metro

Annual Report
2020

COMPANY PROFILE

METRO INC. is a food and pharmacy leader in Québec and Ontario. As a retailer, franchisor, distributor, and manufacturer, the Corporation operates or services a network of 953 food stores under several banners including Metro, Metro Plus, Super C, Food Basics, Adonis and Première Moisson, as well as 648 drugstores primarily under the Jean Coutu, Brunet, Metro Pharmacy and Food Basics Pharmacy banners, providing employment directly or indirectly to almost 90,000 people.

2020 HIGHLIGHTS

- Sales of $17,997.5 million, up 7.3% or up 7.7% when excluding the impact of IFRS 16
- Net earnings of $796.4 million, up 11.5%
- Adjusted net earnings[1] of $829.1 million, up 13.3%
- Fully diluted net earnings per share of $3.14, up 12.9%
- Adjusted fully diluted net earnings per share[1] of $3.27, up 15.1%
- Expenses related to COVID-19 totalling $137 million
- Synergies of $69 million ($58 million in fiscal 2019) related to the Jean Coutu Group acquisition, $75 million[3] on an annualized basis
- Return on equity of 13.1%, exceeding 12% for the 28th consecutive year
- Dividends per share increase of 12.2%, the 26th consecutive year of dividend growth

RETAIL NETWORK

		Québec		Ontario		New Brunswick	Total
Supermarkets	Metro Metro Plus	196	Metro	130			326
	Adonis	10	Adonis	4			14
Discount stores	Super C	98	Food Basics	138			236
Neighbourhood stores	Marché Richelieu	53					
	Marché Ami	301					354
Specialized stores	Première Moisson	22	Première Moisson	1			23
Total food		**680**		**273**			**953**

		Québec		Ontario		New Brunswick	Total
Drugstores	Brunet Brunet Plus Brunet Clinique Clini Plus	160	Metro Pharmacy Food Basics Pharmacy	74			234
	PJC Jean Coutu PJC Health PJC Health & Beauty	377	PJC Jean Coutu PJC Health	9	PJC Jean Coutu PJC Health PJC Health & Beauty	28	414
Total drugstores		**537**		**83**		**28**	**648**

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

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FINANCIAL HIGHLIGHTS

	2020	2019	2018	2017 (53 weeks)	2016
OPERATING RESULTS *(Millions of dollars)*					
Sales	**17,997.5**	16,767.5	14,383.4	13,175.3	12,787.9
Operating income*	**1,683.6**	1,321.5	1,011.1	966.4	931.3
Net earnings	**796.4**	714.4	1,718.5	608.4	586.2
Adjusted net earnings[1]	**829.1**	731.6	579.2	548.2	586.2
Cash flows from operating activities**	**1,474.1**	794.6	750.4	696.2	707.4
FINANCIAL STRUCTURE *(Millions of dollars)*					
Total assets	**13,423.9**	11,073.9	10,922.2	6,050.7	5,606.1
Non-current debt***	**2,612.0**	2,629.0	2,630.4	1,441.6	1,231.0
Non-current lease liabilities****	**1,811.4**	—	—	—	—
Equity	**6,155.4**	5,968.6	5,656.0	2,923.9	2,693.2
PER SHARE *(Dollars)*					
Basic net earnings	**3.15**	2.79	7.20	2.59	2.41
Fully diluted net earnings	**3.14**	2.78	7.16	2.57	2.39
Adjusted fully diluted net earnings[1]	**3.27**	2.84	2.41	2.31	2.39
Dividends	**0.8750**	0.7800	0.7025	0.6275	0.5367
FINANCIAL RATIOS *(%)*					
Operating income*/ Sales*****	**9.4**	7.9	7.0	7.3	7.3
Return on equity	**13.1**	12.3	40.1	21.7	21.9
Non-current debt and lease liabilities /total capital****	**41.8**	30.6	31.7	33.0	31.4
SHARE PRICE *(Dollars)*					
High	**64.61**	58.94	45.44	47.41	48.19
Low	**49.03**	39.04	38.32	38.00	35.61
Closing price (At year-end)	**64.02**	57.91	40.18	42.91	44.09

* *Operating income before depreciation and amortization and associate's earnings (OI)*
** *Interest paid on debt and payments and interests on lease liabilities reclassified to financing activities as well as payments and interests received from subleases reclassified to investing activities following the adoption of IFRS 16 Leases in the first quarter of fiscal 2020*
*** *Including in 2019 the current debt related to the Series E Notes refinanced in 2020*
**** *Ratio of 29.8% in 2020 when excluding non-current lease liabilities related to the adoption of IFRS 16*
***** *Ratio of 8.3% in 2020 when excluding the impact of the adoption of IFRS 16*

[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"*

MESSAGE FROM THE CHAIR OF THE BOARD

Dear Shareholders,

2020 was anything but a normal year because of the COVID-19 pandemic. I wish to emphasize the exemplary work of management, employees, our retailers and pharmacist owners in the face of this unprecedented situation. They had to adapt to the situation in order to allow stores, pharmacies, distribution centres and offices to continue operating; through their efforts and the necessary measures they put in place, they provided customers and employees with a safe environment.

