INTERIM REPORT

12-week period ended September 29, 2018

4th Quarter 2018 and Fiscal 2018

HIGHLIGHTS

2018 FOURTH QUARTER

- **12-week quarter versus 13 weeks in 2017**
- **Sales of $3,736.2 million, up 15.7% and up 2.5% when excluding the Jean Coutu Group and the 13th week of 2017**
- **Food same-store sales up 2.1%**
- **Pharmacy same-store sales up 1.8%**
- **Net earnings of $145.0 million, down 6.4%**
- **Adjusted net earnings(1) of $161.0 million, up 35.1% based on 12 weeks in 2017**
- **Fully diluted net earnings per share of $0.56, down 15.2%**
- **Adjusted fully diluted net earnings per share(1) of $0.63, up 23.5% based on 12 weeks in 2017**
- **Synergies of $6.6 million related to the Jean Coutu Group acquisition; $17 million on an annual basis**
- **Reinstatement of the share repurchase program**

FISCAL 2018

- **52-week fiscal year versus 53 weeks in 2017**
- **Sales of $14,383.4 million, up 9.2 % and up 2.4 % when excluding the Jean Coutu Group and the 53rd week of 2017**
- **Net earnings of $1,718.5 million**
- **Adjusted net earnings(1) of $605.9 million, up 13.0% based on 52 weeks in 2017**
- **Fully diluted net earnings per share of $7.16**
- **Adjusted fully diluted net earnings per share(1) of $2.52, up 11.5 % based on 52 weeks in 2017**

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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the fourth quarter of fiscal 2018 ended September 29, 2018.

Sales in the fourth quarter of 2018 reached $3,736.2 million, up 15.7% compared to $3,228.4 million in the fourth quarter of 2017. Excluding $690.7 million in sales for 2018 resulting from the Jean Coutu Group and the 13th week of 2017, sales were up 2.5%. In the fourth quarter, food same-store sales were up 2.1% (up 0.4% in the same quarter last year) and our food basket experienced inflation of approximately 0.8%. Pharmacy same-store sales were up 1.8%, 0.7% for prescription drugs (2.5% for number of prescriptions) and 3.9% for front store sales.

Fourth quarter net earnings were $145.0 million in 2018 compared to $154.9 million in 2017, and fully diluted net earnings per share were $0.56 in 2018 versus $0.66 in 2017, down 6.4% and 15.2%, respectively. During the fourth quarter, we recorded pharmacy network closure and restructuring expenses of $23.0 million after taxes, resulting from the forthcoming transfer of operations from the McMahon warehouse to the Jean Coutu Group warehouse, the reduction of administrative positions, the closure of 3 Brunet drugstores and the divestiture of 10 drugstores. Taking into account the adjustments in the fourth quarters of 2018 and 2017, adjusted net earnings[(1)] for the fourth quarter of 2018 totalled $161.0 million compared with $119.2 million for the corresponding quarter of 2017, and adjusted fully diluted net earnings per share[(1)] amounted to $0.63 versus $0.51, up 35.1% and 23.5%, respectively.

On October 1, 2018, the Board of Directors declared a quarterly dividend of $0.18 per share, an increase of 10.8% over the dividend declared for the same quarter last year.

With the acquisition of the Jean Coutu Group, fiscal 2018 was a pivotal year for the Corporation that ended on a strong note with solid growth in same-store sales and adjusted net income[(1)] in the fourth quarter. The integration work is progressing well and we are confident in our ability to realize the full potential of this promising business combination. We are better positioned than ever to meet our customers' everyday needs and create value for our shareholders.

Eric R. La Flèche
President and Chief Executive Officer

November 21, 2018

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on September 29, 2018, and for the 12-week period and fiscal year then ended. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes in this interim report.

The unaudited interim condensed consolidated financial statements for the 12-week period and fiscal year ended September 29, 2018 have been prepared by management in accordance with IAS 34 “Interim Financial Reporting”. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes and the MD&A presented in the Corporation's 2017 Annual Report. Unless otherwise stated, the interim report is based on information as at November 9, 2018.

Additional information, including the Certification of Interim Filings letters for quarter ended September 29, 2018 signed by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Treasurer, will also be available in December on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

The Jean Coutu Group (PJC) Inc. (“Jean Coutu Group”) acquisition was completed on May 11, 2018. Consequently, the results of the Jean Coutu Group were consolidated with the Corporation’s results for slightly more than 20 weeks. During this period, synergies of $6.6 million were generated and we have now realized an annualized amount of $17.0 million[(3)]. During the fourth quarter, we recorded pharmacy network closure and restructuring expenses of $23.0 million after taxes, resulting from the forthcoming transfer of operations from the McMahon warehouse to the Jean Coutu Group warehouse, the reduction of administrative positions, the closure of 3 Brunet drugstores and the divestiture of 10 drugstores.

SALES

Sales in the fourth quarter of 2018 reached $3,736.2 million, up 15.7% compared to $3,228.4 million in the fourth quarter of 2017. Excluding $690.7 million in sales for 2018 resulting from the Jean Coutu Group and the 13th week of 2017, sales were up 2.5%. In the fourth quarter, food same-store sales were up 2.1% (up 0.4% in the same quarter last year) and our food basket experienced inflation of approximately 0.8%. Pharmacy same-store sales were up 1.8%, 0.7% for prescription drugs (2.5% for number of prescriptions) and 3.9% for front store sales.

Sales for fiscal 2018 totalled $14,383.4 million versus $13,175.3 million for fiscal 2017, an increase of 9.2%. Excluding $1,157.7 million in sales from fiscal 2018 resulting from the Jean Coutu Group as well as the 53rd week of fiscal 2017, sales were up 2.4%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

This earnings measurement excludes financial costs, taxes, depreciation and amortization, the share of earnings and gain on disposal of our investment in an associate (Alimentation Couche-Tard "ACT") as well as the gain on revaluation and disposal of an investment at fair value.

Operating income before depreciation and amortization and associate's earnings for the fourth quarter of 2018 totalled $266.5 million, or 7.1% of sales versus $236.1 million, or 7.3% of sales for the same quarter last year. In the fourth quarter of 2018, $31.4 million in pharmacy network closure and restructuring expenses were recognized. Excluding this item, adjusted operating income before depreciation and amortization and associate’s earnings[(2)] totalled $297.9 million, or 8.0% of sales. Adjusted operating income before depreciation and amortization and associate’s earnings[(2)], excluding the Jean Coutu Group, totalled $223.7 million, or 7.3% of sales, up 2.2% from $218.8 million or 7.4 % of sales in 2017, excluding the 13th week.

For fiscal 2018, operating income before depreciation and amortization and associate's earnings totalled $1,011.1 million, or 7.0% of sales versus $966.4 million, or 7.3% of sales for fiscal 2017. In 2018, we recorded pharmacy network closure and restructuring expenses of $31.4 million, expenses of $28.7 million related to the Jean Coutu Group acquisition and a $11.4 million provision relating to our Ontario distribution network modernization project. Excluding these items, adjusted operating income before depreciation and amortization and associate's earnings[(2)] totalled $1,082.6 million, or 7.5% of sales. Adjusted operating income before depreciation and amortization and associate’s earnings[(2)], excluding

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
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the Jean Coutu Group, totalled $959.9 million, or 7.3% of sales, up 1.1% compared with $949.1 million or 7.3% of sales in 2017, excluding the 53rd week.

Operating income before depreciation and amortization and associate's earnings adjustments (OI)[2]

	Fiscal years					
	2018			2017		
	12 weeks			*13 weeks*		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associate's earnings	**266.5**	**3,736.2**	**7.1**	236.1	3,228.4	7.3
Pharmacy network closure and restructuring expenses	**31.4**			—		
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**297.9**	**3,736.2**	**8.0**	236.1	3,228.4	7.3
Jean Coutu Group operating income before depreciation and amortization	**74.2**	**690.7**		—	—	
Adjusted operating income before depreciation and amortization and associate's earnings[2], excluding the Jean Coutu Group	**223.7**	**3,045.5**	**7.3**	236.1	3,228.4	7.3
Adjusted operating income before depreciation and amortization and associate's earnings[2], excluding the Jean Coutu Group, based on 12 weeks in 2017	**223.7**	**3,045.5**	**7.3**	218.8	2,970.0	7.4

	Fiscal years					
	2018			2017		
	52 weeks			*53 weeks*		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	***(%)***	OI	Sales	*(%)*
Operating income before depreciation and amortization and associate's earnings	**1,011.1**	**14,383.4**	**7.0**	966.4	13,175.3	7.3
Pharmacy network closure and restructuring expenses	**31.4**					
Business acquisition-related expenses	**28.7**			—		
Distribution network modernization project expenses	**11.4**			—		
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**1,082.6**	**14,383.4**	**7.5**	966.4	13,175.3	7.3
Jean Coutu Group operating income before depreciation and amortization	**122.7**	**1,157.7**		—	—	
Adjusted operating income before depreciation and amortization and associate's earnings[2], excluding the Jean Coutu Group	**959.9**	**13,225.7**	**7.3**	966.4	13,175.3	7.3
Adjusted operating income before depreciation and amortization and associate's earnings[2], excluding the Jean Coutu Group, based on 52 weeks in 2017	**959.9**	**13,225.7**	**7.3**	949.1	12,916.9	7.3

Gross margin on sales for the fourth quarter and fiscal 2018 were 19.7% versus 19.6% and 19.7% for the corresponding periods of 2017.

