



INTERIM REPORT

12-week period ended March 14, 2020

2nd Quarter 2020

HIGHLIGHTS

2020 SECOND QUARTER

- Last two weeks of the quarter impacted by the COVID-19 pandemic
 - Sales of \$3,988.9 million, up 7.8% and 8.1% when excluding the impact of IFRS 16
 - Food same-store sales up 9.7%, and up 5.2% excluding COVID-19 impact
 - Pharmacy same-store sales up 7.9%, and up 6.4% excluding COVID-19 impact
 - Net earnings of \$176.2 million, up 45.0% and adjusted net earnings⁽¹⁾ of \$182.8 million, up 17.9%
 - Fully diluted net earnings per share of \$0.69, up 46.8% and adjusted fully diluted net earnings per share⁽¹⁾ of \$0.72, up 20.0%
 - Impact of COVID-19 represents an increase in net earnings per share of about \$0.03
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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the second quarter of fiscal 2020 ended March 14, 2020.

Sales in the second quarter of fiscal 2020 reached \$3,988.9 million, up 7.8% compared to \$3,701.6 million in the second quarter of fiscal 2019. Excluding the impact of the adoption of IFRS 16 *Leases* adopted in the first quarter of 2020, sales reached \$4,001.5 million, up 8.1%. The sales increase due to the COVID-19 pandemic is estimated at \$125 million. Food same-store sales were up 9.7%, and up 5.2% excluding the COVID-19 impact (4.3% in 2019). The shift in Christmas sales represents 0.6% of the same-store sales figure. Our food basket inflation was approximately 2.0% (2.5% in 2019). Pharmacy same-store sales were up 7.9% (1.1% in 2019), with a 7.7% increase in prescription drugs (prescription count up 3.9%) and a 8.3% increase in front-store sales. Excluding the COVID-19 impact, pharmacy same-store sales were up 6.4%.

Second quarter net earnings were \$176.2 million in fiscal 2020 compared with \$121.5 million in 2019, and fully diluted net earnings per share were \$0.69 compared with \$0.47 in 2019, up 45.0% and 46.8%, respectively. Taking into account adjustments for the 2020 and 2019 second quarters, primarily the retail network restructuring expenses recorded in 2019, adjusted net earnings⁽¹⁾ for the second quarter of fiscal 2020 totalled \$182.8 million compared with \$155.1 million in 2019, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.72 versus \$0.60, up 17.9% and 20.0%, respectively. The impact of COVID-19 represents an increase of about \$0.03 in net earnings per share.

On March 11, 2020, we announced a \$420 million investment to build a new automated distribution centre for fresh and frozen produce located in Terrebonne. These new facilities whose construction will begin in 2021 are scheduled to be operational in 2023, enabling us to better meet our customers' current and future expectations.

On April 21, 2020, the Board of Directors declared a quarterly dividend of \$0.225 per share, an increase of 12.5% over the dividend declared for the same quarter last year.

The crisis related to COVID-19 is unprecedented and has solicited all our resources to ensure the safety of our employees and customers, the resilience of our supply chain and our ability to maintain in-store operations. As a leading provider of food and pharmacy products, our teams are fully dedicated to serving the everyday essential needs of our customers safely and responsibly. I want to express my sincere gratitude to all our front-line teams who have shown exceptional dedication since the beginning of the crisis. Also, we increased our community investments to provide food and other essentials to those most in need. We do not know how long this crisis will last but we will continue to serve our customers as best as we can, making the health and safety of our teams and customers our top priority.



Eric R. La Flèche
President and Chief Executive Officer

April 22, 2020

⁽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 March 14, 2020 and for the 12 and 24-week periods 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 and 24-week periods ended March 14, 2020 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 2019 Annual Report. Unless otherwise stated, the interim report is based on information as at April 3, 2020.

Additional information, including the Certification of Interim Filings letters for quarter ended March 14, 2020 signed by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Treasurer, will also be available on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

Effective the first quarter of 2020, the Corporation adopted IFRS 16 *Leases*, which replaces IAS 17 *Leases*. The Corporation adopted the standard using a modified retrospective approach. The operating results of the previous fiscal year have not been restated.

SALES

Sales in the second quarter of fiscal 2020 reached \$3,988.9 million, up 7.8% compared to \$3,701.6 million in the second quarter of fiscal 2019. Excluding the impact of the adoption of IFRS 16 *Leases* adopted in the first quarter of 2020, sales reached \$4,001.5 million, up 8.1%. The sales increase due to the COVID-19 pandemic is estimated at \$125 million. Food same-store sales were up 9.7%, and up 5.2% excluding the COVID-19 impact (4.3% in 2019). The shift in Christmas sales represents 0.6% of the same-store sales figure. Our food basket inflation was approximately 2.0% (2.5% in 2019). Pharmacy same-store sales were up 7.9% (1.1% in 2019), with a 7.7% increase in prescription drugs (prescription count up 3.9%) and a 8.3% increase in front-store sales. Excluding the COVID-19 impact, pharmacy same-store sales were up 6.4%.

Sales in the first 24 weeks of fiscal 2020 totalled \$8,018.7 million versus \$7,679.3 million for the corresponding period of fiscal 2019, an increase of 4.4%. Excluding \$25.0 million in sales for fiscal 2020 resulting from the adoption of IFRS 16, sales were up 4.7%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

This earnings measurement excludes financial costs, taxes, depreciation and amortization and gain on disposal of investment in an associate 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 second quarter of fiscal 2020 totalled \$374.1 million, or 9.4% of sales, versus \$256.2 million, or 6.9% of sales, for the second quarter last year.

For the first 24 weeks of fiscal 2020, operating income before depreciation and amortization and associates' earnings totalled \$737.2 million or 9.2% of sales compared with \$576.8 million or 7.5% of sales for the corresponding period of fiscal 2019.

The adoption of IFRS 16 resulted in \$12.6 million and \$25.0 million decreases in sales related to sublease income for the second quarter and the first 24 weeks of fiscal 2020, respectively, with corresponding reductions in gross margin. The adoption of IFRS 16 also resulted in decreases in operating expenses of \$57.0 million and \$112.0 million for the second quarter and the first 24 weeks of fiscal 2020, respectively, as lease payments are now recorded as a reduction of the lease liabilities. These two combined elements had favorable impacts of \$44.4 million and \$87.0 million on operating income before depreciation and amortization and associates' earnings for the second quarter and the first 24 weeks of fiscal 2020, 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"

12 weeks / Fiscal Year

Impact of the adoption of IFRS 16

(Millions of dollars)	2020	IFRS 16	2020 excluding IFRS 16	% of sales	2019	% of sales
Sales	3,988.9	(12.6)	4,001.5		3,701.6	
Operating income before depreciation and amortization and associate's earnings	374.1	44.4	329.7	8.2	256.2	6.9

24 weeks / Fiscal Year

Impact of the adoption of IFRS 16

(Millions of dollars)	2020	IFRS 16	2020 excluding IFRS 16	% of sales	2019	% of sales
Sales	8,018.7	(25.0)	8,043.7		7,679.3	
Operating income before depreciation and amortization and associate's earnings	737.2	87.0	650.2	8.1	576.8	7.5

No adjustment was recorded to operating income before depreciation and amortization and associate's earnings in the second quarter of fiscal 2020, while for the same period of fiscal 2019, we recorded retail network restructuring expenses of \$36.0 million and a loss of \$1.4 million to complete the divestiture of pharmacies. Excluding those items, adjusted operating income before depreciation and amortization and associate's earnings⁽²⁾ for the second quarter of fiscal 2020 totalled \$374.1 million, or 9.4% of sales (8.2% excluding the impact of the adoption of IFRS 16) compared with \$293.6 million, or 7.9% of sales for the corresponding quarter of 2019.

During the first 24 weeks of fiscal 2020, we recognized a loss of \$7.5 million on disposal of our subsidiary MissFresh, while for the same period of fiscal 2019, we recorded retail network restructuring expenses of \$36.0 million and generated a net gain of \$6.0 million on the divestiture of pharmacies. Excluding those items, adjusted operating income before depreciation and amortization and associate's earnings⁽²⁾ for the first 24 weeks of fiscal 2020 totalled \$744.7 million, or 9.3% of sales (8.2% excluding the impact of the adoption of IFRS 16) compared with \$606.8 million, or 7.9% of sales for the corresponding period of 2019.

Synergies related to the Jean Coutu acquisition generated for the second quarter and the first 24 weeks of fiscal 2020 amounted to \$15 million and \$30 million compared to \$13 million and \$24 million for the corresponding periods of fiscal 2019 and to date, we have generated annualized synergies of \$65 million⁽³⁾.