The Board of Directors was continuously engaged during the pandemic and supported management in its efforts. In addition to the regular meetings of the Board of Directors during Fiscal 2020, the Board held three special meetings to mainly discuss with management the impact of the COVID-19 pandemic on the Corporation's operations. Besides these meetings, Board members continued to be regularly engaged and informed on the pandemic through numerous written updates from management.

While a part of the Corporation's financial performance was fueled by additional sales as a result of the pandemic, it is important to emphasize that, before the pandemic and to management's credit, the Corporation was already well on its way to meet and even exceed the financial objectives it had set for Fiscal 2020.

I would also like to highlight that the Corporation's long-term performance, both in terms of leadership and profitability has been recognized in 2020 through the Financial Post's award to Mr Eric La Flèche, President and Chief Executive Officer, as *Canada's Outstanding CEO of the Year*.

Board of Directors

Throughout the year, the Board of Directors continued to oversee and support management in the various projects and in the realization of the Corporation's business and strategic plans, including the $420 million investment over five years announced last March for the construction of a new automated distribution centre for fresh and frozen products which will be located in the greater Montréal area and for the expansion of the Laval produce and dairy products distribution centre.

Environmental, social and governance (ESG) factors which are part of the Corporation's Corporate Responsibility approach have also attracted the attention of the Board of Directors this year. In addition to a training session on the topic, directors have had multiple discussions with the Corporation's management during meetings of the Board and the Corporate Governance and Nominating Committee to whom the Board of Directors has given the mandate to oversee the Corporation's activities and disclosure on corporate responsibility.

In 2020, the Chair of the Corporate Governance and Nominating Committee met with certain major shareholders to discuss matters related to the Board of Directors. This initiative is part of the Board's efforts to engage in a constructive dialogue with shareholders of the Corporation.

After 13 years as a director of the Corporation, I will retire as Chairman of the Board of Directors and as director at the end of the upcoming Annual General Meeting of shareholders. I am proud of what the Corporation and its Board have accomplished over this period which saw solid financial performance, transformative projects and major acquisitions. Over this period the Board of Directors consolidated its governance and efficiency. We can certainly qualify the group of directors currently sitting on the Board as a first-rate team.

Mr. Pierre Boivin will be my successor as Chairman of the Corporation's Board of Directors. Pierre is a very experienced director who has served on the board of large Canadian corporations and has also been appointed to the most senior management positions of prestigious companies. I have no doubt that he will have the necessary leadership so that directors continue to function in a cohesive, efficient, and productive manner. Also, the management of the Corporation will benefit from his guidance and support.

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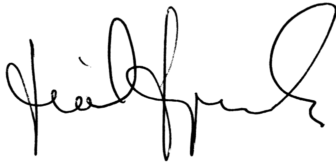
(3) See section on "Forward-looking information"

I thank all board members, current and past, for their support and their engagement over the years. I also want to thank all the executives I have interacted with over the time I served on the Board; the quality of their work and their cooperation have greatly helped me in my task. Finally, I also wish to thank shareholders for their trust over all these years.



Réal Raymond
Chair of the Board

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MESSAGE FROM THE PRESIDENT AND CEO

Dear Shareholders,

This year, I would first like to address the close to 90,000 employees of METRO and our affiliated store and pharmacy networks, as well as our affiliated retailers and pharmacist owners. Their exceptional sense of duty since the beginning of the pandemic to provide essential food and pharmacy services has been truly inspiring. I couldn't be more proud to lead this great team than I have been this year.

They have taken on their responsibilities with remarkable resilience and have exemplified METRO's redefined purpose: *Nourish the health and well-being of our communities.* METRO has been contributing to the economic and social well-being of the communities in which we operate for nearly 75 years. Our purpose is simple, clear and ambitious, which will guide our decisions with greater clarity and will continue to drive our teams to surpass themselves. It goes beyond financial performance alone which remains essential in order to fulfill our mission over the long term.

Responsibility

Our priority has been and remains the health and safety of our employees and customers. From the onset of the pandemic, we quickly deployed numerous prevention measures in stores, pharmacies, distribution centres and offices.

In a matter of days, our entire network was equipped with plexiglass panels at checkouts and service counters as well as floor stickers to ensure social distancing. Cleaning measures were reinforced, and their frequency increased. Additional staff was assigned to store entrances to greet and control the number of customers and to clean the carts. We provided protective equipment to our employees such as masks, gloves, and hand sanitizer, and extended the employee and family assistance program to all. Finally, we communicated frequently with our employees and customers to inform them of the measures taken throughout the crisis.