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

Operating expenses as a percentage of sales for the fourth quarter of 2018 were 12.6% versus 12.3% for the corresponding quarter of 2017. Excluding pharmacy network closure and restructuring expenses of $31.4 million recorded in the fourth quarter of 2018, operating expenses as a percentage of sales stood at 11.7%.

Operating expenses as a percentage of sales for fiscal 2018 were 12.6% versus 12.4% for fiscal 2017. Excluding pharmacy network closure and restructuring expenses of $31.4 million, business acquisition-related expenses of $28.7 million and distribution network modernization project expenses of $11.4 million recorded in 2018, operating expenses as a percentage of sales was 12.1%.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expenses for the fourth quarter and fiscal 2018 were $65.0 million and $233.5 million respectively versus $46.0 million and $194.2 million for the corresponding periods of 2017. Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition amounted to $9.0 million and $15.0 million respectively for the fourth quarter and fiscal 2018.

Net financial costs for the fourth quarter of 2018 totalled $23.9 million compared to $15.5 million for the same quarter last year. This increase stemmed primarily from the notes issued for the Jean Coutu Group acquisition.

Net financial costs for fiscal 2018 totalled $80.2 million compared to $63.9 million for fiscal 2017. Certain items are specific to 2018. First, for the period prior to the Jean Coutu Group acquisition, we recognized $21.3 million in interest income on the short-term investments and security deposits resulting from the proceeds of the sale of the majority of our investment in ACT and the issuance of Series F, G and H notes to fund a portion of the Jean Coutu Group acquisition and recorded $19.1 million in interest on those notes. Furthermore, we paid $1.8 million in financial costs on the balance payable in connection with the settlement of the buyout of minority interests in Adonis and Phoenicia.

As of May 11, 2018, net financial costs were no longer subject to adjustment to net earnings. The increase in financial costs was mainly due to the Jean Coutu Group acquisition.

SHARE OF EARNINGS, GAIN ON DISPOSAL OF AN INVESTMENT IN AN ASSOCIATE AND GAIN ON REVALUATION AND DISPOSAL OF AN INVESTMENT AT FAIR VALUE

During the first quarter of 2018, to fund a portion of the Jean Coutu Group acquisition, we disposed of most of our investment in ACT, for net proceeds of $1,534.0 million and a gain of $1,107.4 million. As a result of this disposal, the Corporation no longer has significant influence over ACT. Our residual investment is therefore considered to be an available-for-sale financial asset, reported as an investment at fair value. As a result, the investment was re-evaluated at fair value on October 13, 2017, and the Corporation recorded a $225.6 million fair value revaluation gain in net earnings. Subsequent fair value revaluations of this investment were recognized in accumulated other comprehensive income.

During the fourth quarter of fiscal 2018, we disposed of the majority of the investment at fair value and recorded a net gain of $15.5 million on revaluation and disposal. In addition, the Corporation signed an equity forward agreement with a financial institution for the disposal of the remaining shares of this investment. The disposal was finalized on November 5, 2018. Total proceeds in the quarter from the sales of this investment was $326.0 million.

No share of an associate's earnings (ACT) was recorded in the fourth quarter of fiscal 2018 in comparison with a $27.5 million share recorded in the corresponding quarter of fiscal 2017.

For fiscal 2018, our share of an associate's earnings (ACT) was $30.8 million versus $93.5 million last year.

INCOME TAXES

The income tax expense of $48.1 million for the fourth quarter of 2018 represented an effective tax rate of 24.9% compared to an income tax expense of $47.2 million in the fourth quarter of 2017 which represented an effective tax rate of 23.4%.

The income tax expense of $358.2 million for fiscal 2018 and $193.4 million for the fiscal 2017 represented an effective tax rate of 17.2% and 24.1% respectively. The significant decline in the effective tax rate resulted from the gain on disposal of the majority of our investment in ACT and the fair value revaluation and disposal of our residual investment.

(1) See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
(2) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "Non-IFRS Measurements"
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NET EARNINGS AND ADJUSTED NET EARNINGS[1]

Net earnings for the fourth quarter of 2018 were $145.0 million, a decrease of 6.4% from $154.9 million for the fourth quarter of 2017. Fully diluted net earnings per share decreased by 15.2% to $0.56 from $0.66 last year. Excluding the specific items shown in the table below as well as the 13th week of the fourth quarter of 2017, adjusted net earnings[1] for the fourth quarter of 2018 totalled $161.0 million compared with $119.2 million for the corresponding quarter of 2017, and adjusted fully diluted net earnings per share[1] amounted to $0.63 versus $0.51, up 35.1% and 23.5%, respectively.

Net earnings for fiscal 2018 were $1,718.5 million, an increase of 182.5% from $608.4 million in fiscal 2017. Fully diluted net earnings per share rose 178.6% to $7.16 from $2.57 last year. Excluding the specific items shown in the table below as well as the 53rd week of fiscal 2017, adjusted net earnings[1] for fiscal 2018 totalled $605.9 million compared with $536.3 million for fiscal 2017, and adjusted fully diluted net earnings per share[1] amounted to $2.52 versus $2.26, up 13.0% and 11.5%, respectively.

Net earnings adjustments[1]

	Fiscal years				Change (%)	
	2018		2017			
	12 weeks		*13 weeks*			
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**145.0**	**0.56**	154.9	0.66	(6.4)	(15.2)
Pharmacy network closure and restructuring expenses, after taxes	**23.0**		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**		—			
Share of an associate's earnings, after taxes	**—**		(23.8)			
Gain on revaluation and disposal of an investment at fair value, after taxes	**(13.6)**		—			
Adjusted net earnings[1]	**161.0**	**0.63**	131.1	0.56	22.8	12.5
Adjusted net earnings[1] based on 12 weeks in 2017	**161.0**	**0.63**	119.2	0.51	35.1	23.5

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

	Fiscal years				Change (%)	
	2018		2017			
	52 weeks		*53 weeks*			
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**1,718.5**	**7.16**	608.4	2.57	182.5	178.6
Pharmacy network closure and restructuring expenses, after taxes	**23.0**		—			
Business acquisition-related expenses, after taxes	**22.7**		—			
Distribution network modernization project expenses, after taxes	**8.4**		—			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**11.0**		—			
Income on business acquisition-related short-term investments and security deposits, after taxes	**(15.6)**		—			
Interest on notes issued in connection with the business acquisition, after taxes	**14.0**		—			
Financial costs on the balance payable for the buyout of minority interests, after taxes	**1.3**		—			
Share of an associate's earnings, after taxes	**—**		(60.2)			
Gain on the disposal of the majority of the investment in an associate, after taxes	**(968.1)**		—			
Gain on revaluation and disposal of an investment at fair value, after taxes	**(209.3)**		—			
Adjusted net earnings[1]	**605.9**	**2.52**	548.2	2.31	10.5	9.1
Adjusted net earnings[1] based on 52 weeks in 2017	**605.9**	**2.52**	536.3	2.26	13.0	11.5

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

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2018**	2017	Change *(%)*
Sales			
Q4[5]	**3,736.2**	3,228.4	15.7
Q3[6]	**4,636.4**	4,073.2	13.8
Q2[4]	**2,899.0**	2,902.4	(0.1)
Q1[4]	**3,111.8**	2,971.3	4.7
Fiscal	**14,383.4**	13,175.3	9.2
Net earnings			
Q4[5]	**145.0**	154.9	(6.4)
Q3[6]	**167.5**	183.0	(8.5)
Q2[4]	**106.9**	132.4	(19.3)
Q1[4]	**1,299.1**	138.1	840.7
Fiscal	**1,718.5**	608.4	182.5
Adjusted net earnings[1]			
Q4[5]	**161.0**	131.1	22.8
Q3[6]	**183.4**	165.1	11.1
Q2[4]	**108.1**	113.9	(5.1)
Q1[4]	**153.4**	138.1	11.1
Fiscal	**605.9**	548.2	10.5
Fully diluted net earnings per share ***(Dollars)***			
Q4[5]	**0.56**	0.66	(15.2)
Q3[6]	**0.69**	0.78	(11.5)
Q2[4]	**0.47**	0.56	(16.1)
Q1[4]	**5.67**	0.58	877.6
Fiscal	**7.16**	2.57	178.6
Adjusted fully diluted net earnings per share[1] ***(Dollars)***			
Q4[5]	**0.63**	0.56	12.5
Q3[6]	**0.75**	0.70	7.1
Q2[4]	**0.47**	0.48	(2.1)
Q1[4]	**0.67**	0.58	15.5
Fiscal	**2.52**	2.31	9.1

[4] 12 weeks
[5] 2018 - 12 weeks, 2017 - 13 weeks
[6] 16 weeks

Sales in the fourth quarter of 2018 reached $3,736.2 million, up 15.7% compared to $3,228.4 million in the fourth quarter of 2017. Excluding $690.7 million in sales for 2018 resulting from the Jean Coutu Group and the 13th week of 2017, sales were up 2.5%. In the fourth quarter, food same-store sales were up 2.1% (up 0.4% in the same quarter last year) and our food basket experienced inflation of approximately 0.8%. Pharmacy same-store sales were up 1.8%, 0.7% for prescription drugs (2.5% for number of prescriptions) and 3.9% for front store sales.