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

12 weeks / Fiscal Year

(Millions of dollars, unless otherwise indicated)	2020			2019		
	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	374.1	3,988.9	9.4	256.2	3,701.6	6.9
Retail network restructuring expenses	—			36.0		
Loss on divestiture of pharmacies	—			1.4		
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	374.1	3,988.9	9.4	293.6	3,701.6	7.9

⁽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, unless otherwise indicated)	24 weeks / Fiscal Year					
	2020			2019		
	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	737.2	8,018.7	9.2	576.8	7,679.3	7.5
Loss on disposal of a subsidiary	7.5			—		
Retail network restructuring expenses	—			36.0		
Gain on divestiture of pharmacies	—			(6.0)		
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	744.7	8,018.7	9.3	606.8	7,679.3	7.9

Gross margin on sales for the second quarter and the first 24 weeks of fiscal 2020 was 19.7% (20.0% et 19.9% respectively, excluding the impact of the adoption of IFRS 16) versus 20.1% and 19.7% for the corresponding periods of 2019.

Operating expenses as a percentage of sales for the second quarter of 2020 were 10.3% (11.7% excluding the impact of the adoption of IFRS 16) versus 13.2% for the corresponding quarter of fiscal 2019. Excluding from the second quarter of fiscal 2019 the \$36.0 million expense for retail network restructuring and the \$1.4 million loss for completing the divestiture of pharmacies, operating expenses as a percentage of sales were 12.2%. This decrease is mainly due to the significant increase in volume stemming from the impact of the COVID-19 in the two last weeks of the quarter and shift in Christmas sales.

For the first 24 weeks of fiscal 2020, operating expenses as a percentage of sales was 10.5% compared with 12.2% for the corresponding period of fiscal 2019. Excluding from the first 24 weeks of fiscal 2020 the \$7.5 million loss on disposal of our subsidiary MissFresh, and excluding from the same period of fiscal 2019 the retail network restructuring expenses of \$36.0 million and the \$6.0 million net gain generated from the divestiture of pharmacies, operating expenses as a percentage of sales was 10.4% in 2020 (11.7% excluding the impact of the adoption of IFRS 16) compared with 11.8% in 2019.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the second quarter of 2020 was \$102.0 million, of which \$33.6 million is an increase resulting from the adoption of IFRS 16, versus \$65.6 million for the corresponding quarter of fiscal 2019. For the first 24 weeks of fiscal 2020, total depreciation and amortization expense was \$203.5 million, of which \$67.3 million is an increase resulting from the adoption of IFRS 16, versus \$129.3 million for the corresponding period of fiscal 2019.

Net financial costs for the second quarter of 2020 were \$31.9 million, of which \$7.6 million is an increase resulting from the adoption of IFRS 16, compared with \$24.6 million for the corresponding quarter of fiscal 2019. For the first 24 weeks of fiscal 2020, net financial costs were \$63.0 million, of which \$15.6 million is an increase resulting from the adoption of IFRS 16, compared with \$48.6 million for the corresponding quarter of fiscal 2019.

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

During fiscal 2019, the Company disposed of its investment in Colo-D Inc., an associate presented in other assets, for a total cash consideration of \$58.0 million. A gain before income taxes of \$35.4 million on the disposal of this investment was recognized in earnings.

In the first quarter of fiscal 2019, we disposed of an investment at fair value and the final revaluation of the financial liability resulted in a gain of \$1.5 million recognized in net earnings.

INCOME TAXES

The income tax expense of \$64.0 million for the second quarter of fiscal 2020 represented an effective tax rate of 26.6% compared with an income tax expense of \$44.5 million in the second quarter of fiscal 2019 which represented an effective tax rate of 26.8%. The impact of the adoption of IFRS 16 on the income tax expense is immaterial.

⁽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"

The 24-week period income tax expense of \$124.3 million for fiscal 2020 and \$111.2 million for fiscal 2019 represented an effective tax rate of 26.4% and 25.5% respectively. The impact of the adoption of IFRS 16 on the income tax expense is immaterial.

NET EARNINGS AND ADJUSTED NET EARNINGS⁽¹⁾

Net earnings for the second quarter of fiscal 2020 were \$176.2 million compared with \$121.5 million for the corresponding quarter of fiscal 2019, while fully diluted net earnings per share were \$0.69 compared with \$0.47 in 2019, up 45.0% and 46.8%, respectively. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the second quarter of fiscal 2020 totalled \$182.8 million compared with \$155.1 million for the corresponding quarter of fiscal 2019, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.72 versus \$0.60, up 17.9% and 20.0%, respectively. The impact of COVID-19 represents an increase of about \$0.03 in net earnings per share. The adoption of IFRS 16 had an immaterial impact on net earnings and adjusted net earnings⁽¹⁾.

Net earnings for the first 24 weeks of fiscal 2020 were \$346.4 million, an increase of 6.7% from \$324.6 million for the corresponding period of fiscal 2019. Fully diluted net earnings per share were \$1.36 compared with \$1.26 last year, up 7.9%. Excluding the specific items shown in the table below, adjusted net earnings⁽¹⁾ for the first 24 weeks of fiscal 2020 totalled \$363.7 million compared with \$327.3 million for the corresponding period of fiscal 2019, and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$1.43 versus \$1.27, up 11.1% and 12.6%, respectively. The adoption of IFRS 16 had an immaterial impact on net earnings and adjusted net earnings⁽¹⁾.

Net earnings adjustments⁽¹⁾

	12 weeks / Fiscal Year					
	2020		2019		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	176.2	0.69	121.5	0.47	45.0	46.8
Retail network restructuring expenses, after taxes	—		26.4			
Loss on divestiture of pharmacies, after taxes	—		0.7			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6		6.5			
Adjusted net earnings ⁽¹⁾	182.8	0.72	155.1	0.60	17.9	20.0

	24 weeks / Fiscal Year					
	2020		2019		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	346.4	1.36	324.6	1.26	6.7	7.9
Loss on disposal of a subsidiary, after taxes	4.2		—			
Retail network restructuring expenses, after taxes	—		26.4			
Gain on divestiture of pharmacies, after taxes	—		(4.7)			
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	13.1		13.1			
Gain on the disposal of investment in an associate, after taxes	—		(31.0)			
Gain on revaluation and disposal of an investment at fair value, after taxes	—		(1.1)			
Adjusted net earnings ⁽¹⁾	363.7	1.43	327.3	1.27	11.1	12.6

⁽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"

Impacts of the adoption of IFRS 16

12 weeks / Fiscal Year

<i>(Millions of dollars, unless otherwise indicated)</i>	2020	IFRS 16	2020 excluding IFRS 16	2019
Sales	3,988.9	(12.6)	4,001.5	3,701.6
Operating income before depreciation and amortization and associate's earnings	374.1	44.4	329.7	256.2
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	374.1	44.4	329.7	293.6
Depreciation	102.0	(33.6)	68.4	65.6
Net financial costs	31.9	(7.6)	24.3	24.6
Income taxes	64.0	(0.9)	63.1	44.5
Net earnings	176.2	2.3	173.9	121.5
Adjusted net earnings ⁽¹⁾	182.8	2.3	180.5	155.1
Fully diluted net earnings per share <i>(Dollars)</i>	0.69	0.01	0.68	0.47
Adjusted fully diluted net earnings per share ⁽¹⁾ <i>(Dollars)</i>	0.72	0.01	0.71	0.60

24 weeks / Fiscal Year

<i>(Millions of dollars, unless otherwise indicated)</i>	2020	IFRS 16	2020 excluding IFRS 16	2019
Sales	8,018.7	(25.0)	8,043.7	7,679.3
Operating income before depreciation and amortization and associate's earnings	737.2	87.0	650.2	576.8
Adjusted operating income before depreciation and amortization and associate's earnings ⁽²⁾	744.7	87.0	657.7	606.8
Depreciation	203.5	(67.3)	136.2	129.3
Net financial costs	63.0	(15.6)	47.4	48.6
Income taxes	124.3	(1.1)	123.2	111.2
Net earnings	346.4	3.0	343.4	324.6
Adjusted net earnings ⁽¹⁾	363.7	3.0	360.7	327.3
Fully diluted net earnings per share <i>(Dollars)</i>	1.36	0.01	1.35	1.26
Adjusted fully diluted net earnings per share ⁽¹⁾ <i>(Dollars)</i>	1.43	0.01	1.42	1.27

