	<p>IFRS: In the statement of cash flows, interest and dividends may be classified as follows:</p> <ul style="list-style-type: none"> • interest and dividends paid: operating cash flows or financing cash flows; • interest and dividends received: operating cash flows or investing cash flows. <p>GAAP: They may be classified as follows in the cash flow statement:</p> <ul style="list-style-type: none"> • interest paid and received: operating cash flows; • dividends paid: financing cash flows; • dividends received and included in net income: operating cash flows. <p>Choice: We will keep the existing classification of interest and dividends in the statement of cash flows.</p>
	<p>IFRS: Interim reports must present a statement of cash flows cumulatively for the current financial year-to-date and for the comparable period of the preceding financial year.</p> <p>GAAP: Besides a cash flow statement cumulatively for the current financial year-to-date and for the comparable period, interim reports must present a cash flow statement for the interim period and one for the comparable period.</p>

(1) See section on "Non-GAAP measurements"

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

Notes to financial statements	IFRS: Reconciliations of the carrying amount at the beginning and end of the period for several components of the statement of financial position are presented in the notes to financial statements. GAAP: Reconciliations are limited to certain balance sheet components.
	IFRS: The total amount of key management personnel compensation must be disclosed, by large categories, in the notes to financial statements. GAAP: This information is not required in financial statements. However, the Regulation 51-102 of the Canadian Securities Administrators demands disclosure of similar information in the proxy circular.

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

Press Release

The following press release sets out the financial position and consolidated results of METRO INC. on July 3, 2010. It should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes in this interim report with the consolidated financial statements for the fiscal year ended September 26, 2009 and related notes and MD&A presented in the Company's 2009 Annual Report. This press release is based upon information as at July 30, 2010 unless otherwise stated. Additional information, including the Certification of Interim Filings letters for the quarter ended July 3, 2010 signed by the President and Chief Executive Officer and the Senior Vice-President, Chief Financial Officer and Treasurer, is also available on the SEDAR website at: www.sedar.com.

Non-GAAP Measurements

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

Earnings before financial costs, taxes, depreciation and amortization (EBITDA)

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

Adjusted EBITDA, adjusted net earnings and adjusted fully diluted net earnings per share

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

Forward-looking Information

We have used, throughout this interim report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained herein, which does not constitute a historical fact, may be deemed a forward-looking statement. Expressions such as "sustain", "anticipate" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2010 action plan.

(1) See section on "Non-GAAP measurements"

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

These forward-looking statements do not provide any guarantees as to the future performance of the Company and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession, or the arrival of a new competitor, are examples described under the "Risk Management" section of the 2009 Annual Report which could have an impact on these statements. We believe these statements to be reasonable and pertinent as at the date of publication of this interim report and represent our expectations. The Company does not intend to update any forward-looking statement contained herein, except as required by applicable law.

Conference Call

Financial analysts and institutional investors are invited to participate in a conference call on the 2010 third quarter results at **10:00 a.m. (EDT) on Wednesday, August 11, 2010**. To access the conference call, please dial (514) 807-9895 or (647) 427-7450 or (888) 231-8191. The media and investing public are invited to listen to the call in real time or delayed time on the METRO INC. Web site at www.metro.ca.

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⁽¹⁾ See section on "Non-GAAP measurements"

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

Consolidated Statements of Earnings

Periods ended July 3, 2010 and July 4, 2009

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

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2010	2009	2010	2009
Sales	\$ 3,561.3	\$ 3,513.3	\$ 8,783.0	\$ 8,663.5
Cost of sales and operating expenses (note 8)	(3,321.6)	(3,282.6)	(8,206.0)	(8,114.7)
Share of earnings in a public company subject to significant influence	8.0	5.2	25.3	25.7
Banner conversion costs (note 3)	—	(2.9)	(0.9)	(8.7)
Earnings before financial costs, taxes, depreciation and amortization	247.7	233.0	601.4	565.8
Depreciation and amortization	(62.2)	(58.6)	(155.9)	(142.8)
Operating income	185.5	174.4	445.5	423.0
Financial costs, net (note 5)	(13.9)	(14.6)	(35.2)	(37.9)
Earnings before income taxes	171.6	159.8	410.3	385.1
Income taxes (note 6)	(51.6)	(47.2)	(111.9)	(115.1)
Net earnings	\$ 120.0	\$ 112.6	\$ 298.4	\$ 270.0
Net earnings per share (Dollars) (note 7)				
Basic	1.12	1.02	2.78	2.44
Fully diluted	1.12	1.01	2.77	2.42

See accompanying notes

Consolidated Balance Sheets

(Unaudited) (Millions of dollars)