Sales in the third quarter of 2018 reached $4,636.4 million, up 13.8% compared to $4,073.2 million in the third quarter of 2017. Excluding $467.0 million in sales for the third quarter of 2018 resulting from the Jean Coutu Group, sales were up 2.4%. In the third quarter, food same-store sales were up 2.0% (down 0.2% in the same quarter last year) and our food basket experienced inflation of approximately 0.5%. Pharmacy same-store sales were up 1.8%, 0.4% for prescription drugs (2.4% for number of prescriptions) and 3.8% for front store sales.

[1] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
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Sales in the second quarter of 2018 reached $2,899.0 million, down 0.1% compared to $2,902.4 million in the second quarter of 2017. The small decrease in sales is due to the timing shift of the week before Christmas which fell in the first quarter in 2018, whereas it fell in the second quarter in 2017. Same-store sales for the second quarter were down 1.2% but would have been up 1.0% excluding the shift (increase of 0.3% in the same quarter last year). Our food basket experienced an inflation of about 0.8%, echoing the trend started in the fourth quarter of 2017.

Sales in the first quarter of 2018 reached $3,111.8 million, up 4.7% compared to $2,971.3 million in the first quarter of 2017. Same-store sales increased by 3.4% compared to an increase of 0.7% in the same quarter last year. Our food basket experienced a slight inflation of about 0.5%, echoing the trend started in the fourth quarter of 2017. The increase in sales was also driven in part by the shift of the week before Christmas which fell in the first quarter of 2018 while in 2017, it was included in the second quarter. We estimate that same-store sales would have been up 1.2% had it not been for the Christmas week shift.

Net earnings for the fourth quarter of 2018 were $145.0 million, a decrease of 6.4% from $154.9 million for the fourth quarter of 2017. Fully diluted net earnings per share decreased by 15.2% to $0.56 from $0.66 last year. Excluding from the fourth quarter of 2018, the pharmacy network closure and restructuring expenses of $31.4 million, the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $9.0 million and the gain on revaluation and disposal of an investment at fair value of $15.5 million, and excluding from the fourth quarter of 2017 the share of an associate's earnings (Alimentation Couche-Tard) of $27.5 million, as well as income taxes relating to all these items, adjusted net earnings[(1)] for the fourth quarter of 2018 totalled $161.0 million compared with $131.1 million for the corresponding quarter of 2017 and adjusted net diluted earnings per share[(1)] amounted to $0.63 compared with $0.56, up 22.8% and 12.5%, respectively. If net earnings related to the 13th week of the fourth quarter of 2017 are also excluded, adjusted net earnings[(1)] for the fourth quarter of 2018 compares with $119.2 million for the corresponding quarter of 2017 and adjusted net diluted earnings per share[(1)] compares with $0.51, up 35.1% and 23.5%, respectively.

Net earnings for the third quarter of 2018 were $167.5 million, a decrease of 8.5% from $183.0 million for the third quarter of 2017. Fully diluted net earnings per share decreased by 11.5% to $0.69 from $0.78 last year. Excluding from third quarter 2018 results $25.1 million in expenses related to the Jean Coutu Group acquisition, $6.3 million in interest income on temporary investments and security deposits related to the business acquisition, $7.1 million in interest expense on the notes issued for this acquisition for the period prior to the acquisition, $6.0 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition and, from the third quarter 2017 results, the $20.7 million share of an associate's earnings, as well as income taxes relating to all these items, in addition to, in 2018, the $9.2 million tax gain on the disposal of our investment in ACT upon revaluation of the tax attributes, adjusted net earnings[(1)] for the third quarter of 2018 amounted to $183.4 million compared with adjusted net earnings[(1)] of $165.1 million for the corresponding quarter of 2017 and adjusted diluted net earnings per share[(1)] was $0.75 compared with $0.70, up 11.1% and 7.1%, respectively.

Net earnings for the second quarter of 2018 were $106.9 million, a decrease of 19.3% from $132.4 million for the second quarter of 2017. Fully diluted net earnings per share decreased by 16.1% to $0.47 from $0.56 last year. Excluding the 2018 second quarter Jean Coutu Group acquisition-related expenses of $1.6 million, interest income of $9.7 million on short-term investments and security deposits related to the business acquisition, and interest expense of $9.8 million on notes issued to complete the acquisition, and the 2017 second quarter $21.4 million share of an associate's earnings and income tax on those items, adjusted net earnings[(1)] for the second quarter of 2018 totalled $108.1 million compared with adjusted net earnings[(1)] of $113.9 million for the corresponding quarter of 2017, and adjusted fully diluted net earnings per share[(1)] amounted to $0.47 versus $0.48, down 5.1% and 2.1%, respectively.

Net earnings for the first quarter of 2018 were $1,299.1 million, an increase of 840.7% from $138.1 million for the first quarter of 2017. Fully diluted net earnings per share rose 877.6% to $5.67 from $0.58 last year. Excluding from 2018 first quarter results $11.4 million in distribution network modernization project expenses, $2.0 million in acquisition-related expenses for the Jean Coutu Group, the $1,107.4 million gain on disposal of the majority of our investment in ACT, the $225.6 million fair value revaluation gain on our residual investment in ACT, $5.3 million in interest income on the short-term investments and security deposits related to the business acquisition, $2.2 million in interest expense on the notes issued to complete the acquisition, financial costs of $1.8 million related to the buyout of minority interests in Adonis and Phoenicia and income taxes on those items, adjusted net earnings[(1)] for the first quarter of 2018 totalled $153.4 million compared with net earnings of $138.1 million for the corresponding quarter of 2017, and adjusted fully diluted net earnings per share[(1)] amounted to $0.67 versus $0.58, up 11.1% and 15.5%, respectively.

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

(Millions of dollars)	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Net earnings	**145.0**	**167.5**	**106.9**	**1,299.1**	154.9	183.0	132.4	138.1
Pharmacy network closure and restructuring expenses, after taxes	**23.0**	**—**	**—**	**—**	—	—	—	—
Business acquisition-related expenses, after taxes	**—**	**20.1**	**1.1**	**1.5**	—	—	—	—
Distribution network modernization project expenses, after taxes	**—**	**—**	**—**	**8.4**	—	—	—	—
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**	**4.4**	**—**	**—**	—	—	—	—
Income on business acquisition-related short-term investments and security deposits, after taxes	**—**	**(4.6)**	**(7.1)**	**(3.9)**	—	—	—	—
Interest on notes issued in connection with a business acquisition, after taxes	**—**	**5.2**	**7.2**	**1.6**	—	—	—	—
Financial costs on the balance payable for the buyout of minority interests, after taxes	**—**	**—**	**—**	**1.3**	—	—	—	—
Share of an associate's earnings, after taxes	**—**	**—**	**—**	**—**	(23.8)	(17.9)	(18.5)	—
Gain on the disposal of the majority of the investment in an associate, after taxes	**—**	**(9.2)**	**—**	**(958.9)**	—	—	—	—
Gain on revaluation and disposal of an investment at fair value, after taxes	**(13.6)**	**—**	**—**	**(195.7)**	—	—	—	—
Adjusted net earnings[1]	**161.0**	**183.4**	**108.1**	**153.4**	131.1	165.1	113.9	138.1

(Dollars)	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Fully diluted net earnings per share	**0.56**	**0.69**	**0.47**	**5.67**	0.66	0.78	0.56	0.58
Adjustments impact	**0.07**	**0.06**	**—**	**(5.00)**	(0.10)	(0.08)	(0.08)	—
Adjusted fully diluted net earnings per share[1]	**0.63**	**0.75**	**0.47**	**0.67**	0.56	0.70	0.48	0.58

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of $250.9 million in the fourth quarter and $750.4 million for fiscal 2018 compared to $236.8 million and $696.2 million for the corresponding periods of 2017.

INVESTING ACTIVITIES

In the fourth quarter of 2018, investment activities generated funds of $207.1 million compared to a use of funds of $112.0 million in the corresponding quarter of 2017. The difference is due to the disposal of a portion of the investment at fair value in ACT and the equity forward agreement entered into for the remaining shares of this investment.