⁽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

<i>(Millions of dollars, unless otherwise indicated)</i>	2020	2019	2018	Change (%)
Sales				
Q2 ⁽⁴⁾	3,988.9	3,701.6		7.8
Q1 ⁽⁴⁾	4,029.8	3,977.7		1.3
Q4 ⁽⁴⁾		3,858.9	3,736.2	3.3
Q3 ⁽⁵⁾		5,229.3	4,636.4	12.8
Net earnings				
Q2 ⁽⁴⁾	176.2	121.5		45.0
Q1 ⁽⁴⁾	170.2	203.1		(16.2)
Q4 ⁽⁴⁾		167.4	145.0	15.4
Q3 ⁽⁵⁾		222.4	167.5	32.8
Adjusted net earnings⁽¹⁾				
Q2 ⁽⁴⁾	182.8	155.1		17.9
Q1 ⁽⁴⁾	180.9	172.2		5.1
Q4 ⁽⁴⁾		174.0	161.0	8.1
Q3 ⁽⁵⁾		230.3	183.4	25.6
Fully diluted net earnings per share (Dollars)				
Q2 ⁽⁴⁾	0.69	0.47		46.8
Q1 ⁽⁴⁾	0.67	0.79		(15.2)
Q4 ⁽⁴⁾		0.66	0.56	17.9
Q3 ⁽⁵⁾		0.86	0.69	24.6
Adjusted fully diluted net earnings per share⁽¹⁾ (Dollars)				
Q2 ⁽⁴⁾	0.72	0.60		20.0
Q1 ⁽⁴⁾	0.71	0.67		6.0
Q4 ⁽⁴⁾		0.68	0.63	7.9
Q3 ⁽⁵⁾		0.90	0.75	20.0

⁽⁴⁾ 12 weeks

⁽⁵⁾ 16 weeks

Sales in the second quarter of fiscal 2020 reached \$3,988.9 million, up 7.8% compared to \$3,701.6 million in the second quarter of fiscal 2019. Excluding the impact of the adoption of IFRS 16 Leases adopted in the first quarter of 2020, sales reached \$4,001.5 million, up 8.1%. The sales increase due to the COVID-19 pandemic is estimated at \$125 million. Food same-store sales were up 9.7%, and up 5.2% excluding the COVID-19 impact (4.3% in 2019). The shift in Christmas sales represents 0.6% of the same-store sales figure. Our food basket inflation was approximately 2.0% (2.5% in 2019). Pharmacy same-store sales were up 7.9% (1.1% in 2019), with a 7.7% increase in prescription drugs (prescription count up 3.9%) and a 8.3% increase in front-store sales. Excluding the COVID-19 impact, pharmacy same-store sales were up 6.4%.

Sales in the first quarter of fiscal 2020 reached \$4,029.8 million, up 1.3% compared to \$3,977.7 million in the first quarter of fiscal 2019. Excluding the impact of the adoption of IFRS 16 Leases adopted in the first quarter of 2020, sales reached \$4,042.2 million, up 1.6%. Food same-store sales were up 1.4% (3.2% in 2019) and would have been up 2.0% taking into account the shift in Christmas sales. Our food basket inflation was approximately 2.0% (1.8% in 2019). Pharmacy same-store sales were up 3.6% (1.5% in 2019), with a 4.1% increase in prescription drugs (prescription count up 2.5%) and a 2.7% increase in front-store sales.

Sales in the fourth quarter of fiscal 2019 reached \$3,858.9 million, up 3.3% compared to \$3,736.2 million in the fourth quarter of fiscal 2018. Food same-store sales were up 4.1% (2.1% in 2018) and inflation in our food basket was approximately 2.8% (0.8% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 3.4% increase in prescription drugs (number of prescriptions were up 2.4%) and a 3.4% increase in front-store sales.

⁽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"

Sales in the third quarter of fiscal 2019 reached \$5,229.3 million, up 12.8% compared to \$4,636.4 million in the third quarter of fiscal 2018. Excluding from 2019 and 2018 sales of \$965.4 million and \$467.0 million, respectively, generated by the Jean Coutu Group, sales were up 2.3%. Food same-store sales were up 3.1% (2.0% in 2018) and inflation in our food basket was approximately 2.5% (0.5% in 2018). Pharmacy same-store sales were up 3.4% (1.8% in 2018), with a 2.9% increase in prescription drugs (number of prescriptions were up 2.7%) and a 4.3% increase in front-store sales.

Net earnings for the second quarter of fiscal 2020 were \$176.2 million compared with \$121.5 million for the second quarter of fiscal 2019, while fully diluted net earnings per share were \$0.69 compared with \$0.47 in 2019, up 45.0% and 46.8%, respectively. Excluding from the second quarter of 2020 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$8.9 million, and from the second quarter of fiscal 2019 the retail network restructuring expenses of \$36.0 million, the \$1.4 million loss on divestiture of pharmacies and \$8.8 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, as well as income taxes relating to all these items, adjusted net earnings⁽¹⁾ for the second quarter of fiscal 2020 totalled \$182.8 million compared with \$155.1 million for the corresponding quarter of fiscal 2019 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.72 compared with \$0.60, up 17.9% and 20.0%, respectively. The impact of COVID-19 represents an increase in net earnings per share of about \$0.03.

Net earnings for the first quarter of fiscal 2020 were \$170.2 million compared with \$203.1 million for the first quarter of fiscal 2019, while fully diluted net earnings per share were \$0.67 compared with \$0.79 in 2019, down 16.2% and 15.2%, respectively. Excluding from the first quarter of 2020 the \$7.5 million loss on disposal of a subsidiary and the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$8.9 million and from the first quarter of fiscal 2019 the \$7.4 million gain on divestiture of pharmacies, the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$9.0 million, the \$35.4 million gain on disposal of the investment in associate Colo-D Inc., and the \$1.5 million gain on revaluation and disposal of an investment at fair value, as well as income taxes relating to all these items, adjusted net earnings⁽¹⁾ for the first quarter of fiscal 2020 totalled \$180.9 million compared with \$172.2 million for the corresponding quarter of fiscal 2019 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.71 compared with \$0.67, up 5.1% and 6.0%, respectively.

Net earnings for the fourth quarter of fiscal 2019 were \$167.4 million, an increase of 15.4% from \$145.0 million for the fourth quarter of fiscal 2018, while fully diluted net earnings per share were \$0.66, compared with \$0.56 for the corresponding quarter of fiscal 2018. Excluding from the fourth quarter of 2019 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of \$9.0 million and from the fourth quarter of fiscal 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, the gain on revaluation and disposal of an investment at fair value of \$15.5 million, as well as income taxes relating to all these items, adjusted net earnings⁽¹⁾ for the fourth quarter of fiscal 2019 totalled \$174.0 million compared with \$161.0 million for the corresponding quarter of fiscal 2018 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.68 compared with \$0.63, up 8.1% and 7.9%, respectively.

Net earnings for the third quarter of fiscal 2019 were \$222.4 million, an increase of 32.8% from \$167.5 million for the third quarter of fiscal 2018, while fully diluted net earnings per share were \$0.86, compared with \$0.69 for the corresponding quarter of fiscal 2018. Excluding from the third quarter of 2019 the \$1.0 million gain resulting from the selling price adjustment related to the investment in associate Colo-D Inc. and \$11.9 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, and excluding from the third quarter of fiscal 2018 \$25.1 million expenses related to the Jean Coutu Group acquisition, \$6.0 million in amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, \$6.3 million in interest income on business acquisition-related short-term investments and security deposits and \$7.1 million in interest expense on the notes issued to complete the acquisition, as well as income taxes relating to all these items, adjusted net earnings⁽¹⁾ for the third quarter of fiscal 2019 totalled \$230.3 million compared with \$183.4 million for the corresponding quarter of fiscal 2018 and adjusted fully diluted net earnings per share⁽¹⁾ amounted to \$0.90 compared with \$0.75, up 25.6% and 20.0%, 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)	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net earnings	176.2	170.2	167.4	222.4	121.5	203.1	145.0	167.5
Retail network restructuring expenses, after taxes	—	—	—	—	26.4	—	—	—
Loss on disposal of a subsidiary, after taxes	—	4.2	—	—	—	—	—	—
Loss (gain) on divestiture of pharmacies, after taxes	—	—	—	—	0.7	(5.4)	—	—
Pharmacy network closure and restructuring expenses, after taxes	—	—	—	—	—	—	23.0	—
Business acquisition-related expenses, after taxes	—	—	—	—	—	—	—	20.1
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	6.6	6.5	6.6	8.8	6.5	6.6	6.6	4.4
Income on business acquisition-related short-term investments and security deposits, after taxes	—	—	—	—	—	—	—	(4.6)
Interest on notes issued in connection with a business acquisition, after taxes	—	—	—	—	—	—	—	5.2
Gain on disposal of investments in associates, after taxes	—	—	—	(0.9)	—	(31.0)	—	(9.2)
Gain on revaluation and disposal of an investment at fair value, after taxes	—	—	—	—	—	(1.1)	(13.6)	—
Adjusted net earnings ⁽¹⁾	182.8	180.9	174.0	230.3	155.1	172.2	161.0	183.4

(Dollars)	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Fully diluted net earnings per share	0.69	0.67	0.66	0.86	0.47	0.79	0.56	0.69
Adjustments impact	0.03	0.04	0.02	0.04	0.13	(0.12)	0.07	0.06
Adjusted fully diluted net earnings per share ⁽¹⁾	0.72	0.71	0.68	0.90	0.60	0.67	0.63	0.75

CASH POSITION

OPERATING ACTIVITIES

In the second quarter of 2020, operating activities generated cash inflows of \$464.5 million compared with \$282.3 million in the corresponding quarter of 2019. This difference resulted primarily from the change in non-cash working capital items as well as, from payments received in respect of subleases reclassified to investing activities and payments in respect of lease liabilities reclassified to financing activities in 2020 following the adoption of IFRS 16.