	As at July 3, 2010	As at September 26, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 120.2	\$ 241.4
Accounts receivable	341.7	315.8
Inventories (note 8)	682.2	681.3
Prepaid expenses	20.5	8.3
Income taxes receivable	8.0	6.6
Future income taxes	11.0	29.8
	1,183.6	1,283.2
Investments and other assets	231.8	204.0
Fixed assets	1,323.5	1,305.8
Intangible assets	315.3	325.4
Goodwill	1,603.7	1,478.6
Future income taxes	3.7	3.6
Accrued benefit asset	69.2	65.6
	\$ 4,730.8	\$ 4,666.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	\$ 0.8	\$ 0.8
Accounts payable	1,043.7	1,111.2
Income taxes payable	48.6	24.8
Future income taxes	10.3	9.2
Current portion of long-term debt	3.3	6.4
	1,106.7	1,152.4
Long-term debt	1,004.9	1,004.3
Accrued benefit liability	48.5	49.0
Future income taxes	147.5	165.0
Other long-term liabilities	22.7	31.4
	2,330.3	2,402.1
Shareholders' equity		
Capital stock (note 9)	706.5	716.7
Contributed surplus (note 10)	5.0	3.7
Retained earnings	1,689.6	1,545.7
Accumulated other comprehensive income (note 11)	(0.6)	(2.0)
	2,400.5	2,264.1
	\$ 4,730.8	\$ 4,666.2
<i>See accompanying notes</i>		

Consolidated Statements of Cash Flows

Periods ended July 3, 2010 and July 4, 2009
(Unaudited) (Millions of dollars)

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2010	2009	2010	2009
Operating activities				
Net earnings	\$ 120.0	\$ 112.6	\$ 298.4	\$ 270.0
Non-cash items				
Share of earnings in a public company subject to significant influence	(8.0)	(5.2)	(25.3)	(25.7)
Depreciation and amortization	62.2	58.6	155.9	142.8
Amortization of deferred financing costs	0.7	0.6	1.6	1.6
Loss on disposal and write-off of fixed and intangible assets	1.1	0.9	1.3	0.3
Gain on disposal of investments	—	(0.1)	—	(0.1)
Interest income on investments	(0.1)	—	(0.1)	(0.2)
Future income taxes	5.7	11.6	6.7	23.2
Stock-based compensation cost	1.9	1.7	4.4	3.8
Difference between amounts paid for employee future benefits and current period cost	(3.1)	(0.8)	(4.1)	(9.5)
	180.4	179.9	438.8	406.2
Net change in non-cash working capital items related to operations	10.0	(64.7)	(70.3)	(116.9)
	190.4	115.2	368.5	289.3
Investing activities				
Business acquisition, net of cash acquired totalling \$0.3 (note 2)	(0.1)	—	(152.3)	—
Net change in investments and other assets	(2.1)	3.5	(6.5)	0.8
Dividends from public company subject to significant influence	0.8	0.7	2.4	2.2
Additions to fixed assets	(44.9)	(63.8)	(133.2)	(152.9)
Proceeds on disposal of fixed assets	0.1	0.9	4.4	12.7
Additions to intangible assets	(9.2)	(15.0)	(24.4)	(26.8)
	(55.4)	(73.7)	(309.6)	(164.0)
Financing activities				
Net change in bank loans	0.1	0.3	—	0.5
Issuance of shares (note 9)	3.7	7.3	7.9	43.5
Redemption of shares (note 9)	(68.1)	(76.1)	(124.0)	(99.2)
Acquisition of treasury shares (note 9)	—	—	—	(4.3)
Performance share units cash settlement (note 10)	—	(0.5)	(0.5)	(0.5)
Increase in long-term debt	0.7	0.6	2.8	4.4
Repayment of long-term debt	(2.8)	(2.6)	(8.4)	(8.3)
Net change in other long-term liabilities	(2.2)	0.2	(6.7)	(4.7)
Dividends paid	(18.1)	(15.2)	(51.2)	(44.3)
	(86.7)	(86.0)	(180.1)	(112.9)
Net change in cash and cash equivalents	48.3	(44.5)	(121.2)	12.4
Cash and cash equivalents – beginning of period	71.9	208.6	241.4	151.7
Cash and cash equivalents – end of period	\$ 120.2	\$ 164.1	\$ 120.2	\$ 164.1
Supplementary information				
Interest paid	20.5	21.5	42.4	44.8
Income taxes paid	32.6	33.9	83.9	86.8