During fiscal 2018, investing activities required outflows of $1,677.5 million compared to $333.0 million in 2017. This difference resulted in large part from the $3,033.0 million business acquisition, net of cash acquired, and the settlement of the purchase of the $221.2 million minority interests in Adonis and Phoenicia, offset by $1,791.6 million in net proceeds from the disposal of the majority of our interest in ACT and the forward agreement entered into for the remaining shares of ACT in the amount of $68.4 million. The remainder of the difference was mostly attributable to additions to fixed and intangible assets being $51.5 million lower in 2018 than in 2017.

During fiscal 2018, we and our retailers opened 5 new stores, carried out major expansions and renovations of 26 stores and closed 4 stores for a net increase of 60,200 square feet or 0.3% of our retail network.

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

FINANCING ACTIVITIES

In the fourth quarter of 2018, financing activities required cash outflows of $350.8 million compared to $37.8 million in the corresponding quarter of 2017. These additional funds were used primarily for repayment of the debt.

For fiscal 2018, financing activities generated cash of $1,005.1 million whereas they used cash of $241.8 million in 2017. The difference resulted primarily from a $1,173.6 million net increase in debt in 2018 from the issuance of Series F, G and H notes to fund a portion of the Jean Coutu Group acquisition, compared with $200.7 million in 2017 from the issuance of Series E notes. Additionally, in 2017, share repurchases required cash outflows of $302.6 million, while no share repurchases were made in 2018.

FINANCIAL POSITION

We do not anticipate[3] any liquidity risk and consider our financial position at the end of the fourth quarter of 2018 as very solid. We had an unused authorized revolving credit facility of $600.0 million. Our non-current debt represented 31.7% of the combined total of non-current debt and equity (non-current debt/total capital).

On December 4, 2017 the Corporation issued through a private placement $300.0 million aggregate principal amount of Series F unsecured senior notes, bearing interest at a fixed nominal rate of 2.68% and maturing in 2022; $450.0 million aggregate principal amount of Series G unsecured senior notes, bearing interest at a fixed nominal rate of 3.39% and maturing in 2027; and $450.0 million aggregate principal amount of Series H unsecured senior notes, bearing interest at a fixed nominal rate of 4.27% and maturing in 2047.

To close the Jean Coutu Group acquisition, the Corporation also used a $500.0 million term credit facility, consisting of a 1-year $100.0 million Tranche A, 2-year $200.0 million Tranche B and a 3-year $200.0 million Tranche C, and a 1-month $250.0 million bridge loan. As at September 29, 2018, the Corporation had fully repaid the bridge loan and the term credit facility.

At the end of the fourth quarter of fiscal 2018, 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, 2023	—
Series E Notes	Rates fluctuate with changes in bankers' acceptance rates	February 27, 2020	400.0
Series C Notes	3.20% fixed rate	December 1, 2021	300.0
Series F Notes	2.68% fixed rate	December 5, 2022	300.0
Series G Notes	3.39% fixed rate	December 6, 2027	450.0
Series B Notes	5.97% fixed rate	October 15, 2035	400.0
Series D Notes	5.03% fixed rate	December 1, 2044	300.0
Series H Notes	4.27% fixed rate	December 4, 2047	450.0

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

Our main financial ratios were as follows:

	As at September 29, 2018	As at September 30, 2017
Financial structure		
Non-current debt *(Millions of dollars)*	**2,630.4**	1,441.6
Equity *(Millions of dollars)*	**5,656.0**	2,923.9
Non-current debt/total capital *(%)*	**31.7**	33.0

	Fiscal year	
	2018 *52 weeks*	2017 *53 weeks*
Results		
Operating income before depreciation and amortization and associate's earnings/Financial costs *(Times)*	**12.6**	15.1

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at September 29, 2018	As at September 30, 2017
Number of Common Shares outstanding *(Thousands)*	**255,650**	227,140
Stock options:		
Number outstanding *(Thousands)*	**3,067**	3,180
Exercise prices *(Dollars)*	**17.72 to 44.73**	15.09 to 44.73
Weighted average exercise price *(Dollars)*	**30.30**	26.94
Performance share units:		
Number outstanding *(Thousands)*	**579**	547

BUSINESS ACQUISITION

On May 11, 2018, the Corporation completed the acquisition of all the outstanding Class A subordinate voting shares of The Jean Coutu Group (PJC) Inc. (”Jean Coutu Group”) and all of the outstanding Class B shares of the Jean Coutu Group for a total consideration of $4,525.1 million. The Jean Coutu Group operates a network of 418 franchised drugstores in Québec, New Brunswick and Ontario under the PJC Jean Coutu, PJC Santé and PJC Santé Beauté banners which employ over 20,000 people. Under the terms of the acquisition, the aggregate consideration transferred to the Jean Coutu Group shareholders consisted of $3,377.2 million in cash and the issuance of approximately 28 million common shares of the Corporation representing $1,147.9 million.

To finance the cash element of the purchase price, the Corporation completed the sale of the majority of its interest in Alimentation Couche-Tard inc. for proceeds, net of the related fees and commissions, of $1,534.0 million, issued through a private placement $1,200.0 million aggregate principal amount of Series F, G and H unsecured senior notes, and drew down its $500.0 million term loan facility and used its $250.0 million bridge loan.

BUYOUT OF NON-CONTROLLING INTERESTS

In accordance with the shareholder agreement, the Corporation acquired the minority interests in Adonis and Phoenicia during the first quarter of the year for a cash consideration of $221.2 million. Additionally, financial costs of $1.8 million, calculated on the balance payable as at September 30, 2017 until payment in December 2017, were recognized in net earnings.

DIVIDENDS

On October 1, 2018, the Corporation's Board of Directors declared a quarterly dividend of $0.18 per Common Share payable on November 13, 2018, an increase of 10.8% over the dividend declared for the same quarter last year.

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

SHARE TRADING

The value of METRO shares remained in the $38.32 to $45.44 range over fiscal 2018. During this period, a total of 120.4 million shares were traded on the Toronto Stock Exchange. The closing price on November 9, 2018 was $43.63 compared with $40.18 at the end of fiscal 2018.

CONTINGENCY

During the 2016 fiscal year, an application for authorization to institute a class action was served on the Jean Coutu Group by Sopropharm, an association incorporated under the Professional Syndicates Act of which certain franchised drugstore owners of the Jean Coutu Group are members. The application seeks to have the class action authorized in the form of a declaratory action seeking amongst others (i) to set aside certain contractual provisions of the Jean Coutu Group's standard franchise agreements, including the clause providing for the payment of royalties on sales of medication by franchised establishments; (ii) to restore certain benefits; and (iii) to reduce certain contractual obligations. On November 1, 2018, the Court granted the application for authorization to institute a class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation is considering whether it will appeal the decision or not. The Corporation intends to contest this action on the merits. However, since any litigation involves uncertainty, it is not possible to predict the outcome of this litigation or the amount of potential losses. No provision for contingent losses has been recognized in the Corporation's interim condensed consolidated financial statements.

In October 2017, the Canadian Competition Bureau began an investigation into the supply and sale of commercial bread which involves certain Canadian suppliers and retailers, including the Corporation. The Corporation continues to fully cooperate with the Competition Bureau. Class actions lawsuits have also been filed against the Corporation, suppliers and other retailers. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the Competition Act. At this stage, the Corporation does not believe that these matters will have a material adverse effect on the Corporation's business, results of operations or financial condition.

EVENT AFTER THE REPORTING PERIOD

After a period of approximately one year during which the normal course issuer bid program was not renewed, in particular because the Corporation intended, during this period, to allocate the surplus cash available to reimburse part of the debt incurred for the Jean Coutu Group acquisition, the Board of Directors authorized, on November 20, 2018, the reinstatement of the share repurchase program. The Corporation will be able to repurchase, in the normal course of business, between November 23, 2018 and November 22, 2019 up to 7,000,000 of its Common Shares representing approximately 2.7% of its issued and outstanding shares on November 13, 2018. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, as well as by other means as may be permitted by the TSX and any other securities regulatory authorities, including by private agreements. The Corporation considers that the normal course issuer bid program provides it with an additional option for using its excess funds.

FORWARD-LOOKING INFORMATION

We have used, throughout this 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 that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "annualize", "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 2019 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 described under the "Risk Management" section of the 2017 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 report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

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

NON-IFRS MEASUREMENTS

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

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS, 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 and adjusted fully diluted net earnings per share are earnings measurements that exclude some items that must be recognized under IFRS. They are non-IFRS measurements. We believe that presenting earnings without these items, that are not necessarily reflective of the Corporation's performance, leaves readers of financial statements better informed as to the current period and corresponding prior year's period's operating earnings, thus enabling them to better perform trend analysis, evaluate the Corporation's financial performance and judge its future outlook. The exclusion of these items does not imply that they are non-recurring.