In the first 24 weeks of fiscal 2020, operating activities generated cash inflows of \$542.8 million compared with \$153.3 million for the corresponding period of fiscal 2019. This difference resulted primarily from payments received in respect of subleases reclassified to investing activities and payments in respect of lease liabilities reclassified to financing activities in 2020 following the adoption of IFRS 16 as well as, from the payment in 2019 of taxes payable as at September 29, 2018, which were higher due to the gain realized on the disposal of our investment in ACT in fiscal 2018.

INVESTING ACTIVITIES

Investing activities required cash outflows of \$65.8 million for the second quarter of fiscal 2020 compared with \$58.8 million for the corresponding quarter of fiscal 2019. In the first 24 weeks of 2020, investing activities required cash outflows of \$164.5 million compared with \$46.0 million for the corresponding period of fiscal 2019. This difference stemmed mainly

⁽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"

from the buyout of minority interests in Groupe Première Moisson Inc. in the amount of \$51.6 million in 2020 and the proceeds of \$58.0 million on disposal of our investment in associate Colo-D Inc. in 2019.

During the first 24 weeks of fiscal 2020, we and our retailers opened 5 stores and carried out major expansions and renovations of 8 stores, 2 stores were relocated and 5 stores were closed for a net increase of 115,000 square feet or 0.6% of our food retail network.

FINANCING ACTIVITIES

In the second quarter of 2020, financing activities required cash outflows of \$224.4 million compared with \$141.8 million in the corresponding quarter of 2019. This difference resulted mainly from payments on lease liabilities of \$75.7 million reclassified from operating activities following the adoption of IFRS 16.

In the first 24 weeks of fiscal 2020, financing activities required cash outflows of \$433.9 million compared with \$200.9 million in the corresponding period of fiscal 2019. This difference resulted mainly from payments on lease liabilities of \$150.0 million reclassified from operating activities following the adoption of IFRS 16 and from higher share repurchases of \$66.7 million in 2020.

FINANCIAL POSITION

We do not anticipate⁽³⁾ any liquidity risk and consider our financial position at the end of the second quarter of 2020 as very solid. We had an unused authorized revolving credit facility of \$600.0 million. Our non-current debt and lease liabilities represented 43.1% of the combined total of non-current debt, lease liabilities and equity (non-current debt and lease liabilities/total capital).

At the end of the second quarter of fiscal 2020, 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, 2024	—
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
Series I Notes	3.41% fixed rate	February 28, 2050	400.0

On February 26, 2020, the Corporation issued through a private placement Series I unsecured senior notes in the aggregate principal amount of \$400.0, bearing interest at a fixed nominal rate of 3.41%, maturing on February 28, 2050, and redeemable at fair value at the issuer's option at any time prior to maturity. On February 27, 2020, the Corporation redeemed all of the Series E notes in the amount of \$400.0 that matured on the same day.

Our main financial ratios were as follows:

	As at March 14, 2020	As at September 28, 2019
Financial structure		
Non-current debt (Millions of dollars)	2,609.5	2,629.0
Non-current lease liabilities (Millions of dollars)	1,904.6	—
	4,514.1	2,629.0
Equity (Millions of dollars)	5,950.0	5,968.6
Non-current debt and lease liabilities/total capital (%)	43.1	30.6

⁽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"

As at September 28, 2019 the Corporation intended to refinance the Series E Notes presented under current debt, the amount of \$400.0 million was added to non-current debt when calculating the ratio of non-current debt and lease liabilities/total capital.

Excluding the non-current debt on lease liabilities stemming from the adoption of IFRS 16, the percentage was 30.5%.

	24 weeks / Fiscal Year	
	2020	2019
Results		
Operating income before depreciation and amortization and associate's earnings/Financial costs <i>(Times)</i>	11.7	11.9

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at March 14, 2020	As at September 28, 2019
Number of Common Shares outstanding <i>(Thousands)</i>	251,773	253,863
Stock options:		
Number outstanding <i>(Thousands)</i>	2,504	2,281
Exercise prices <i>(Dollars)</i>	20.30 to 56.92	20.30 to 48.68
Weighted average exercise price <i>(Dollars)</i>	40.35	37.30
Performance share units:		
Number outstanding <i>(Thousands)</i>	630	605

BUYOUT OF NON-CONTROLLING INTEREST

In accordance with the shareholder agreement, the Corporation acquired the minority interest in Groupe Première Moisson Inc. during the first quarter of fiscal 2020 for a cash consideration of \$51.6 million.

MISSFRESH

The Corporation disposed of the assets of subsidiary MissFresh on December 9, 2019 for a cash consideration of \$3.5 million and recorded a loss on disposal of \$7.5 million mainly related to tangible and intangible assets. The Corporation also recognized a deferred tax asset of \$3.3 million related to this subsidiary's fiscal attributes.

NORMAL COURSE ISSUER BID PROGRAM

Under the current normal course issuer bid program, the Corporation may repurchase up to 7,000,000 of its Common Shares between November 25, 2019 and November 24, 2020. Between November 25, 2019 and April 3, 2020, the Corporation has repurchased 2,060,000 Common Shares at an average price of \$54.33, for a total consideration of \$111.9 million.

DIVIDENDS

On April 21, 2020, the Board of Directors declared a quarterly dividend of \$0.225 per share, an increase of 12.5% over the dividend declared for the same quarter last year.

SHARE TRADING

The value of METRO shares remained in the \$49.03 to \$59.03 range over the first 24 weeks of fiscal 2020. During this period, a total of 67.7 million shares were traded on the Toronto Stock Exchange. The closing price on April 3, 2020 was \$57.71 compared with \$57.91 at the end of fiscal 2019.

⁽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"

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 28, 2019.

In February 2020, a proposed class action was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc Ltée. and The Jean Coutu Group (PJC) Inc. In May 2019, two proposed class actions relating to opioids were also filed in Ontario and in Québec by opioid end users against a large group of defendants including a subsidiary of the Corporation, Pro Doc Ltée. The allegations in these proposed class actions are similar to the allegations contained in the proposed class action filed by the province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. These proposed class actions contain allegations of breach of the Competition Act, of fraudulent misrepresentation and deceit, and of negligence. The province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation's annual 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. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the Competition Act. Class actions lawsuits have also been filed against the Corporation, suppliers and other retailers. On December 19, 2019, the Québec Superior Court granted the application for authorization to institute one of these class actions, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation intends to contest all these actions on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING STANDARD ADOPTED IN 2020

Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases* and related interpretations. Under IFRS 16, which provides a single accounting model for leases abolishing the IAS 17 distinction between finance leases and operating leases, most leases are recognized in the statement of financial position. Certain exemptions apply for short-term leases and leases of low-value assets. The accounting requirements for lessors remain similar to those under IAS 17, such as the distinction between operating leases and finance leases. IFRS 16 applies to fiscal years beginning on or after January 1, 2019, which for the Corporation is fiscal year beginning on September 29, 2019.

Under IFRS 16 transitional provisions, the Corporation adopted the standard using a modified retrospective approach, and the cumulative impact of the initial application of the standard has been recognized as an adjustment to equity on transition.

As a lessee, the Corporation recognized right-of-use assets and lease liabilities in respect of operating leases under IAS 17 for property, vehicles and equipment. Depreciation expense for right-of-use assets and interest expense on lease liabilities replaced rental expense previously recognized under IAS 17 on a straight-line basis over the lease term. As at September 29, 2019, the lease liabilities have been measured at the present value of the remaining lease payments and the right-of-use assets have been measured using the modified retrospective approach. The discount rate used has been the Corporation's incremental borrowing rate on the transition date of September 29, 2019.

As an intermediate lessor under several leases, the Corporation has assessed the classification of its sublease agreements based on the right-of-use asset related to the main lease and not on the underlying asset. As a result of this change, the Corporation recognized current and non-current accounts receivable recorded for subleases that have been classified as finance leases.

The Corporation used the following practical expedients as permitted by IFRS 16 at the initial application date:

- Apply IFRS 16 only to contracts that were previously identified as leases under IAS 17.

⁽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"

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Rely on an existing assessment to determine whether a lease is onerous, instead of performing a review of the impairment of the right-of-use assets.
- Exclude leases which end within 12 months of the date of the initial application.
- Elect not to apply IFRS 16 to leases for which the underlying asset is of low value.
- Exclude initial direct costs from the measurement of right-of-use assets.
- Use hindsight, such as in determining the lease term where the contract contains options to extend or terminate the lease.