To recognize the additional work and new tasks our teams performed at the beginning of the pandemic, we offered a temporary premium of $2 per hour to 50,000 employees at our stores and distribution centres from March to June 2020. In the same spirit, we paid amounts ranging from $100 to $200 to these employees in June. Gift cards valued at $75, $150 and $300 were also distributed to our store and distribution centre employees in December to thank them and their loved ones for everything they did in 2020.

Our administrative teams were equipped with laptops and were able to work from home while remaining safely connected to our networks. I would like to thank all of our colleagues who have worked tirelessly to enable us to continue to serve our customers and support our operations under very tight timelines.

To support the relief efforts of our long-time community partners, METRO donated more than $4 million to Food Banks of Québec, Feed Ontario and the United Way/Centraide emergency fund. These donations helped meet the growing need for food support and other essential services such as assistance to seniors and mental health support.

We did not limit ourselves to the impact of the public health crisis. For example, thanks in large part to the generosity of our customers, we donated more than $800,000 to the Canadian Red Cross for Lebanon, following the terrible tragedy that swept its capital, Beirut.

Our employees demonstrated their generosity once again this year. METRO's 22nd Centraide campaign reached record results, raising more than $2.1 million in Québec.

Resilience

The lockdown resulting from the pandemic has profoundly changed consumer behaviour: more meals eaten at home; less frequent visits to the store but larger baskets; stockpiling of products in anticipation of possible shortages; acceleration of online shopping, and so on.

Our procurement and logistics teams quickly adapted to these increased volumes and, with the collaboration of our suppliers, we were able to offer an appropriate level of service to our stores, albeit not as good as they were used to. In addition, food shortages were avoided, demonstrating the robustness and agility of our supply chain.

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The importance of buying local has increased in this time of economic uncertainty caused by the pandemic. The teams of our banners in Québec and Ontario went to great lengths to support local suppliers and provide our customers with the local products they were looking for.

Healthy eating has continued to be at the heart of our customers' concerns. The launch of a renewed version of our Life Smart brand that includes all of our healthier food products under one name and the introduction of the first line of Personnelle branded organic baby products, a collaboration of the food and pharmacy teams, have allowed us to add to our existing offering in order to better meet the needs of our customers

As a result of the lockdown, our online sales volume nearly tripled, reaching a level that we expected to achieve in two to three years. We have taken several measures to increase the capacity of this service, enabling more customers to benefit from it, particularly the most vulnerable: customers aged 70 and over, those with reduced mobility, people diagnosed with COVID-19 or who were under mandatory quarantine. We have implemented the Priority service in several Metro stores in Québec and Ontario, as well as at Super C and Adonis.

In the Jean Coutu and Brunet pharmacy networks, we launched the In-store Express Order service. In addition, we signed an agreement with Cornershop, an on-demand delivery service. Metro, Jean Coutu and Brunet's product offering is now available on their application, allowing us to serve more customers in the Greater Montréal and Gatineau areas, as well as in Toronto and Ottawa.

On the other hand, the pandemic has caused minor delays in the construction of our automated distribution centres in Ontario. The opening of the first center for produce, originally scheduled for September, is now scheduled for next January. Nevertheless, during the year, we succeeded in opening 7 new stores, including 2 conversions from Metro to Food Basics, in addition to completing 2 relocations, and 17 major renovations and expansions.

2020 Results

Fiscal 2020 got off to a good start with solid revenue growth in the first half of 4.4% (4.7% excluding the impact of IFRS 16) and adjusted diluted earnings per share[1] up 12.6%.

The lockdown occurred at the very end of our second quarter and grocery sales increased significantly, in part due to restaurant closures. Sales grew faster in our Metro stores than in our discount stores, although both were strong. We are very satisfied with our relative performance which was reflected in our increased market share both in Québec and Ontario.

The pharmacy sector was affected in a different way by the pandemic. Pharmacy teams remained focused on their primary mission: treating patients. The quality of service was maintained at the height of the pandemic, particularly by developing home delivery services, offering more online services and prioritizing prescription drugs. Front-store sales were negatively impacted at the core of the pandemic but recovered in the fourth quarter thanks to strong marketing and promotional programs. We nevertheless achieved our $75 million annualized synergy objective related to the acquisition of the Jean Coutu Group.

The pandemic also generated additional operating costs, mainly temporary wage premiums offered to front-line employees, protective equipment and cleaning and sanitation costs. These additional expenses totalled approximately $137 million for the year.

In Fiscal 2020, thanks to the agility and efforts of our teams, our adjusted net earnings[1] were $829.1 million, up 13.3%, and our adjusted diluted net earnings per share[1] were $3.27, up 15.1%.

The share price traded between $49.03 and $64.61, ending the year at $64.02, up 10.6% over the previous year.

In January 2020, the Board approved a new dividend policy to distribute between 30% and 40% of the prior year's adjusted net earnings, compared to the previous policy of between 20% and 30%. At the same time, the dividend was increased by 12.5% to $0.90 per share on an annual basis.

Total shareholder return was 12.3% for Fiscal 2020. Over five years, it was 14.2% a year, and over ten years, 17.5% a year.