CONTROLS AND PRODEDURES

Corporation's senior management, including the President and Chief Executive Officer, and the Executive Vice President, Chief Financial Officer and Treasurer, is 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.

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.

For the fourth quarter of 2018, we exclude the Jean Coutu Group from our evaluation of DC&P and ICFR, as permitted by National Instrument 52-109 of the Canadian Securities Administrators for a period of 365 days following an acquisition. Given the size and timing of the Jean Coutu Group acquisition, the limitation of the scope is primarily due to the time required to assess the Jean Coutu Group's DC&P and ICFR in accordance with the Corporation's other activities. We expect to finalize our assessment in the course of fiscal 2019.

Since the acquisition date, the Jean Coutu Group's results have been included in our consolidated financial statements. For fiscal 2018, the Jean Coutu Group's sales and net earnings represented approximately 8% and 5% of consolidated sales and consolidated net earnings, respectively. As percentages of total consolidated current assets and liabilities, the Jean Coutu Group's current assets and liabilities as at September 29, 2018 represented approximately 27% and 16% respectively, and its non-current assets and liabilities represented approximately 52% and 20% of total consolidated non-current assets and liabilities.

Other than the changes noted above, the Corporation made no other changes to ICFR during the fourth quarter of 2018 that materially affected, or are reasonably likely to materially affect, ICFR.

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

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OUTLOOK

With the acquisition of the Jean Coutu Group, fiscal 2018 was a pivotal year for the Corporation that ended on a strong note with solid growth in same-store sales and adjusted net income[1] in the fourth quarter. The integration work is progressing well and we are confident in our ability to realize the full potential of this promising business combination. We are better positioned than ever to meet our customers' everyday needs and create value for our shareholders.

Montréal, November 21, 2018

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Interim Condensed Consolidated Financial Statements

METRO INC.

September 29, 2018

metro

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Condensed consolidated statements of income

Periods ended September 29, 2018 and September 30, 2017

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

	Fiscal Year		Fiscal Year	
	2018	2017	**2018**	2017
	12 weeks	*13 weeks*	***52 weeks***	*53 weeks*
Sales	**3,736.2**	3,228.4	**14,383.4**	13,175.3
Cost of sales and operating expenses *(note 4)*	**(3,438.3)**	(2,992.3)	**(13,329.5)**	(12,208.9)
Pharmacy network closure and restructuring expenses *(note 4)*	**(31.4)**	—	**(31.4)**	—
Distribution network modernization project expenses *(note 4)*	**—**	—	**(11.4)**	—
Operating income before depreciation and amortization and associate's earnings	**266.5**	236.1	**1,011.1**	966.4
Depreciation and amortization *(note 4)*	**(65.0)**	(46.0)	**(233.5)**	(194.2)
Financial costs, net *(note 4)*	**(23.9)**	(15.5)	**(80.2)**	(63.9)
Share of an associate's earnings *(notes 3 and 4)*	**—**	27.5	**30.8**	93.5
Gain on disposal of the majority of the investment in an associate *(notes 3 and 4)*	**—**	—	**1,107.4**	—
Gain on revaluation and disposal of an investment at fair value *(notes 3 and 4)*	**15.5**	—	**241.1**	—
Earnings before income taxes	**193.1**	202.1	**2,076.7**	801.8
Income taxes *(note 5)*	**(48.1)**	(47.2)	**(358.2)**	(193.4)
Net earnings	**145.0**	154.9	**1,718.5**	608.4
Attributable to:				
Equity holders of the parent	**144.8**	150.2	**1,716.5**	591.7
Non-controlling interests	**0.2**	4.7	**2.0**	16.7
	145.0	154.9	**1,718.5**	608.4
Net earnings per share *(Dollars) (note 6)*				
Basic	**0.57**	0.66	**7.20**	2.59
Fully diluted	**0.56**	0.66	**7.16**	2.57

See accompanying notes

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Condensed consolidated statements of comprehensive income

Periods ended September 29, 2018 and September 30, 2017

(Unaudited) (Millions of dollars)

	Fiscal Year		Fiscal Year	
	2018	2017	**2018**	2017
	12 weeks	*13 weeks*	***52 weeks***	*53 weeks*
Net earnings	**145.0**	154.9	**1,718.5**	608.4
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains	**55.5**	68.7	**37.2**	108.3
Asset ceiling effect	**(6.6)**	(3.8)	**(2.1)**	(8.1)
Minimum funding requirement	**(0.2)**	—	**(0.2)**	0.7
Share of an associate's other comprehensive income *(note 3)*	**—**	—	**—**	(0.9)
Corresponding income taxes	**(12.9)**	(17.2)	**(9.2)**	(26.6)
	35.8	47.7	**25.7**	73.4
Items that will be reclassified later to net earnings				
Fair value revaluation of investment *(note 3)*	**37.7**	—	**22.8**	—
Reclassification of the change in investment at fair value to net earnings following the disposal of a portion of the investment *(note 3)*	**(17.1)**	—	**(17.1)**	—
Share of an associate's other comprehensive income *(note 3)*	**—**	(1.5)	**(3.9)**	(1.4)
Corresponding income taxes	**(2.7)**	0.2	**(0.4)**	0.2
	17.9	(1.3)	**1.4**	(1.2)
	53.7	46.4	**27.1**	72.2
Comprehensive income	**198.7**	201.3	**1,745.6**	680.6
Attributable to:				
Equity holders of the parent	**198.5**	196.6	**1,743.6**	663.9
Non-controlling interests	**0.2**	4.7	**2.0**	16.7
	198.7	201.3	**1,745.6**	680.6

See accompanying notes

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Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at September 29, 2018 *(note 2)*	As at September 30, 2017
ASSETS		
Current assets		
Cash and cash equivalents	**226.9**	148.9
Accounts receivable	**538.1**	313.7
Inventories	**1,099.1**	856.6
Prepaid expenses	**32.1**	19.0
Current taxes	**20.6**	18.1
	1,916.8	1,356.3
Non-current assets		
Investment in an associate *(note 3)*	**—**	475.9
Fixed assets	**2,523.4**	1,761.5
Investment properties	**46.1**	15.0
Intangible assets	**2,914.4**	389.1
Goodwill	**3,302.2**	1,973.8
Deferred taxes	**4.5**	1.9
Defined benefit assets	**55.1**	39.3
Investment at fair value *(note 3)*	**66.9**	—
Other assets	**92.8**	37.9
	10,922.2	6,050.7
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	**0.1**	1.1
Accounts payable	**1,358.5**	1,036.1
Current taxes *(note 3)*	**254.8**	8.8
Provisions	**8.0**	2.7
Current portion of debt	**13.3**	12.9
Non-controlling interests *(note 10)*	**—**	224.3
	1,634.7	1,285.9
Non-current liabilities		
Debt (*note 7*)	**2,630.4**	1,441.6
Defined benefit liabilities	**81.3**	92.7
Provisions *(note 4)*	**22.3**	2.0
Deferred taxes	**846.5**	255.7
Other liabilities	**11.7**	12.3
Non-controlling interests *(note 10)*	**39.3**	36.6
	5,266.2	3,126.8
Equity		
Attributable to equity holders of the parent	**5,642.8**	2,911.1
Attributable to non-controlling interests	**13.2**	12.8
	5,656.0	2,923.9
	10,922.2	6,050.7

Contingencies *(note 9)*
Event after the reporting period *(note 11)*

See accompanying notes

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Condensed consolidated statements of changes in equity

Periods ended September 29, 2018 and September 30, 2017

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 8)*	Treasury shares *(note 8)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 30, 2017	**565.8**	**(21.9)**	**19.8**	**2,343.9**	**3.5**	**2,911.1**	**12.8**	**2,923.9**
Net earnings	**—**	**—**	**—**	**1,716.5**	**—**	**1,716.5**	**2.0**	**1,718.5**
Other comprehensive income	**—**	**—**	**—**	**25.7**	**1.4**	**27.1**	**—**	**27.1**
Comprehensive income	**—**	**—**	**—**	**1,742.2**	**1.4**	**1,743.6**	**2.0**	**1,745.6**
Shares issued *(note 2)*	**1,147.9**	**—**	**—**	**(0.2)**	**—**	**1,147.7**	**—**	**1,147.7**
Stock options exercised	**10.4**	**—**	**(1.6)**	**—**	**—**	**8.8**	**—**	**8.8**
Acquisition of treasury shares	**—**	**(10.2)**	**—**	**—**	**—**	**(10.2)**	**—**	**(10.2)**
Share-based compensation cost	**—**	**—**	**9.1**	**—**	**—**	**9.1**	**—**	**9.1**
Performance share units settlement	**—**	**7.2**	**(7.0)**	**(0.2)**	**—**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**(164.8)**	**—**	**(164.8)**	**(4.8)**	**(169.6)**
Change in fair value of non-controlling interests liability *(note 10)*	**—**	**—**	**—**	**(2.5)**	**—**	**(2.5)**	**2.9**	**0.4**
Sale of shares in joint ventures	**—**	**—**	**—**	**—**	**—**	**—**	**0.3**	**0.3**
	1,158.3	**(3.0)**	**0.5**	**(167.7)**	**—**	**988.1**	**(1.6)**	**986.5**
Balance as at September 29, 2018	**1,724.1**	**(24.9)**	**20.3**	**3,918.4**	**4.9**	**5,642.8**	**13.2**	**5,656.0**