The impact of the adoption of IFRS 16 on the Corporation's financial position as at September 29, 2019 was as follows:

<i>Increase (Decrease)</i>	As at September 29, 2019
ASSETS	
Current assets	
Accounts receivables on subleases	86.4
	86.4
Non-current assets	
Fixed assets	(16.6)
Right-of-use assets	1,222.4
Intangible assets	(13.5)
Deferred taxes	38.1
Accounts receivables on subleases	645.6
Other assets	(0.1)
	1,962.3
LIABILITIES AND EQUITY	
Current liabilities	
Deferred revenues	(0.7)
Provisions	(0.9)
Current portion of debt	(3.6)
Current portion of lease liabilities	250.1
	244.9
Non-current liabilities	
Debt	(17.2)
Lease liabilities	1,949.7
Provisions	(9.5)
Deferred taxes	(24.1)
Other liabilities	(12.1)
	2,131.7
Equity	
Retained earnings	(169.4)
	1,962.3

We recorded an increase of \$2,131.7 million in liabilities and of \$1,962.3 million in assets, including right-of-use-assets and accounts receivable (current and non-current) on subleases, with a net impact of \$169.4 million recorded in opening retained earnings.

⁽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"

The Corporation used its incremental borrowing rate as at September 29, 2019 to measure the lease liabilities. The weighted average incremental borrowing rate was 2.42%. The weighted average remaining term of leases was 9 years as at September 29, 2019.

The table below shows the reconciliation between operating lease commitments under IAS 17 as at September 28, 2019 and the lease liabilities recognized as at September 29, 2019:

Operating lease commitments as at September 28, 2019	2,076.1
Impact of discounting using the incremental borrowing rate	(257.9)
Extension options reasonably certain to be exercised	360.7
Finance lease liabilities recognized as at September 28, 2019	20.9
Lease liabilities recognized as at September 29, 2019	2,199.8
Current portion of lease liabilities	250.1
Lease liabilities	1,949.7
Lease liabilities total	2,199.8

The impact of the adoption of IFRS 16 on results of the 12 and 24-week periods ended March 14, 2020 was as follows:

<i>Increase (Decrease)</i>	12 weeks	24 weeks	Description
Sales and gross margin	(12.6)	(25.0)	Sublease income now accounted as interest income and to sublease receivable
Occupancy charges	(57.0)	(112.0)	Rental expense replaced by depreciation and financial costs
Depreciation	33.6	67.3	Depreciation on right-of-use asset
Financial costs	7.6	15.6	Interest expense on lease liabilities net of interest income on sublease
Earnings before incomes taxes	3.2	4.1	IFRS 16 impact before income taxes
Income taxes	0.9	1.1	
Net earnings	2.3	3.0	IFRS 16 net impact
Net earnings per share - Fully diluted	0.01	0.01	Diluted net earnings per share impact

The net financial costs included the financial costs of \$11.9 million and \$22.8 million for the 12 and 24-week periods respectively related to lease liabilities and the interest revenues of \$4.3 million and \$7.2 million on subleases classified as financial leases.

Changes in significant accounting policies relating to leases

Following adoption of IFRS 16, the Corporation updated its accounting policies relating to leases effective September 29, 2019:

The Corporation as lessee

The Corporation recognizes right-of-use assets and the corresponding lease liabilities at the lease inception date, the date at which the lessor makes available the leased asset to the Corporation. Rental payments under short-term leases or leases with low-value underlying assets and variable payments that are not based on an index or rate are recorded in operating expenses on a straight line basis over the duration of the lease.

Lease liabilities represent the present value of fixed and variable lease payments that are based on an index or rate, net of lease incentives receivable. Subsequent to the initial measurement, the Corporation measures the lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when a change is made to the

⁽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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lease agreement. Lease payments are discounted at the lessee's incremental borrowing rate at lease inception. The interest expense is recognized in net financial costs. The lease term includes renewal options that the Corporation is reasonably certain to exercise.

Right-of-use assets are measured at the initial value of the lease liabilities, less lease incentives received and restoration costs. Subsequent to initial measurement, the Corporation applies the cost model to right-of-use assets. Right-of-use assets are measured at cost less accumulated amortization, accumulated impairment losses and any remeasurement of lease liabilities. Assets are depreciated from the lease inception date on a straight-line basis over the shorter of the asset's useful life and the lease term.

The Corporation as lessor

For subleases, for which the Corporation acts as an intermediate lessor, it evaluates the classification in relation to the right-of-use assets arising from the main lease. The Corporation accounts for the main lease and the sublease as two separate leases. A sublease contract is classified as a finance lease if substantially all risks and rewards incidental to the underlying asset are transferred to the lessee. Otherwise, leases are classified as operating leases and rental income is recognized on a straight-line basis over the lease term.

For subleases that are classified as finance leases, the Corporation derecognizes the corresponding right-of-use assets and records a net investment in the subleases. Interest income is recorded in net financial costs. The net investment is presented in current and non-current accounts receivable on subleases.

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 2020 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. The arrival of a new competitor is an example of the risks described under the "Risk Management" section of the 2019 Annual Report which could have an impact on these statements. As with the preceding risks, the COVID-19 pandemic constitutes a risk that could have an impact on the business, operations, projects, synergies and performance of the Corporation as well as on the forward-looking statements contained in this document.

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.

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, which 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.

⁽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"

OUTLOOK⁽³⁾

We are operating in what can only be described as unprecedented times. We continue to experience significantly higher food revenues due to the COVID-19 pandemic. In the first period (four weeks) of our third quarter, which ended April 11, food same-store sales were up 25% versus last year. We are also experiencing higher operating expenses, namely in terms of labor, safety measures, maintenance and cleaning. Pharmacy commercial sales for their part are under pressure, reflecting the focus on pharmaceutical activities and the safety measures currently in place that, among other things, reduce customer access to stores. In the first period of our third quarter, pharmacy commercial same-store-sales are down 9% versus last year, but that metric has trended further down in the most recent weeks. We will also face delays in some investment projects, namely the new automated grocery distribution centers in Ontario, although at this time it is not possible to quantify the length of these delays and their financial impact. The integration of our warehousing and distribution activities in our pharmacy business will also be delayed, and as a consequence, we will be securing the remaining synergies from the Jean Coutu acquisition later than planned.

It is impossible to determine how long this situation will persist, how gradual the return to normalcy will be, and what this new normalcy will even look like. We endeavor to service our customers as best as we can, while providing a safe environment for them and all our employees. We will run our store and warehouse operations as efficiently as possible, mitigating the increase in expenses without compromising on health and safety measures.

Montréal, April 22, 2020

⁽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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⁽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"

Interim Condensed Consolidated Financial Statements

METRO INC.

March 14, 2020

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Consolidated statements of income

Periods ended March 14, 2020 and March 16, 2019

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

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2020	2019	2020	2019
Sales	3,988.9	3,701.6	8,018.7	7,679.3
Cost of sales and operating expenses (note 3)	(3,614.8)	(3,408.0)	(7,274.0)	(7,072.5)
Loss on disposal of a subsidiary (note 3)	—	—	(7.5)	—
Retail network restructuring expenses (note 3)	—	(36.0)	—	(36.0)
Gain (loss) on divestiture of pharmacies (note 3)	—	(1.4)	—	6.0
Operating income before depreciation and amortization and associate's earnings	374.1	256.2	737.2	576.8
Depreciation and amortization (note 3)	(102.0)	(65.6)	(203.5)	(129.3)
Financial costs, net (note 3)	(31.9)	(24.6)	(63.0)	(48.6)
Gain on disposal of an investment in an associate (note 3)	—	—	—	35.4
Gain on revaluation and disposal of an investment at fair value (note 3)	—	—	—	1.5
Earnings before income taxes	240.2	166.0	470.7	435.8
Income taxes (note 4)	(64.0)	(44.5)	(124.3)	(111.2)
Net earnings	176.2	121.5	346.4	324.6
Attributable to:				
Equity holders of the parent	175.7	120.7	345.4	323.2
Non-controlling interests	0.5	0.8	1.0	1.4
	176.2	121.5	346.4	324.6
Net earnings per share (Dollars) (note 5)				
Basic	0.70	0.47	1.36	1.26
Fully diluted	0.69	0.47	1.36	1.26

See accompanying notes



Consolidated statements of comprehensive income

Periods ended March 14, 2020 and March 16, 2019

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2020	2019	2020	2019
Net earnings	176.2	121.5	346.4	324.6
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (losses)	19.3	11.0	46.7	(53.1)
Asset ceiling effect	1.6	(2.1)	(3.6)	1.2
Minimum funding requirement	—	—	0.9	0.2
Loss on disposal of the investment at fair value (note 3)	—	—	—	(1.3)
Corresponding income taxes	(5.5)	(2.3)	(11.6)	14.0
	15.4	6.6	32.4	(39.0)
Comprehensive income	191.6	128.1	378.8	285.6
Attributable to:				
Equity holders of the parent	191.1	127.3	377.8	284.2
Non-controlling interests	0.5	0.8	1.0	1.4
	191.6	128.1	378.8	285.6