Our financial position remains very solid with a balance sheet that enables our future growth and allows the Corporation to make strategic acquisitions should they arise.

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2021 outlook and priorities[3]

The pandemic has accelerated certain trends already observed in the market, such as a concern for buying local and shopping in the community. These emerging trends position us well with consumers, thanks to our store formats, our procurement programs and our roots in the communities we serve. Online shopping is another example of an already emerging trend that has skyrocketed with the pandemic.

Some consumer behaviours are likely to change in the long term, particularly with the expansion of teleworking. We believe this change is beneficial for us and that a portion of the sales from restaurants should remain in our networks for some time. The pandemic was an opportunity to demonstrate our resilience and agility in turning challenges into opportunities, constantly adapting our product and service offering.

For Fiscal 2021, our priorities are the following:

1. Ensure the safety of employees and customers

COVID-19 will be part of our lives for many months to come. The health and safety of our customers and employees will remain the top priority, as it has been since the beginning of the health crisis last March.

2. Developing our banners

We will continue to invest in our retail networks, merchandising and loyalty programs, our digital strategy and technology to deliver the best customer experience in each of our banners.

3. Complete the pharmacy combination

The pandemic forced us to interrupt several activities related to the combination of METRO, the Jean Coutu Group and McMahon, to ensure service continuity to our franchisees and our customers during this critical period. During the fourth quarter of 2020, we resumed the deployment of laboratory solutions in Brunet pharmacies and we intend to complete it in 2021. In addition, following the ratification of a new five-year collective agreement at the Jean Coutu distribution centre in Varennes, we can move forward with the combination of the distribution activities of our McMahon distribution centre with those of Varennes in the coming year.

4. Continue to modernize our supply chain

Phase 1 of the automated fresh produce distribution centre in Toronto is scheduled to be operational in January 2021. The construction of the new automated distribution centre for frozen products in Toronto is set for an opening in January 2022. Finally, this year we will begin construction of the new automated distribution centre for fresh and frozen products in Terrebonne, Québec, set to open in 2023.

5. Increase our e-commerce capacity

To meet the growing demand for online grocery orders, we are accelerating investments in our omnichannel strategy and will be opening a dedicated store for online grocery in Montréal. This store is scheduled to open in the summer of 2021. In addition, we will offer click & collect service in most Metro stores in Québec and Ontario, including approximately 100 by the end of Fiscal 2021.

6. Developing talent

Our success rests first and foremost on our ability to recruit, retain and develop talent at all levels of the Corporation and the retail networks. The Metro banner has launched and continues an extensive recruitment campaign that highlights our employer brand. At METRO, we foster an inclusive culture that values, respects and invests in the diversity and differences of our employees as well as a team that reflects our customers and the communities we serve.

Suppliers

The partnership and collaboration that we and our suppliers have nurtured have enabled us to provide the food, medicine and basic necessities that our customers have counted on throughout the year and particularly since the beginning of the pandemic. We sincerely thank them for their support and commitment. We will continue to work in partnership with them, as we have done nearly 75 years, to exceed our customers' expectations.

Some competitors have unilaterally imposed fees and rebates on their suppliers in recent months: we did not. This has reignited the debate about the possibility of establishing a code of conduct governing relations between industry stakeholders as is found in other countries.

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Our relationships are based on trust, good faith, respect and fairness, which has always allowed us to develop win-win solutions through mutually satisfactory agreements, without government intervention. We continue to support such an open and constructive dialogue between the retailers and suppliers of the industry.

Acknowledgements

The Chair of our Board of Directors, Réal Raymond, will retire at the next Annual General Meeting after 13 years of loyal service on the Board, the last six years as Chair. On behalf of his colleagues on the Board and the entire METRO team, I would like to warmly thank him. With his extensive experience, Réal has contributed to the Corporation's development, in addition to ensuring exemplary governance. We will miss his presence and sound advice.

In addition to our employees, our affiliates and pharmacists, I would like to thank my management colleagues for their excellent work accomplished this year under particularly demanding circumstances. I would also like to thank our directors for their oversight and their support during this unprecedented year. Finally, thank you, dear shareholders, for your ongoing trust.

Eric La Flèche

President and Chief Executive Officer

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CORPORATE RESPONSIBILITY

Even in this unusual year, our teams remained focused on the objectives of the four pillars of our corporate responsibility (CR) plan: customers, environment, communities and employees. Though some initiatives were slowed so our teams could devote their time to the most pressing priorities, this exceptional situation did not lessen our commitment to our approach, as evidenced by our many accomplishments in 2020.

At the very start of the pandemic, our business activities were deemed essential services—a challenge we successfully met by relying on our resilience and the mobilization of our employees. Very quickly, we implemented preventive measures to ensure the safety of the employees and customers in our establishments and made every effort to keep our grocery and drug stores stocked.