See accompanying notes

metro

Condensed consolidated statements of changes in equity

Periods ended September 29, 2018 and September 30, 2017

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 8)*	Treasury shares *(note 8)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 24, 2016	571.0	(20.5)	19.3	2,106.1	4.7	2,680.6	12.6	2,693.2
Net earnings	—	—	—	591.7	—	591.7	16.7	608.4
Other comprehensive income	—	—	—	73.4	(1.2)	72.2	—	72.2
Comprehensive income	—	—	—	665.1	(1.2)	663.9	16.7	680.6
Stock options exercised	12.9	—	(2.2)	—	—	10.7	—	10.7
Shares redeemed	(18.1)	—	—	—	—	(18.1)	—	(18.1)
Share redemption premium	—	—	—	(284.5)	—	(284.5)	—	(284.5)
Acquisition of treasury shares	—	(6.9)	—	—	—	(6.9)	—	(6.9)
Share-based compensation cost	—	—	8.1	—	—	8.1	—	8.1
Performance share units settlement	—	5.5	(5.4)	(0.1)	—	—	—	—
Dividends	—	—	—	(143.5)	—	(143.5)	(2.8)	(146.3)
Share of an associate's equity	—	—	—	(0.2)	—	(0.2)	—	(0.2)
Change in fair value of non-controlling interests liability *(note 10)*	—	—	—	1.0	—	1.0	(13.9)	(12.9)
Sale of shares in joint ventures	—	—	—	—	—	—	0.2	0.2
	(5.2)	(1.4)	0.5	(427.3)	—	(433.4)	(16.5)	(449.9)
Balance as at September 30, 2017	565.8	(21.9)	19.8	2,343.9	3.5	2,911.1	12.8	2,923.9

See accompanying notes

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Condensed consolidated statements of cash flows

Periods ended September 29, 2018 and September 30, 2017

(Unaudited) (Millions of dollars)

	Fiscal Year		Fiscal Year	
	2018	2017	**2018**	2017
	12 weeks	*13 weeks*	***52 weeks***	*53 weeks*
Operating activities				
Earnings before income taxes	**193.1**	202.1	**2,076.7**	801.8
Non-cash items				
Share of an associate's earnings *(note 3)*	**—**	(27.5)	**(30.8)**	(93.5)
Gain on disposal of the majority of the investment in an associate *(note 3)*	**—**	—	**(1,107.4)**	—
Gain on revaluation and disposal of an investment at fair value *(note 3)*	**(15.5)**	—	**(241.1)**	—
Depreciation and amortization	**65.0**	46.0	**233.5**	194.2
Gain on disposal and write-offs of fixed and intangible assets and investment properties	**(5.0)**	(2.9)	**(15.7)**	(5.6)
Impairment losses on fixed assets	**2.0**	0.4	**7.8**	0.8
Impairment loss reversals on fixed and intangible assets	**(1.9)**	(1.6)	**(1.9)**	(5.3)
Share-based compensation cost	**2.1**	1.3	**9.1**	8.1
Difference between amounts paid for employee benefits and current period cost	**3.3**	(1.4)	**4.2**	(3.5)
Pharmacy network closure and restructuring expenses *(note 4)*	**31.4**	—	**31.4**	—
Distribution network modernization project expenses *(note 4)*	**—**	—	**11.4**	—
Financial costs, net	**23.9**	15.5	**80.2**	63.9
	298.4	231.9	**1,057.4**	960.9
Net change in non-cash working capital items	**(3.8)**	55.3	**(54.3)**	(21.8)
Interest paid	**(4.3)**	(2.6)	**(90.5)**	(59.3)
Income taxes paid	**(39.4)**	(47.8)	**(162.2)**	(183.6)
	250.9	236.8	**750.4**	696.2
Investing activities				
Business acquisitions, net of cash acquired *(note 2)*	**—**	—	**(3,033.0)**	—
Sale of shares in joint ventures	**—**	—	**0.1**	0.1
Net proceeds on disposal of the majority of the investment in an associate and fair value investment *(note 3)*	**257.6**	—	**1,791.6**	—
Equity forward transaction on the investment at fair value *(note 3)*	**68.4**	—	**68.4**	—
Buyout of minority interests *(note 10)*	**—**	—	**(221.2)**	—
Net change in other assets	**(2.6)**	2.1	**(0.6)**	3.9
Dividends from an associate	**—**	2.9	**—**	11.6
Additions to fixed assets and investment properties	**(113.9)**	(114.7)	**(286.1)**	(328.3)
Disposal of fixed assets and investment properties	**8.5**	13.0	**34.6**	20.3
Additions to intangible assets	**(10.9)**	(15.3)	**(31.3)**	(40.6)
	207.1	(112.0)	**(1,677.5)**	(333.0)
Financing activities				
Net change in bank loans	**(0.2)**	(0.2)	**(1.0)**	(0.3)
Shares issued	**0.1**	0.3	**8.8**	10.7
Shares redeemed	**—**	—	**—**	(302.6)
Acquisition of treasury shares *(note 8)*	**—**	—	**(10.2)**	(6.9)
Increase in debt	**—**	0.8	**2,168.8**	737.7
Repayment of debt	**(302.9)**	(4.0)	**(995.2)**	(537.0)
Net change in other liabilities	**(1.8)**	2.2	**(1.3)**	0.1
Dividends	**(46.0)**	(36.9)	**(164.8)**	(143.5)
	(350.8)	(37.8)	**1,005.1**	(241.8)
Net change in cash and cash equivalents	**107.2**	87.0	**78.0**	121.4
Cash and cash equivalents — beginning of period	**119.7**	61.9	**148.9**	27.5
Cash and cash equivalents — end of period	**226.9**	148.9	**226.9**	148.9

See accompanying notes

1. STATEMENT PRESENTATION

METRO INC. (the Corporation) is a company incorporated under the laws of Québec. One of Canada's leading food and pharmacy retailers and distributors, the Corporation 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 business segments are combined into one single operating segment due to the similar nature of goods and services, economic characteristics, merchandise distribution methods and customers. Its various segments are subject to the same market economic conditions and are affected by similar competitive pressures.

The unaudited interim condensed consolidated financial statements for the 12-week period and fiscal year ended September 29, 2018 have been prepared by management in accordance with IAS 34 “Interim Financial Reporting” and using the same accounting policies and methods of computation as those used in preparing the audited annual consolidated financial statements for the year ended September 30, 2017. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation’s 2017 Annual Report.

2. BUSINESS ACQUISITION

On May 11, 2018, the Corporation completed the acquisition of all the outstanding Class A subordinate voting shares of The Jean Coutu Group (PJC) Inc. (”Jean Coutu Group”) and all of the outstanding Class B shares of the Jean Coutu Group for a total consideration of $4,525.1. The Jean Coutu Group operates a network of 418 franchised drugstores in Québec, New Brunswick and Ontario under the PJC Jean Coutu, PJC Santé and PJC Santé Beauté banners. Under the terms of the acquisition, the aggregate consideration transferred to the Jean Coutu Group shareholders consisted of $3,377.2 in cash and the issuance of approximately 28 million common shares of the Corporation representing $1,147.9.

To finance the cash element of the purchase price, the Corporation completed the sale of the majority of its interest in Alimentation Couche-Tard Inc. for total proceeds, net of the related fees and commissions, of $1,534.0 (see note 3), issued through a private placement $1,200.0 aggregate principal amount of Series F, G and H unsecured senior notes (see note 7), and drew down its $500.0 term credit facility and used its $250.0 bridge loan (see note 7).

The final purchase price allocation was based on management's best estimate of the fair value of the identifiable net assets, taking into consideration information available on the date the interim condensed consolidated financial statements were approved for issuance. The following table shows the final fair values of identifiable assets acquired and liabilities assumed at the acquisition date:

Net assets acquired at their value	
Cash and cash equivalents	344.2
Accounts receivable	219.3
Inventories	228.3
Prepaid expenses	13.5
Other assets	55.4
Fixed assets	687.4
Investment properties	31.4
Intangible assets	2,544.8
Goodwill	1,323.5
Accounts payable	(277.9)
Deferred taxes	(642.0)
Other liabilities	(2.8)
	4,525.1
Cash consideration	3,377.2
Share consideration	1,147.9
	4,525.1

The goodwill resulting from the acquisition is mainly attributable to the synergies expected through the combination of the Jean Coutu Group into the Corporation's businesses considering the complementary strategic and commercial nature of the two companies, through a better competitive positioning resulting from an extensive retail network and through the future growth of our customer base following the strengthening of our position as a destination of choice for professional services and food, health, beauty and wellness products. The goodwill is not deductible for tax purposes.