See accompanying notes



Consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at March 14, 2020	As at September 28, 2019
ASSETS		
Current assets		
Cash and cash equivalents	217.8	273.4
Accounts receivable	689.6	611.2
Accounts receivable on subleases (note 2)	88.5	—
Inventories	1,084.3	1,126.0
Prepaid expenses	52.7	33.2
Current taxes	28.9	44.5
	2,161.8	2,088.3
Non-current assets		
Fixed assets	2,694.0	2,657.8
Investment properties	41.1	41.5
Right-of-use assets (note 2)	1,206.9	—
Intangible assets	2,856.7	2,889.0
Goodwill	3,300.7	3,306.5
Deferred taxes (note 2)	44.3	2.8
Defined benefit assets	35.9	25.6
Accounts receivable on subleases (note 2)	632.3	—
Other assets	61.2	62.4
	13,034.9	11,073.9
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	10.3	—
Accounts payable	1,274.4	1,331.4
Deferred revenues	27.9	22.3
Current taxes	40.4	33.3
Provisions	7.0	10.9
Current portion of debt (note 6)	20.7	428.6
Current portion of lease liabilities (note 2)	255.9	—
Non-controlling interest (note 9)	—	51.1
	1,636.6	1,877.6
Non-current liabilities		
Debt (note 6)	2,609.5	2,229.0
Lease liabilities (note 2)	1,904.6	—
Defined benefit liabilities	82.3	113.0
Provisions	18.8	30.2
Deferred taxes (note 2)	832.4	842.7
Other liabilities	0.7	12.8
	7,084.9	5,105.3
Equity		
Attributable to equity holders of the parent	5,935.7	5,955.2
Attributable to non-controlling interests	14.3	13.4
	5,950.0	5,968.6
	13,034.9	11,073.9

See accompanying notes

Consolidated statements of changes in equity
Periods ended March 14, 2020 and March 16, 2019
(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
	Capital stock (note 7)	Treasury shares (note 7)	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
Balance as at September 28, 2019	1,732.3	(24.6)	19.2	4,228.3	—	5,955.2	13.4	5,968.6
Net earnings	—	—	—	345.4	—	345.4	1.0	346.4
Other comprehensive income	—	—	—	32.4	—	32.4	—	32.4
Comprehensive income	—	—	—	377.8	—	377.8	1.0	378.8
Stock options exercised	3.3	—	(0.4)	—	—	2.9	—	2.9
Shares redeemed	(15.1)	—	—	—	—	(15.1)	—	(15.1)
Share redemption premium	—	—	—	(105.5)	—	(105.5)	—	(105.5)
Acquisition of treasury shares	—	(6.2)	—	—	—	(6.2)	—	(6.2)
Share-based compensation cost	—	—	4.2	—	—	4.2	—	4.2
Performance share units settlement	—	5.7	(5.5)	(0.2)	—	—	—	—
Dividends	—	—	—	(107.7)	—	(107.7)	(0.1)	(107.8)
Adoption of IFRS 16 "Leases" (note 2)	—	—	—	(169.4)	—	(169.4)	—	(169.4)
Change in fair value of a non-controlling interest liability	—	—	—	(0.5)	—	(0.5)	—	(0.5)
	(11.8)	(0.5)	(1.7)	(383.3)	—	(397.3)	(0.1)	(397.4)
Balance as at March 14, 2020	1,720.5	(25.1)	17.5	4,222.8	—	5,935.7	14.3	5,950.0

Consolidated statements of changes in equity
Periods ended March 14, 2020 and March 16, 2019
(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent					Total	Non-controlling interests	Total equity
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income			
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
Net earnings	—	—	—	323.2	—	323.2	1.4	324.6
Other comprehensive income	—	—	—	(39.0)	—	(39.0)	—	(39.0)
Comprehensive income	—	—	—	284.2	—	284.2	1.4	285.6
Stock options exercised	13.2	—	(2.0)	—	—	11.2	—	11.2
Shares redeemed	(7.4)	—	—	—	—	(7.4)	—	(7.4)
Share redemption premium	—	—	—	(46.5)	—	(46.5)	—	(46.5)
Acquisition of treasury shares	—	(5.6)	—	—	—	(5.6)	—	(5.6)
Share-based compensation cost	—	—	4.1	—	—	4.1	—	4.1
Performance share units settlement	—	5.7	(5.5)	(0.2)	—	—	—	—
Dividends	—	—	—	(97.2)	—	(97.2)	(0.6)	(97.8)
Adoption of IFRS 9 "Financial instruments" on the investment at fair value	—	—	—	4.9	(4.9)	—	—	—
Change in fair value of non-controlling interests liability	—	—	—	—	—	—	(0.6)	(0.6)
Sale of shares in joint ventures	—	—	—	—	—	—	0.2	0.2
	5.8	0.1	(3.4)	(139.0)	(4.9)	(141.4)	(1.0)	(142.4)
Balance as at March 16, 2019	1,729.9	(24.8)	16.9	4,063.6	—	5,785.6	13.6	5,799.2

See accompanying notes



Consolidated statements of cash flows
Periods ended March 14, 2020 and March 16, 2019
(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2020	2019	2020	2019
Operating activities				
Earnings before income taxes	240.2	166.0	470.7	435.8
Non-cash items				
Gain on disposal of an investment in an associate (note 3)	—	—	—	(35.4)
Gain on revaluation and disposal of an investment at fair value (note 3)	—	—	—	(1.5)
Loss on disposal of a subsidiary (note 3)	—	—	7.5	—
Loss (gain) on divestiture of pharmacies (note 3)	—	1.4	—	(6.0)
Depreciation and amortization	102.0	65.6	203.5	129.3
Loss on disposal and write-offs of fixed and intangible assets and investment properties	0.7	0.8	0.7	1.1
Impairment losses on fixed assets	—	0.9	—	0.9
Share-based compensation cost	2.1	2.2	4.2	4.1
Difference between amounts paid for employee benefits and current period cost	1.1	0.2	1.0	1.5
Retail network restructuring expenses (note 3)	—	36.0	—	36.0
Financial costs, net	31.9	24.6	63.0	48.6
	378.0	297.7	750.6	614.4
Net change in non-cash working capital items	128.2	34.9	(102.9)	(115.5)
Interest paid (note 11)	(0.9)	(1.5)	(2.1)	(2.6)
Income taxes paid	(40.8)	(48.8)	(102.8)	(343.0)
	464.5	282.3	542.8	153.3
Investing activities				
Net proceeds on disposal of a subsidiary (note 3)	—	—	3.5	—
Net proceeds on disposal of investments in an associate (note 3)	—	—	—	58.0
Proceeds on divestiture of pharmacies (note 3)	—	5.1	—	14.0
Sale of shares in joint ventures	—	—	—	0.2
Buyout of minority interests (note 9)	—	—	(51.6)	—
Net change in other assets	0.8	5.0	1.3	8.9
Additions to fixed assets and investment properties	(82.2)	(56.1)	(153.9)	(107.7)
Disposal of fixed assets and investment properties	2.5	0.1	2.5	0.2
Additions to intangible assets	(12.9)	(12.9)	(17.9)	(19.6)
Payments received from subleases	21.7	—	44.4	—
Interests received from subleases	4.3	—	7.2	—
	(65.8)	(58.8)	(164.5)	(46.0)
Financing activities				
Net change in bank loans	9.8	—	10.3	0.3
Shares issued	1.7	10.4	2.9	11.2
Shares redeemed	(81.6)	(53.9)	(120.6)	(53.9)
Acquisition of treasury shares (note 7)	(6.2)	(5.6)	(6.2)	(5.6)
Increase in debt	398.8	0.7	407.2	41.9
Repayment of debt	(411.9)	(39.3)	(419.2)	(45.6)
Interest paid on debt (note 11)	(2.5)	(2.8)	(50.6)	(50.9)
Payment of lease liabilities (capital)	(62.8)	—	(125.3)	—
Payment of lease liabilities (interest)	(12.9)	—	(24.7)	—
Net change in other liabilities	0.1	(0.1)	—	(1.1)
Dividends	(56.9)	(51.2)	(107.7)	(97.2)
	(224.4)	(141.8)	(433.9)	(200.9)
Net change in cash and cash equivalents	174.3	81.7	(55.6)	(93.6)
Cash and cash equivalents — beginning of period	43.5	51.6	273.4	226.9
Cash and cash equivalents — end of period	217.8	133.3	217.8	133.3

See accompanying notes

Notes to interim condensed consolidated financial statements**Periods ended March 14, 2020 and March 16, 2019***(Unaudited) (Millions of dollars, except for net earnings per share)***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 two business segments, food operations and pharmacy operations, are combined into one reportable operating segment due to the similar nature of their operations.