The pandemic also demanded that we adapt our hiring methods to reach our recruitment targets and continue to comply with health constraints. Through the new initiatives we set in motion, we were able to meet the significant demand for personnel, including the positions in the stores and distribution centres, which were even more difficult to fill than usual.

While METRO has always been committed to communities, our engagement in 2020 was unique owing to the glaring needs that stemmed from the COVID-19 pandemic.

With the contributions made by our customers, we donated over $4 million at the onset of the crisis. We supported our community partners to meet the rising need for food products and other essential services, including support for seniors and mental health. Through our One More Bite program, we recovered and redistributed 3,950 tonnes of food the equivalent of nearly 8 million meals.

Already very popular with customers, local purchasing generated even more interest lately. The teams in our food banners continued to work in close collaboration with local suppliers, contributing to local economies and providing our customers with the local products they seek.

As for the Packaging and Printed Materials Management Policy we introduced in spring 2019, it is already yielding results. We observed a decrease of just over 10% in the total weight of paper used to print flyers for our food and pharmacy banners as compared to 2018 and created a training module to help our private brand suppliers comply with our ecoresponsible packaging requirements.

Finally, we recorded a reduction in the intensity of our greenhouse gas emissions by nearly 7% compared to the previous year through our efficiency measures in the transport, waste management and building energy sectors and the use of new refrigerants.

Fiscal 2020 also marks the 10th anniversary of our CR approach. In the past decade, we implemented strong initiatives, released annual reports and brought our understanding of environmental, social and governance (ESG) issues to a higher level. The knowledge and expertise we have acquired constitute solid foundations for the future.

Our intention was to bring our 2016–2020 CR plan to a close this year. However, with the pandemic, we have chosen to add an extra year and we will release our next five-year plan in January 2022. We will make the most of 2021 to continue to develop our approach. We want our actions to bring added value to METRO and all of society.

To learn more, visit the Corporate Responsibility section of our website at metro.ca. METRO's CR report for fiscal year 2020 will be available January 26, 2021.

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MANAGEMENT'S DISCUSSION AND ANALYSIS AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 26, 2020

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The following Management's Discussion and Analysis sets out the financial position and consolidated results of METRO INC. for the fiscal year ended September 26, 2020, and should be read in conjunction with the annual consolidated financial statements and the accompanying notes as at September 26, 2020. This report is based upon information as at November 17, 2020 unless otherwise indicated. Additional information, including the Annual Information Form and Certification Letters for fiscal 2020, is available on the SEDAR website at www.sedar.com.

OVERVIEW

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

The Corporation, as a retailer, franchisor or distributor, operates under different grocery banners in the conventional supermarket and discount segments. For consumers seeking a higher level of service and a greater variety of products, we operate 326 supermarkets under the Metro and Metro Plus banners. The 236 discount stores operating under the Super C and Food Basics banners offer products at low prices to consumers who are both cost and quality-conscious. The Adonis banner, which currently has 14 stores, is specialized in fresh products as well as Mediterranean and Middle-Eastern products. The Corporation also operates Première Moisson, a banner specialized in premium quality artisan bakery, pastry, and deli products. Première Moisson sells its products to the Corporation's stores, to restaurants and other chains as well as directly to consumers in its 23 stores. The majority of the stores are owned by the Corporation or by structured entities and their financial statements are consolidated with those of the Corporation. Independent owners bound to the Corporation by leases or affiliation agreements operate a large number of Metro and Metro Plus stores. Supplying these stores contributes to our sales. The Corporation also acts as a distributor for independent neighborhood grocery stores. Their purchases are included in the Corporation's sales.

The Corporation also acts as franchisor and distributor for 414 PJC Jean Coutu, PJC Health and PJC Health & Beauty drugstores as well as 160 Brunet Plus, Brunet, Brunet Clinique, and Clini Plus drugstores, held by pharmacist owners. The Corporation operates 74 drugstores in Ontario under Metro Pharmacy and Food Basics Pharmacy banners and their sales are included in the Corporation's sales. Sales also include the supply of non-franchised drugstores and various health centres. The Corporation is also active in generic drug manufacturing through its subsidiary Pro Doc Ltée.

PURPOSE, MISSION AND STRATEGY

As a leader in food and pharmacy in Eastern Canada, we provide essential services to the communities we serve and who rely on us for advice and support. That is why we have adopted a new purpose, *Nourish the health and well-being of our communities*, thereby redefining and updating our vision which was to offer the best customer experience in each of our banners. Our purpose better reflects our aspirations while fitting perfectly in our corporate responsibility framework. It is a purpose that is simple, clear and ambitious and which will continue to drive our teams to surpass themselves. This purpose goes beyond financial performance which remains essential to fulfill our mission over the long term.

Our mission, as it has been for years, is to exceed our customers' expectations every day to earn their long-term loyalty.

The four pillars of our business strategy are: customer focus, best team, operational excellence and financial discipline.