Details regarding the intangible assets are as follows:

		Estimated useful life
Banner	1,340.0	Indefinite
Private labels	82.0	Indefinite
Customer relationships	1,040.0	27 years
Loyalty program	60.0	Indefinite
Software	22.8	3 to 7 years
Intangible assets	2,544.8	

Pursuant to the agreement reached with the Competition Bureau on April 23, 2018, the Corporation is required to divest its rights in 10 locations where pharmacies are operated. By the end of the fourth quarter of 2018, the Corporation had not yet divested its rights in these locations where pharmacies are operated. Divestiture transactions are ongoing and are expected to occur in the coming weeks.

For fiscal 2018, expenses related to the Jean Coutu Group acquisition of $28.7 were recorded in operating expenses, there were no expenses in the fourth quarter of 2018.

Since the acquisition date, the Jean Coutu Group results are included in the consolidated financial statements. For the fourth quarter of 2018 and fiscal 2018, sales of the Jean Coutu Group were $690.7 and $1,157.7 and net earnings were $48.9 and $80.8 respectively, excluding the amortization of intangible assets resulting from the purchase price allocation.

On a pro forma basis, assuming the acquisition had occurred at the beginning of the year, the Corporation's sales would have amounted to approximately $16,191 and the Corporation's net earnings would have amounted to approximately $1,829 for fiscal 2018. These amounts were determined assuming that the final purchase price allocation was effective October 1, 2017.

3. DISPOSAL OF THE MAJORITY OF THE INVESTMENT IN AN ASSOCIATE

The Corporation completed the sale of the majority of its holding in Alimentation Couche-Tard Inc. ("ACT") on October 13, 2017 and October 17, 2017 for a total cash consideration of $1,550.0 and proceeds net of the related fees and commissions amounting to $1,534.0 and use the proceed of such sale to finance in part the acquisition of the Jean Coutu Group (see note 2). As a result, the proceeds of disposal were used to acquire short-term investments until the acquisition, which generated $14.5 in interest income included in financial costs. Subsequent to this disposal, the Corporation held an interest of less than 1% in ACT.

Consequently, a gain before income taxes of $1,107.4 ($968.1 after income taxes) on disposal of the majority of the investment in an associate was recorded during the first quarter. The disposal triggered the loss of significant influence of the Corporation over ACT. The residual investment is therefore considered an available-for-sale financial asset which is classified as an investment at fair value. The investment was re-evaluated at fair value on October 13, 2017, and the corporation recorded a gain on revaluation of $225.6 in net earnings. All subsequent fair value revaluation of this investment was recorded in accumulated other comprehensive income. Also, accumulated other comprehensive income of ACT included in the Corporation equity totalling $4.2 was reclassified to net earnings in line item gain on revaluation of an investment at fair value.

In the fourth quarter of fiscal 2018, the Corporation disposed of approximately 4 million shares of the investment accounted for at fair value for a cash consideration of $257.6 and a gain on disposal before income taxes of $17.1. The gain, included within the gain on revaluation and disposal of an investment at fair value in net earnings, resulted from a reclassification of changes in the investment previously recorded in other comprehensive income.

In addition, on September 20, 2018, the Corporation signed an equity forward agreement with a financial institution for the remaining shares of this investment. The Corporation received an amount of $68.4 following this agreement which was recorded as a liability within accounts payable given the current maturity. The disposal was finalized on November 5, 2018. The revaluation of this agreement at year-end gave rise to the recording of a loss and a financial liability in the amount of $1.6. This impairment loss was presented as a reduction of the gain on revaluation and disposal of an investment at fair value. The remaining shares were re-evaluated as at September 29, 2018 using the selling price formula in the agreement and a $8.7 gain was recorded in accumulated other comprehensive income in the fourth quarter and a $5.7 gain for fiscal 2018.

4. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	Fiscal Year				Fiscal Year			
	2018	**%**	2017	%	**2018**	**%**	2017	%
	12 weeks		*13 weeks*		***52 weeks***		*53 weeks*	
Sales	**3,736.2**		3,228.4		**14,383.4**		13,175.3	
Cost of sales	**(3,000.7)**		(2,594.8)		**(11,556.5)**		(10,579.6)	
Gross margins	**735.5**	**19.7**	633.6	19.6	**2,826.9**	**19.7**	2,595.7	19.7
Operating expenses								
Wages and fringe benefits	**(197.5)**		(172.3)		**(779.3)**		(711.0)	
Employee benefits expense	**(21.0)**		(19.0)		**(83.6)**		(80.8)	
Rents and occupancy charges	**(123.7)**		(112.0)		**(475.8)**		(441.4)	
Pharmacy network closure and restructuring expenses	**(31.4)**		—		**(31.4)**		—	
Distribution network modernization project expenses	**—**		—		**(11.4)**		—	
Others	**(95.4)**		(94.2)		**(434.3)**		(396.1)	
	(469.0)	**12.6**	(397.5)	12.3	**(1,815.8)**	**12.6**	(1,629.3)	12.4
Operating income before depreciation and amortization and associate's earnings	**266.5**	**7.1**	236.1	7.3	**1,011.1**	**7.0**	966.4	7.3
Depreciation and amortization								
Fixed assets	**(47.6)**		(38.8)		**(185.0)**		(163.8)	
Investment properties	**(0.1)**		—		**(0.2)**		—	
Intangible assets	**(17.3)**		(7.2)		**(48.3)**		(30.4)	
	(65.0)		(46.0)		**(233.5)**		(194.2)	
Financial costs, net								
Current interest *(note 10)*	**(0.4)**		(0.3)		**(4.3)**		(3.0)	
Non-current interest *(note 7)*	**(24.1)**		(14.4)		**(99.0)**		(57.4)	
Interest on defined benefit obligations net of plan assets	**(0.8)**		(1.2)		**(3.2)**		(4.6)	
Amortization of deferred financing costs	**(0.6)**		—		**(2.2)**		(0.9)	
Interest income *(notes 3 and 7)*	**2.1**		0.5		**28.8**		2.4	
Passage of time	**(0.1)**		(0.1)		**(0.3)**		(0.4)	
	(23.9)		(15.5)		**(80.2)**		(63.9)	
Share of an associate's earnings *(note 3)*	**—**		27.5		**30.8**		93.5	
Gain on disposal of the majority of the investment in an associate *(note 3)*	**—**		—		**1,107.4**		—	
Gain on revaluation and disposal of an investment at fair value *(note 3)*	**15.5**		—		**241.1**		—	
Earnings before income taxes	**193.1**		202.1		**2,076.7**		801.8	

The Corporation announced in October 2017, a projected $400.0 investment over six years in its Ontario distribution network. The Corporation will modernize its Toronto operations between 2018 and 2023, building a new fresh distribution centre and a new frozen distribution centre. During the first quarter of the year, the Corporation recorded a $11.4 before taxes provision related to termination and retirement benefits in connection with the modernization of the Ontario distribution network. In addition, the Corporation entered into an equipment purchase contract for its frozen distribution centre with a total commitment of $54.3 over the next three years.

During the fourth quarter of the year, the Corporation recorded store closure and restructuring expenses of $31.4 before taxes, comprising a $13.9 provision for severance and occupancy costs and a $17.5 provision, netted against assets, for asset and inventory write-offs resulting from the future transfer of pharmaceutical operations from the McMahon warehouse to the Jean Coutu Group warehouse, the reduction of administrative positions, the closure of 3 Brunet drugstores and the divestiture of 10 drugstores.

5. INCOME TAXES

The effective income tax rates were as follows:

	Fiscal Year		Fiscal Year	
	2018	2017	**2018**	2017
(Percentage)	***12 weeks***	*13 weeks*	***52 weeks***	*53 weeks*
Combined statutory income tax rate	**26.6**	26.8	**26.7**	26.8
Changes				
Share of an associate's earnings	**—**	(2.0)	**(0.2)**	(1.8)
Gain on disposal of the majority of the investment in an associate *(note 3)*	**—**	—	**(7.5)**	—
Gain on revaluation and disposal of an investment at fair value *(note 3)*	**(1.1)**	—	**(1.6)**	—
Others	**(0.6)**	(1.4)	**(0.2)**	(0.9)
	24.9	23.4	**17.2**	24.1

6. NET EARNINGS PER SHARE

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

	Fiscal Year		Fiscal Year	
	2018	2017	**2018**	2017
(Millions)	***12 weeks***	*13 weeks*	***52 weeks***	*53 weeks*
Weighted average number of shares outstanding – Basic	**255.7**	227.1	**238.3**	228.7
Dilutive effect under:				
Stock option plan	**0.8**	1.1	**0.9**	1.3
Performance share unit plan	**0.6**	0.6	**0.6**	0.6
Weighted average number of shares outstanding – Fully diluted	**257.1**	228.8	**239.8**	230.6

7. DEBT

On December 4, 2017 the Corporation issued a private placement of $300.0 aggregate principal amount of Series F unsecured senior notes, bearing interest at a fixed nominal rate of 2.68% and maturing on December 5, 2022; $450.0 aggregate principal amount of Series G unsecured senior notes, bearing interest at a fixed nominal rate of 3.39% and maturing on December 6, 2027; and $450.0 aggregate principal amount of Series H unsecured senior notes, bearing interest at a fixed nominal rate of 4.27% and maturing on December 4, 2047. The proceeds of these issues were placed in escrow until the Jean Coutu Group acquisition (see note 2) and were reported has security deposits during this period. These security deposits generated $6.8 in interest income since their issuance to the acquisition date, which were included in financial costs. An interest expense totalling $34.9 on these new notes were also recorded since their issuance in the non-current interest of the financial costs and $9.8 during the fourth quarter.