The unaudited interim condensed consolidated financial statements for the 12 and 24-week periods ended March 14, 2020 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 28, 2019 except for changes presented in note 2. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2019 Annual Report.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**ACCOUNTING STANDARD ADOPTED IN 2020****Leases**

In January 2016, the IASB issued IFRS 16, *Leases*, which replaces IAS 17, *Leases* and related interpretations. Under IFRS 16, which provides a single accounting model for leases abolishing the IAS 17 distinction between finance leases and operating leases, most leases are recognized in the statement of financial position. Certain exemptions apply for short-term leases and leases of low-value assets. The accounting requirements for lessors remain similar to those under IAS 17, such as the distinction between operating leases and finance leases. IFRS 16 applies to fiscal years beginning on or after January 1, 2019, which for the Corporation is fiscal year beginning on September 29, 2019.

Under IFRS 16 transitional provisions, the Corporation adopted the standard using a modified retrospective approach, and the cumulative impact of the initial application of the standard has been recognized as an adjustment to equity on transition.

As a lessee, the Corporation recognized right-of-use assets and lease liabilities in respect of operating leases under IAS 17 for property, vehicles and equipment. Depreciation expense for right-of-use assets and interest expense on lease liabilities replaced rental expense previously recognized under IAS 17 on a straight-line basis over the lease term. As at September 29, 2019, the lease liabilities have been measured at the present value of the remaining lease payments and the right-of-use assets have been measured using the modified retrospective approach. The discount rate used has been the Corporation's incremental borrowing rate on the transition date of September 29, 2019.

As an intermediate lessor under several leases, the Corporation has assessed the classification of its sublease agreements based on the right-of-use asset related to the main lease and not on the underlying asset. As a result of this change, the Corporation recognized current and non-current accounts receivable recorded for subleases that have been classified as finance leases.

The Corporation used the following practical expedients as permitted by IFRS 16 at the initial application date:

- Apply IFRS 16 only to contracts that were previously identified as leases under IAS 17.
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Rely on an existing assessment to determine whether a lease is onerous, instead of performing a review of the impairment of the right-of-use assets.
- Exclude leases which end within 12 months of the date of the initial application.
- Elect not to apply IFRS 16 to leases for which the underlying asset is of low value.
- Exclude initial direct costs from the measurement of right-of-use assets.
- Use hindsight, such as in determining the lease term where the contract contains options to extend or terminate the lease.



Notes to interim condensed consolidated financial statements

Periods ended March 14, 2020 and March 16, 2019

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

The impact of the adoption of IFRS 16 on the Corporation's financial position as at September 29, 2019 was as follows:

<i>Increase (Decrease)</i>	As at September 29, 2019
ASSETS	
Current assets	
Accounts receivables on subleases	86.4
	86.4
Non-current assets	
Fixed assets	(16.6)
Right-of-use assets	1,222.4
Intangible assets	(13.5)
Deferred taxes	38.1
Accounts receivables on subleases	645.6
Other assets	(0.1)
	1,962.3
LIABILITIES AND EQUITY	
Current liabilities	
Deferred revenues	(0.7)
Provisions	(0.9)
Current portion of debt	(3.6)
Current portion of lease liabilities	250.1
	244.9
Non-current liabilities	
Debt	(17.2)
Lease liabilities	1,949.7
Provisions	(9.5)
Deferred taxes	(24.1)
Other liabilities	(12.1)
	2,131.7
Equity	
Retained earnings	(169.4)
	1,962.3

We recorded an increase of \$2,131.7 in liabilities and of \$1,962.3 in assets, including right-of-use-assets and accounts receivable (current and non-current) on subleases, with a net impact of \$169.4 recorded in opening retained earnings.

The Corporation used its incremental borrowing rate as at September 29, 2019 to measure the lease liabilities. The weighted average incremental borrowing rate was 2.42%. The weighted average remaining term of leases was 9 years as at September 29, 2019.

Notes to interim condensed consolidated financial statements

Periods ended March 14, 2020 and March 16, 2019

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

The table below shows the reconciliation between operating lease commitments under IAS 17 as at September 28, 2019 and the lease liabilities recognized as at September 29, 2019:

Operating lease commitments as at September 28, 2019	2,076.1
Impact of discounting using the incremental borrowing rate	(257.9)
Extension options reasonably certain to be exercised	360.7
Finance lease liabilities recognized as at September 28, 2019	20.9
Lease liabilities recognized as at September 29, 2019	2,199.8
Current portion of lease liabilities	250.1
Lease liabilities	1,949.7
Lease liabilities total	2,199.8

Changes in significant accounting policies relating to leases

Following adoption of IFRS 16, the Corporation updated its accounting policies relating to leases effective September 29, 2019:

The Corporation as lessee

The Corporation recognizes right-of-use assets and the corresponding lease liabilities at the lease inception date, the date at which the lessor makes available the leased asset to the Corporation. Rental payments under short-term leases or leases with low-value underlying assets and variable payments that are not based on an index or rate are recorded in operating expenses on a straight line basis over the duration of the lease.

Lease liabilities represent the present value of fixed and variable lease payments that are based on an index or rate, net of lease incentives receivable. Subsequent to the initial measurement, the Corporation measures the lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when a change is made to the lease agreement. Lease payments are discounted at the lessee's incremental borrowing rate at lease inception. The interest expense is recognized in net financial costs. The lease term includes renewal options that the Corporation is reasonably certain to exercise.

Right-of-use assets are measured at the initial value of the lease liabilities, less lease incentives received and restoration costs. Subsequent to initial measurement, the Corporation applies the cost model to right-of-use assets. Right-of-use assets are measured at cost less accumulated amortization, accumulated impairment losses and any remeasurement of lease liabilities. Assets are depreciated from the lease inception date on a straight-line basis over the shorter of the asset's useful life and the lease term.

The Corporation as lessor

For subleases, for which the Corporation acts as an intermediate lessor, it evaluates the classification in relation to the right-of-use assets arising from the main lease. The Corporation accounts for the main lease and the sublease as two separate leases. A sublease contract is classified as a finance lease if substantially all risks and rewards incidental to the underlying asset are transferred to the lessee. Otherwise, leases are classified as operating leases and rental income is recognized on a straight-line basis over the lease term.

For subleases that are classified as finance leases, the Corporation derecognizes the corresponding right-of-use assets and records a net investment in the subleases. Interest income is recorded in net financial costs. The net investment is presented in current and non-current accounts receivable on subleases.



Notes to interim condensed consolidated financial statements

Periods ended March 14, 2020 and March 16, 2019

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

3. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks Fiscal Year				24 weeks Fiscal Year			
	2020	%	2019	%	2020	%	2019	%
Sales	3,988.9		3,701.6		8,018.7		7,679.3	
Cost of sales	(3,202.4)		(2,957.8)		(6,441.7)		(6,163.5)	
Gross margin	786.5	19.7	743.8	20.1	1,577.0	19.7	1,515.8	19.7
Operating expenses								
Wages and fringe benefits	(208.3)		(202.0)		(410.3)		(408.4)	
Employee benefits expense	(22.7)		(19.2)		(45.0)		(38.8)	
Rents and occupancy charges (note 2)	(64.3)		(121.4)		(138.0)		(241.9)	
Loss on disposal of a subsidiary	—		—		(7.5)		—	
Gain (loss) on divestiture of pharmacies	—		(1.4)		—		6.0	
Retail network restructuring expenses	—		(36.0)		—		(36.0)	
Others	(117.1)		(107.6)		(239.0)		(219.9)	
	(412.4)	10.3	(487.6)	13.2	(839.8)	10.5	(939.0)	12.2
Operating income before depreciation and amortization and associate's earnings	374.1	9.4	256.2	6.9	737.2	9.2	576.8	7.5
Depreciation and amortization								
Fixed assets	(49.6)		(48.2)		(98.8)		(94.4)	
Investment properties	(0.2)		(0.2)		(0.3)		(0.3)	
Right-of-use assets (note 2)	(34.8)		—		(69.8)		—	
Intangible assets	(17.4)		(17.2)		(34.6)		(34.6)	
	(102.0)		(65.6)		(203.5)		(129.3)	
Financial costs, net								
Current interest	(0.6)		(0.8)		(1.4)		(1.4)	
Non-current interest	(24.5)		(24.0)		(48.0)		(47.9)	
Net interests on lease liabilities (note 2)	(7.6)		—		(15.6)		—	
Interest on defined benefit obligations net of plan assets	(1.0)		(0.5)		(2.0)		(1.0)	
Amortization of deferred financing costs	(0.6)		(0.6)		(1.3)		(1.3)	
Interest income	2.4		1.4		5.4		3.1	
Passage of time	—		(0.1)		(0.1)		(0.1)	
	(31.9)		(24.6)		(63.0)		(48.6)	
Gain on disposal of an investment in an associate	—		—		—		35.4	
Gain on revaluation and disposal of an investment at fair value	—		—		—		1.5	
Earnings before income taxes	240.2		166.0		470.7		435.8	

The Corporation disposed of the assets of subsidiary MissFresh on December 9, 2019 for a cash consideration of \$3.5 and recorded a loss on disposal of \$7.5 mainly related to tangible and intangible assets. The Corporation also recognized a deferred tax asset of \$3.3 related to this subsidiary's fiscal attributes.