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

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

Operational excellence and financial discipline are achieved through high operating standards, a results-driven corporate culture, engaging all employees and monitoring performance so as to react swiftly.

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

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KEY PERFORMANCE INDICATORS

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

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

KEY ACHIEVEMENTS

Sales for fiscal 2020 totalled $17,997.5 million versus $16,767.5 million for fiscal 2019, an increase of 7.3%. Excluding the impact of the adoption of IFRS 16, sales were up 7.7%. Net earnings for fiscal 2020 were $796.4 million, an increase of 11.5% from $714.4 million for fiscal 2019. Fully diluted net earnings per share were $3.14 compared with $2.78 last year, up 12.9%. Adjusted net earnings[(1)] for fiscal 2020 totalled $829.1 million compared with $731.6 million for fiscal 2019, and adjusted fully diluted net earnings per share[(1)] amounted to $3.27 versus $2.84, up 13.3% and 15.1%, respectively.

We realized several projects over the fiscal year, including the following major ones:

- 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. All of our employees, our retailers, and pharmacist owners, as well as our supplier partners, pulled together to provide our customers the essential services of food and pharmacy while never compromising on safety.
- Since the beginning of the pandemic, METRO has donated over $4 million to support communities. Answering the call of these long-time community partners, the money was donated primarily to Feed Ontario, Food Banks of Québec and to the emergency fund of United Way/Centraide.
- In March 2020, METRO announced a $420 million investment over five years for the construction of a new, automated distribution centre for fresh and frozen products in Terrebonne, just north of Montréal, and the expansion of its produce and dairy products distribution centre in Laval. These investments will enable METRO to better meet the expectations of its current and future customers and to continue its growth. The new Terrebonne distribution centre will open in 2023, while the expansion of the Laval distribution centre will be completed in 2024[(3)].
- In October 2017, we announced a $400 million investment over six years in our Ontario distribution network. Phase 1 of the project launched in 2019 was delayed slightly due to the pandemic but is now nearing completion. The start-up of our new fresh distribution centre is planned for January 2021[(3)]. Equipped with state-of-the-art technology, this facility will help us improve service to our store network and offer greater product freshness and variety. METRO will be able to better meet the constantly evolving customer preferences and position itself as the retailer providing the best customer experience in each of its banners.
- We have accelerated our plans to increase capacity of our online grocery service. During the year, we expanded our service in Québec by adding hub stores in Québec City and Sherbrooke and will also be adding a third hub

(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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store in Ontario. We recently announced the opening of a dedicated store for online grocery to serve Montréal next summer[3]. This opening represents the next phase of our omnichannel strategy, efficiently adding capacity in a large urban area by leveraging our in-store pick model. We are also expanding our click-and-collect service from the 40 planned to more than 100 by the end of fiscal 2021[3].

- We continued to combine pharmacy activities and best practices between METRO and the Jean Coutu Group. By the end of fiscal 2020, we had achieved our objective of generating $75 million of annual cost synergies within three years of the acquisition.
- We continued to invest in our retail network. In Québec, we opened a Metro Plus and a Super C, we also relocated a Metro Plus and a Super C, and we carried out major renovations and expansions at 8 other stores. In Ontario, we opened a Metro, a Food Basics and an Adonis, converted 2 Metro stores into Food Basics and carried out major renovations and expansions at 9 other stores.
- We acquired the minority interest in Groupe Première Moisson inc. during the first quarter.
- We pursued the implementation of our corporate responsibility plan while also adapting our programs in the pandemic. We adopted a series of measures to ensure the safety of our customers and employees and revised our hiring practices to attain our recruitment targets within the health constraints. Through our One More Bite food donation program, the equivalent of nearly 8 million meals was distributed. During the fiscal year, we continued to roll out our local purchasing, sustainable procurement and food waste reduction initiatives and launched our actions to optimize our packaging and printed materials and decreased the intensity of our greenhouse gas emissions. Fiscal 2020 also marked the 10th anniversary of our corporate responsibility approach. The knowledge and expertise gained over the past decade constitute strong foundations for the future.

SELECTED ANNUAL INFORMATION

	2020	2019	Change	2018	Change
(Millions of dollars, unless otherwise indicated)			%		%
Sales	**17,997.5**	16,767.5	7.3	14,383.4	16.6
Net earnings attributable to equity holders of the parent	**795.2**	711.6	11.7	1,716.5	(58.5)
Net earnings attributable to non-controlling interests	**1.2**	2.8	(57.1)	2.0	40.0
Net earnings	**796.4**	714.4	11.5	1,718.5	(58.4)
Basic net earnings per share	**3.15**	2.79	12.9	7.20	(61.3)
Fully diluted net earnings per share	**3.14**	2.78	12.9	7.16	(61.2)
Adjusted net earnings[1]	**829.1**	731.6	13.3	579.2	26.3
Adjusted fully diluted net earnings per share[1]	**3.27**	2.84	15.1	2.41	17.8
Return on equity *(%)*	**13.1**	12.3	—	40.1	—
Dividends per share *(Dollars)*	**0.8750**	0.7800	12.2	0.7025	11.0
Total assets	**13,423.9**	11,073.9	21.2	10,922.2	1.4
Current and non-current portions of debt	**2,632.6**	2,657.6	(0.9)	2,643.7	0.5