The Corporation also used its $500.0 term credit facility, available for the Jean Coutu Group acquisition (see note 2), consisting of a 1-year $100.0 Tranche A, a 2-year $200.0 Tranche B and a 3-year $200.0 Tranche C and a 1-month $250.0 bridge loan. On May 11, 2018, the Corporation reimbursed the $100,0 Tranche A and the $250.0 bridge loan, and on June 11, 2018 the Corporation reimbursed an amount of $100.0 of the Tranche B. During the fourth quarter, the Corporation reimbursed the $100.0 balance on the Tranche B and the total amount of the $200.0 Tranche C. This term credit facility was terminated on September 10, 2018.

As at September 29, 2018 and September 30, 2017, the revolving credit facility with an authorized maximum of $600.0 was not used.

8. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number *(Thousands)*	
Balance as at September 24, 2016	234,511	571.0
Shares redeemed for cash, excluding premium of $284.5	(7,433)	(18.1)
Stock options exercised	641	12.9
Balance as at September 30, 2017	**227,719**	**565.8**
Shares issued *(note 2)*	**28,031**	**1,147.9**
Stock options exercised	**503**	**10.4**
Balance as at September 29, 2018	**256,253**	**1,724.1**

TREASURY SHARES

The treasury shares were summarized as follows:

	Number *(Thousands)*	
Balance as at September 24, 2016	665	(20.5)
Acquisition	170	(6.9)
Release	(256)	5.5
Balance as at September 30, 2017	**579**	**(21.9)**
Acquisition	**250**	**(10.2)**
Release	**(226)**	**7.2**
Balance as at September 29, 2018	**603**	**(24.9)**

The treasury shares are held in trust for the performance share unit plan (PSU). They are released into circulation when the PSUs settle.

Excluding treasury shares from the Common Shares issued, the Corporation had 255,650,000 outstanding Common Shares issued as at September 29, 2018 (227,140,000 as at September 30, 2017).

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number	Weighted average exercise price
	(Thousands)	*(Dollars)*
Balance as at September 24, 2016	3,483	23.67
Granted	394	40.23
Exercised	(641)	16.76
Cancelled	(56)	33.31
Balance as at September 30, 2017	**3,180**	**26.94**
Granted	**390**	**41.16**
Exercised	**(503)**	**17.49**
Balance as at September 29, 2018	**3,067**	**30.30**

The exercise prices of the outstanding options ranged from $17.72 to $44.73 as at September 29, 2018 with expiration dates up to 2025. 1,367,580 of those options could be exercised at a weighted average exercise price of $23.49.

The compensation expense for these options amounted to $0.4 and $2.0 respectively for the 12-week period and fiscal year ended September 29, 2018 ($0.5 and $2.1 in 2017).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number
	(Thousands)
Balance as at September 24, 2016	664
Granted	186
Settled	(257)
Cancelled	(46)
Balance as at September 30, 2017	**547**
Granted	**230**
Settled	**(193)**
Cancelled	**(5)**
Balance as at September 29, 2018	**579**

The compensation expense for the PSU plan amounted to $1.7 and $7.1 respectively for the 12-week period and fiscal year ended September 29, 2018 ($0.8 and $6.0 in 2017).

9. CONTINGENCIES

In the normal course of business, the Corporation is exposed to various contingencies as described in the Corporation's audited annual consolidated financial statements dated September 30, 2017. As a result of the acquisition of the Jean Coutu Group on May 11, 2018, the Corporation, through its new subsidiary, is now subject to claims outstanding as of the acquisition date, as described below.

During the 2016 fiscal year, an application for authorization to institute a class action was served on the Jean Coutu Group by Sopropharm, an association incorporated under the Professional Syndicates Act of which certain franchised drugstore owners of the Jean Coutu Group are members. The application seeks to have the class action authorized in the form of a declaratory action seeking amongst others (i) to set aside certain contractual provisions of the Jean Coutu Group's standard franchise agreements, including the clause providing for the payment of royalties on sales of medication by franchised establishments; (ii) to restore certain benefits; and (iii) to reduce certain contractual obligations. On November 1, 2018, the Court granted the application for authorization to institute a class action, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation is considering whether it will appeal the decision or not. The Corporation intends to contest this action on the merits. However, since any litigation involves uncertainty, it is not possible to predict the outcome of this litigation or the amount of potential losses. No provision for contingent losses has been recognized in the Corporation's interim condensed consolidated financial statements.

In October 2017, the Canadian Competition Bureau began an investigation into the supply and sale of commercial bread which involves certain Canadian suppliers and retailers, including the Corporation. The Corporation continues to fully cooperate with the Competition Bureau. Class actions lawsuits have also been filed against the Corporation, suppliers and other retailers. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the Competition Act. At this stage, the Corporation does not believe that these matters will have a material adverse effect on the Corporation's business, results of operations or financial condition.

10. FINANCIAL INSTRUMENTS

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

	As at September 29, 2018		As at September 30, 2017	
	Book value	**Fair value**	Book value	Fair value
Investment at fair value				
Available for sale financial asset *(note 3)*	**66.9**	**66.9**	—	—
Other assets				
Loans and receivables				
Loans to certain customers	**64.5**	**64.5**	40.3	40.3
Non-controlling interests				
Financial liability held for trading	**39.3**	**39.3**	36.6	36.6
Debt *(note 7)*				
Other financial liabilities				
Series E Notes	**400.0**	**401.2**	400.0	400.9
Series C Notes	**300.0**	**300.6**	300.0	308.1
Series F Notes	**300.0**	**292.9**	—	—
Series G Notes	**450.0**	**432.8**	—	—
Series B Notes	**400.0**	**474.7**	400.0	477.8
Series D Notes	**300.0**	**323.5**	300.0	322.4
Series H Notes	**450.0**	**432.5**	—	—
Loans	**35.2**	**35.2**	35.6	35.6
	2,635.2	**2,693.4**	1,435.6	1,544.8

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 investment's fair value was measured using the closing quoted bid price of the shares of ACT which are listed on the TSX. The Corporation categorized the fair value measurement in Level 1, as it is derived from quoted prices in active markets.

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 non-current liability is equivalent to the estimated price to be paid, which is based mainly on the discounted value of the projected future earnings of Première Moisson and MissFresh, 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 changes of the non-controlling interest-related liability were as follows:

	Total
Balance as at September 24, 2016	244.8
Issuance through business combinations	3.2
Change in fair value	12.9
Balance as at September 30, 2017	**260.9**
Buyout of minority interests	**(221.2)**
Change in fair value	**(0.4)**
Balance as at September 29, 2018	**39.3**

Current portion	**—**
Non-current portion	**39.3**
Balance as at September 29, 2018	**39.3**

In accordance with the shareholder agreement, the Corporation acquired the minority interests in Adonis and Phoenicia during the first quarter of the year for a cash consideration of $221.2. Additionally, financial costs of $1.8, calculated on the balance payable as at September 30, 2017 until payment in December 2017, were recognized in net earnings and reported in the current interest of the financial costs.

11. EVENT AFTER THE REPORTING PERIOD

After a period of approximately one year during which the normal course issuer bid program was not renewed, in particular because the Corporation intended, during this period, to allocate the surplus cash available to reimburse part of the debt incurred for the Jean Coutu Group acquisition, the Board of Directors authorized, on November 20, 2018, the reinstatement of the share repurchase program. The Corporation will be able to repurchase, in the normal course of business, between November 23, 2018 and November 22, 2019 up to 7,000,000 of its Common Shares representing approximately 2.7% of its issued and outstanding shares on November 13, 2018. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, as well as by other means as may be permitted by the TSX and any other securities regulatory authorities, including by private agreements. The Corporation considers that the normal course issuer bid program provides it with an additional option for using its excess funds.

12. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week period and fiscal year ended September 29, 2018 (including comparative figures) were approved for issue by the Board of Directors on November 20, 2018.

INFORMATION

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

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