Notes to interim condensed consolidated financial statements

Periods ended March 14, 2020 and March 16, 2019

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

During the second quarter of fiscal 2019, the Corporation recorded retail network restructuring expenses of \$36.0 before taxes, comprising a \$24.9 provision for severance and occupancy costs and a \$11.1 provision, netted against assets, for asset and inventory write-offs resulting from the conversion, relocation or closure of a dozen stores.

During the second quarter of fiscal 2019, pursuant to the agreement reached with the Competition Bureau following the Jean Coutu Group acquisition, the Corporation completed the divestiture of rights in the 10 locations where pharmacies are in operation. Consequently, the Corporation recorded in the second quarter of 2019 a \$1.4 loss before income taxes on the divestiture of these pharmacies and recognized in the 24-week period ended March 16, 2019 a \$6.0 gain before income taxes following the disposition of leases and buildings and the termination of franchise agreements related to these pharmacies, for a total consideration in cash of \$14.0.

During the first quarter of fiscal 2019, the Company disposed of its investment in Colo-D Inc., an associate presented in other assets, for a total cash consideration of \$58.0 and a gain of \$35.4 before income taxes (\$31.0 after income taxes).

In addition, during the first quarter of 2019, the Corporation finalized the disposal of the entire investment at fair value in Alimentation Couche Tard Inc. (ACT) for final proceeds of \$65.7. An amount of \$68.4 was received in the fourth quarter of fiscal 2018 upon entering into a forward agreement. The completion of this agreement following the disposal of the investment resulted in a revaluation gain of \$1.5 before income taxes presented in earnings as a gain on revaluation and disposal of an investment at fair value. A loss on disposal of \$1.3 before income taxes was recognized in accumulated other comprehensive income.

4. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2020	2019	2020	2019
Combined statutory income tax rate	26.5	26.6	26.5	26.6
Changes				
Loss on disposal of a subsidiary (note 3)	—	—	(0.7)	—
Gain on disposal of investments in an associate (note 3)	—	—	—	(1.1)
Others	0.1	0.2	0.6	—
	26.6	26.8	26.4	25.5

5. NET EARNINGS PER SHARE

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

(Millions)	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2020	2019	2020	2019
Weighted average number of shares outstanding – Basic	252.7	255.7	253.2	255.7
Dilutive effect under:				
Stock option plan	0.6	0.9	0.7	0.9
Performance share unit plan	0.5	0.5	0.5	0.5
Weighted average number of shares outstanding – Fully diluted	253.8	257.1	254.4	257.1

Notes to interim condensed consolidated financial statements

Periods ended March 14, 2020 and March 16, 2019

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

6. DEBT

On February 26, 2020, the Corporation issued through a private placement Series I unsecured senior notes in the aggregate principal amount of \$400.0, bearing interest at a fixed nominal rate of 3.41%, maturing on February 28, 2050, and redeemable at fair value at the issuer's option at any time prior to maturity. On February 27, 2020, the Corporation redeemed all of the Series E notes in the amount of \$400.0 that matured on the same day.

7. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number (Thousands)	
Balance as at September 29, 2018	256,253	1,724.1
Shares redeemed for cash, excluding premium of \$126.1	(2,925)	(19.8)
Stock options exercised	1,112	28.0
Balance as at September 28, 2019	254,440	1,732.3
Shares redeemed for cash, excluding premium of \$105.5	(2,215)	(15.1)
Stock options exercised	100	3.3
Balance as at March 14, 2020	252,325	1,720.5

TREASURY SHARES

The treasury shares were summarized as follows:

	Number (Thousands)	
Balance as at September 29, 2018	603	(24.9)
Acquisition	115	(5.6)
Release	(141)	5.9
Balance as at September 28, 2019	577	(24.6)
Acquisition	112	(6.2)
Release	(137)	5.7
Balance as at March 14, 2020	552	(25.1)

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 251,773,000 outstanding Common Shares issued as at March 14, 2020 (253,863,000 as at September 28, 2019).

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

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 29, 2018	3,067	30.30
Granted	416	47.56
Exercised	(1,112)	21.55
Cancelled	(90)	40.71
Balance as at September 28, 2019	2,281	37.30
Granted	355	56.92
Exercised	(100)	29.09
Cancelled	(32)	42.20
Balance as at March 14, 2020	2,504	40.35

The exercise prices of the outstanding options ranged from \$20.30 to \$56.92 as at March 14, 2020 with expiration dates up to 2027. 856,920 of those options could be exercised at a weighted average exercise price of \$33.47.

The compensation expense for these options amounted to \$0.5 and \$1.0 for the 12 and 24-week periods ended March 14, 2020 (\$0.6 and \$1.0 in 2019).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number (Thousands)
Balance as at September 29, 2018	579
Granted	226
Exercised	(141)
Cancelled	(59)
Balance as at September 28, 2019	605
Granted	205
Exercised	(137)
Cancelled	(43)
Balance as at March 14, 2020	630

The compensation expense for the PSU plan amounted to \$1.6 and \$3.2 for the 12 and 24-week periods ended March 14, 2020 (\$1.6 and \$3.1 in 2019).

8. 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 28, 2019.

In February 2020, a proposed class action was filed in British Columbia by opioid end users against a large group of defendants including subsidiaries of the Corporation, Pro Doc Ltée. and The Jean Coutu Group (PJC) Inc. In May 2019, two proposed class actions relating to opioids were also filed in Ontario and in Québec by opioid end users against a large group of defendants including a subsidiary of the Corporation, Pro Doc Ltée. The allegations in these proposed

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class actions are similar to the allegations contained in the proposed class action filed by the province of British Columbia in August 2018 against numerous manufacturers and distributors of opioids, including subsidiaries of the Corporation, Pro Doc Ltée and The Jean Coutu Group (PJC) Inc. These proposed class actions contain allegations of breach of the Competition Act, of fraudulent misrepresentation and deceit, and of negligence. The province of British Columbia seeks damages (unquantified) on behalf of all federal, provincial and territorial governments and agencies for expenses allegedly incurred in paying for opioid prescriptions and other healthcare costs that would be related to opioid addiction and abuse while the Ontario, Québec and British Columbia proposed claims filed by opioid end users seek recovery of damages on behalf of opioid end users in general. The Corporation believes these proceedings are without merits and that, in certain cases, there is no jurisdiction. No provision for contingent losses has been recognized in the Corporation's annual 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. Based on the information available to date, the Corporation does not believe that it or any of its employees have violated the Competition Act. Class actions lawsuits have also been filed against the Corporation, suppliers and other retailers. On December 19, 2019, the Québec Superior Court granted the application for authorization to institute one of these class actions, the authorization process being merely a procedural step and the judgment in no way decides the case on the merits. The Corporation intends to contest all these actions on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

9. FINANCIAL INSTRUMENTS

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

	As at March 14, 2020		As at September 28, 2019	
	Book value	Fair value	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers	61.6	61.6	62.8	62.8
Debt				
Liabilities measured at amortized cost				
Series E Notes (note 6)	—	—	400.0	400.3
Series C Notes	300.0	307.8	300.0	305.2
Series F Notes	300.0	307.8	300.0	302.4
Series G Notes	450.0	473.4	450.0	466.8
Series B Notes	400.0	475.4	400.0	512.0
Series D Notes	300.0	323.8	300.0	362.6
Series H Notes	450.0	471.9	450.0	491.8
Series I Notes (note 6)	400.0	360.8	—	—
Loans	45.1	45.1	51.0	51.0
	2,645.1	2,766.0	2,651.0	2,892.1

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

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



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Under the shareholder agreement, the Corporation acquired the minority interest in Première Moisson during the first quarter of fiscal 2020 for a cash consideration of \$51.6, which represents the price payable based on Première Moisson's fiscal 2019 results.

10. CHANGES IN DEFINED BENEFIT PLANS

The actuarial gains of \$19.3 and \$46.7 recorded in the consolidated statements of comprehensive income during the 12 and 24-week periods ending March 14, 2020 are primarily due to an increase in discount rates from 3.01% as at September 28, 2019 to 3.56% at March 14, 2020, net from changes in fair value of assets.

11. COMPARATIVE FIGURES

The interest paid on debt were reclassified from operational activities to financing activities in the consolidated statements of cash flows.

12. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12 and 24-week periods ended March 14, 2020 (including comparative figures) were approved for issue by the Board of Directors on April 21, 2020.

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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