Sales for fiscal 2020 totalled $17,997.5 million versus $16,767.5 million for fiscal 2019, an increase of 7.3%. Excluding the impact of IFRS 16 *Leases* adopted in the first quarter of fiscal 2020, sales were up 7.7%. Sales for fiscal 2019 totalled $16,767.5 million versus $14,383.4 million for fiscal 2018, an increase of 16.6%. Excluding sales generated by the Jean Coutu Group of $3,121.8 million in fiscal 2019 and $1,157.7 million in fiscal 2018, sales were up 3.2%.

Net earnings for fiscal 2020, 2019 and 2018 totalled $796.4 million, $714.4 million and $1,718.5 million, respectively, while fully diluted net earnings per share amounted to $3.14, $2.78 and $7.16. Taking into account the items relating to fiscal 2020 and fiscal 2019 shown in the “Net earnings adjustments” table in the “Operating results” section, as well as for fiscal 2018, principally the gain on disposal of the majority of our investment in Alimentation Couche-Tard (ACT), the fair value revaluation gain on our residual investment in ACT, the share of an associate’s earnings (ACT),

[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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the pharmacy network closure and restructuring expenses and the expenses related to the Jean Coutu Group acquisition, adjusted net earnings[(1)] for fiscal 2020 stood at $829.1 million compared with $731.6 million for fiscal 2019 and $579.2 million for fiscal 2018, while adjusted fully diluted net earnings per share[(1)] was $3.27 for 2020 compared with $2.84 for 2019 and $2.41 for 2018, up 15.1% and 17.8% respectively.

Total assets reached $13,423.9 million in 2020 compared with $11,073.9 million in 2019, an increase of 21.2% mainly attributable to the recognition in 2020 of right-of-use assets totalling $1,150.5 million and current and non-current accounts receivable on subleases totalling $684.3 million following the adoption of IFRS 16.

Return on equity in 2020 was 13.1% compared with 12.3% in 2019 due to the strong increase in net earnings in the current year and to the share buybacks carried out during fiscal 2020. After performing exceptionally well at 40.1% in 2018 due to the gain on disposal of our investment in ACT in order to pay part of the acquisition of the Jean Coutu Group, return on equity in 2019 was 12.3%, impacted by the 2018 share issuance also in connection with acquisition of the Jean Coutu Group.

OUTLOOK[(3)]

The ongoing pandemic continues to impact our business and we expect that in the short-term, food revenues will continue to grow at higher-than-normal rates versus last year as a portion of restaurant and food service sales continue to transfer to the grocery channel.

The pandemic has accelerated certain trends already observed in the market, such as a concern for buying local and shopping in the community. These emerging trends position us well with consumers, thanks to our store formats, our procurement programs and our roots in the communities we serve. Online shopping is another example of an already emerging trend that has skyrocketed with the pandemic.

Some consumer behaviours are likely to change in the long term, particularly with the expansion of teleworking. We believe this change is beneficial for us and that a portion of the sales from restaurants should remain in our networks for some time. The pandemic was an opportunity to demonstrate our resilience and agility in turning challenges into opportunities, constantly adapting our product and service offering.

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(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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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 the modified retrospective approach. The operating results of the previous fiscal year have not been restated.

SALES

Sales for fiscal 2020 totalled $17,997.5 million versus $16,767.5 million for fiscal 2019, an increase of 7.3%. Excluding the impact of the adoption of IFRS 16, sales were up 7.7%. Food same-store sales were up 9.7% (3.6% in 2019). Online food sales have nearly tripled versus last year. Pharmacy same-store sales were up 4.3% (2.4% in 2019), with a 4.8% increase in prescription drugs and a 3.1% increase in front-store sales.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

This earnings measurement excludes financial costs, taxes, depreciation and amortization and the gain on disposal of an 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 fiscal 2020 totalled $1,683.6 million or 9.4% of sales compared with $1,321.5 million or 7.9% of sales for fiscal 2019.

The adoption of IFRS 16 resulted in a $54.2 million decrease in sales related to sublease income for fiscal 2020, with an equivalent reduction in gross margin. The adoption of IFRS 16 also resulted in a $244.6 million decrease in operating expenses for fiscal 2020, as lease payments are now recorded as a reduction of lease liabilities. Together, these two elements had a favorable impact of $190.4 million on operating income before depreciation and amortization and associate’s earnings for fiscal 2020.