See accompanying notes

Consolidated Statements of Retained Earnings

40-week periods ended July 3, 2010 and July 4, 2009
(Unaudited) (Millions of dollars)

	Fiscal Year	
	2010	2009
Balance – beginning of period	\$ 1,545.7	\$ 1,366.8
Net earnings	298.4	270.0
Dividends	(51.2)	(44.3)
Share redemption premium (note 9)	(103.3)	(81.0)
Balance – end of period	\$ 1,689.6	\$ 1,511.5

See accompanying notes

Consolidated Statements of Comprehensive Income

Periods ended July 3, 2010 and July 4, 2009
(Unaudited) (Millions of dollars)

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2010	2009	2010	2009
Net earnings	\$ 120.0	\$ 112.6	\$ 298.4	\$ 270.0
Other comprehensive income (note 11)				
Change in fair value of derivative designated as cash flow hedge	0.5	0.9	2.0	(2.2)
Corresponding income taxes	(0.1)	(0.3)	(0.6)	0.6
Comprehensive income	\$ 120.4	\$ 113.2	\$ 299.8	\$ 268.4

See accompanying notes

Notes to Interim Consolidated Statements

Periods ended July 3, 2010 and July 4, 2009

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

1. Statement Presentation

The unaudited interim consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies and procedures used in preparing these interim consolidated financial statements are the same as those used in preparing the audited annual consolidated financial statements for the year ended September 26, 2009. The unaudited interim consolidated financial statements should be read along with the audited annual consolidated financial statements and notes to the statements in the Company's 2009 Annual Report. The operating results for the interim period covered do not necessarily reflect overall results for the fiscal year. Certain comparative figures have been reclassified to conform to the presentation being used in the current fiscal year.

2. Business Acquisition

In the first quarter of 2010, the Company acquired 18 affiliated stores which it already supplied. The total purchase price was \$152.2 in cash.

The acquisition was accounted for using the purchase method. The stores' results have been consolidated as of their respective acquisition dates. The final total purchase price allocation was as follows:

Cash	\$ 0.3
Inventories	14.9
Other current assets	0.3
Fixed assets	12.1
Trade name	1.3
Goodwill	122.3
Future income tax assets	6.3
Short-term liabilities assumed	(3.6)
Integration and rationalization plan-related liabilities	(1.3)
Total net assets acquired	\$ 152.6
Cash consideration	\$ 152.2
Acquisition costs	0.4
Consideration and acquisition costs	\$ 152.6

The tax treatment of the goodwill is considered eligible capital property with the related tax deductions.

3. Banner Conversion Costs

In the first quarter of 2010, the Company completed the conversion of its 159 stores of its five Ontario banners to the Metro banner begun in the summer of 2008. Therefore, no conversion cost was recorded in the third quarter of 2010 (2009 – \$2.9). For the first 40-week period of 2010, conversion costs totalled \$0.9 (2009 – \$8.7).

4. Employee Future Benefits

The Company maintains several defined benefit and defined contribution plans which provide most participants with pension and other retirement benefits and other post-employment benefits. The Company's defined contribution plan and defined benefit plan expense was as follows:

	16 weeks Fiscal Year				40 weeks Fiscal Year			
	2010		2009		2010		2009	
	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans	\$ 8.7	\$ 0.1	\$ 8.7	\$ 0.2	\$ 21.2	\$ 0.4	\$ 21.5	\$ 0.5
Defined benefit plans								
Current service costs	7.1	0.5	6.4	0.4	18.0	1.2	16.0	1.0
Interest cost	10.7	0.6	10.3	0.6	26.9	1.5	25.8	1.5
Projected return on plan assets	(12.9)	—	(12.1)	—	(32.2)	—	(30.4)	—
Amortization of actuarial losses (gains) and past service costs	0.5	—	0.5	—	1.2	—	1.2	(0.1)
Plan amendments	—	(0.1)	—	—	—	(0.2)	—	—
	5.4	1.0	5.1	1.0	13.9	2.5	12.6	2.4
	\$ 14.1	\$ 1.1	\$ 13.8	\$ 1.2	\$ 35.1	\$ 2.9	\$ 34.1	\$ 2.9

5. Financial Costs, Net

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2010	2009	2010	2009
Short-term interest	\$ 0.3	\$ 0.7	\$ 1.2	\$ 1.6
Long-term interest	13.4	13.5	33.6	36.3
Amortization of deferred financing costs	0.7	0.6	1.6	1.6
Interest income	(0.5)	(0.2)	(1.2)	(1.6)
	\$ 13.9	\$ 14.6	\$ 35.2	\$ 37.9

6. Income Taxes

The effective income tax rates were as follows:

<i>(Percentage)</i>	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2010	2009	2010	2009
Combined statutory income tax rate	30.4	31.5	30.4	31.4
Changes				
Impact on future taxes of 4.0% total future decreases in Ontario tax rate	—	—	(2.4)	—
Impact of provincial tax rate decrease of 2.2% on future taxes related to capital gains	—	(1.7)	—	(0.7)
Share of earnings in a public company subject to significant influence	(0.8)	(0.6)	(1.0)	(1.1)
Others	0.5	0.3	0.3	0.3
	30.1	29.5	27.3	29.9

7. Net Earnings per Share

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

<i>(Millions)</i>	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2010	2009	2010	2009
Weighted average number of shares outstanding – Basic	106.6	110.7	107.3	110.8
Dilutive effect under stock option and performance share units plans	0.5	0.6	0.5	0.8
Weighted average number of shares outstanding – Diluted	107.1	111.3	107.8	111.6

8. Inventories

Inventories were detailed as follows:

	As at July 3, 2010	As at September 26, 2009
Warehouse inventories	\$ 282.5	\$ 304.0
Retail inventories	399.7	377.3
	\$ 682.2	\$ 681.3

The cost of inventories expensed for the 16-week period ended July 3, 2010 totalled \$2,914.7 (2009 – \$2,892.3) and \$7,180.5 for the 40-week period of 2010 (2009 - \$7,134.1).

9. Capital Stock

Outstanding

	Class A Subordinate Shares		Class B Shares		Total
	Number (Thousands)		Number (Thousands)		
Balance as at September 26, 2009	107,830	\$ 715.3	718	\$ 1.4	\$ 716.7
Shares issued for cash	351	7.9	—	—	7.9
Shares redeemed for cash, excluding premium of \$103.3	(3,113)	(20.7)	—	—	(20.7)
Released treasury shares	54	0.3	—	—	0.3
Stock options exercised	—	2.3	—	—	2.3
Conversion of Class B Shares into Class A Subordinate Shares	87	0.1	(87)	(0.1)	—
Balance as at July 3, 2010	105,209	\$ 705.2	631	\$ 1.3	\$ 706.5

Stock Option Plan

The outstanding options and the changes during the 40-week period ended July 3, 2010 were summarized as follows:

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 26, 2009	1,864	28.53
Granted	217	44.19
Exercised	(342)	22.11
Cancelled	(2)	31.78
Balance as at July 3, 2010	1,737	31.75

The exercise prices of the outstanding options ranged from \$20.20 to \$44.19 as at July 3, 2010 with expiration dates up to 2017. 440,860 of those options could be exercised at a weighted average exercise price of \$27.72.

Compensation expense for these options amounted to \$0.8 for the 16-week period ended July 3, 2010 (2009 – \$0.8) and to \$1.9 for the 40-week period of 2010 (2009 – \$1.8).

Performance Share Unit Plan

Performance share units (PSUs) outstanding and changes during the 40-week period ended July 3, 2010 were summarized as follows:

	Number (Units)
Balance as at September 26, 2009	267,570
Granted	107,583
Settled	(65,860)
Cancelled	(389)
Balance as at July 3, 2010	308,904

Class A Subordinate Shares of the Company are held in trust for participants until the PSUs vest or are cancelled. The trust, considered a variable interest entity, is consolidated in the Company's financial statements with the cost of the acquired shares recorded as treasury shares in reduction of capital stock.

As at July 3, 2010, 203,548 shares were held in trust for participants until the PSUs shall have vested or been cancelled (as at September 26, 2009 - 257,255 shares).

The compensation expense comprising all of these PSUs amounted to \$1.1 for the 16-week period ended July 3, 2010 (2009 – \$0.9) and to \$2.5 for the 40-week period of fiscal 2010 (2009 – \$2.0).

10. Contributed Surplus

Balance as at September 26, 2009	\$ 3.7
Stock-based compensation cost	4.4
Stock options exercised	(2.3)
Released treasury shares	(0.3)
PSUs cash settlement	(0.5)
Balance as at July 3, 2010	\$ 5.0

11. Accumulated Other Comprehensive Income

Derivative designated as cash flow hedge constitutes the sole component of Accumulated Other Comprehensive Income. The changes during the 40-week periods ended July 3, 2010 and July 4, 2009 were as follows:

	Fiscal Year	
	2010	2009
Balance – beginning of period	\$ (2.0)	\$ (1.0)
Change in fair value of designated derivative net of income taxes of \$0.6 (2009 – \$0.6)	1.4	(1.6)
Balance – end of period	\$ (0.6)	\$ (2.6)