Impact of the adoption of IFRS 16 *(Millions of dollars)*	**2020**	**IFRS 16**	**2020** excluding IFRS 16	**% of sales**	2019	% of sales
Sales	**17,997.5**	**(54.2)**	**18,051.7**		16,767.5	
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	**190.4**	**1,493.2**	**8.3**	1,321.5	7.9

During fiscal 2020, we recognized a loss of $7.5 million on disposal of our subsidiary MissFresh, while for 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 fiscal 2020 totalled $1,691.1 million, or 9.4% of sales (8.3% excluding the impact of the adoption of IFRS 16) compared with $1,351.5 million, or 8.1% of sales for fiscal 2019.

Synergies related to the Jean Coutu acquisition generated during fiscal 2020 amounted to $69 million compared to $58 million for fiscal 2019. To date, we have generated annualized synergies of $75 million[3]. Having achieved our publicly-stated objective of generating $75 million[3] of annual cost synergies within three years of the Jean Coutu Group acquisition, we will no longer disclose the level of synergies going forward.

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

	2020			2019		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	**(%)**	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	**17,997.5**	**9.4**	1,321.5	16,767.5	7.9
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]	**1,691.1**	**17,997.5**	**9.4**	1,351.5	16,767.5	8.1

[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"*

Gross margin on sales for fiscal 2020 was 19.9% (20.1% excluding the impact of the adoption of IFRS 16) versus 19.9% for fiscal 2019.

Operating expenses as a percentage of sales for fiscal 2020 was 10.5% compared with 12.0% for fiscal 2019. Excluding from fiscal 2020 the $7.5 million loss on disposal of our subsidiary MissFresh, and excluding from 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 10.5% for 2020 (11.8% excluding the impact of the adoption of IFRS 16) compared with 11.8% in 2019. The costs related to COVID-19 for fiscal 2020 were approximately $137 million.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for fiscal 2020 was $462.5 million, of which $149.2 million is an increase resulting from the adoption of IFRS 16, versus $286.4 million for fiscal 2019.

Net financial costs for fiscal 2020 were $136.8 million, of which $33.5 million is an increase resulting from the adoption of IFRS 16, compared with $103.8 million for fiscal 2019.

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

During fiscal 2019, the Corporation disposed of its investment in Colo-D Inc., an associate presented in other assets, for a total cash consideration of $59.0 million. A gain before income taxes of $36.4 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 $287.9 million for fiscal 2020 and $254.8 million for fiscal 2019 represented an effective tax rate of 26.6% and 26.3% respectively. The impact of the adoption of IFRS 16 on the 2020 income tax expense is not significant.

NET EARNINGS AND ADJUSTED NET EARNINGS(1)

Net earnings for fiscal 2020 were $796.4 million, an increase of 11.5% from $714.4 million for fiscal 2019. Fully diluted net earnings per share were $3.14 compared with $2.78 last year, up 12.9%. Excluding the specific items shown in the table below, adjusted net earnings(1) for fiscal 2020 totalled $829.1 million compared with $731.6 million for fiscal 2019, and adjusted fully diluted net earnings per share(1) amounted to $3.27 versus $2.84, up 13.3% and 15.1%, respectively. The adoption of IFRS 16 had an insignificant impact on net earnings and adjusted on fiscal 2020 net earnings(1).

(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"

Net earnings adjustments[1]

	2020		2019		Change (%)	
	(Millions of dollars)	**Fully diluted EPS (Dollars)**	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	**796.4**	**3.14**	714.4	2.78	11.5	12.9
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	**28.5**		28.5			
Gain on the disposal of an investment in an associate, after taxes	**—**		(31.9)			
Gain on revaluation and disposal of an investment at fair value, after taxes	**—**		(1.1)			
Adjusted net earnings[1]	**829.1**	**3.27**	731.6	2.84	13.3	15.1

Impacts of the adoption of IFRS 16

(Millions of dollars, unless otherwise indicated)	**2020**	**IFRS 16**	**2020** excluding IFRS 16	2019
Sales	**17,997.5**	**(54.2)**	**18,051.7**	16,767.5
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	**190.4**	**1,493.2**	1,321.5
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**1,691.1**	**190.4**	**1,500.7**	1,351.5
Depreciation	**462.5**	**(149.2)**	**313.3**	286.4
Net financial costs	**136.8**	**(33.5)**	**103.3**	103.8
Income taxes	**287.9**	**(2.0)**	**285.9**	254.8
Net earnings	**796.4**	**5.7**	**790.7**	714.4
Adjusted net earnings[1]	**829.1**	**5.7**	**823.4**	731.6
Fully diluted net earnings per share *(Dollars)*	**3.14**	**0.02**	**3.12**	2.78
Adjusted fully diluted net earnings per share[1] *(Dollars)*	**3.27**	**0.02**	**3.25**	2.84

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QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2020**	2019	Change *(%)*
Sales			
Q1[4]	**4,029.8**	3,977.7	1.3
Q2[4]	**3,988.9**	3,701.6	7.8
Q3[5]	**5,835.2**	5,229.3	11.6
Q4[4]	**4,143.6**	3,858.9	7.4
Fiscal	**17,997.5**	16,767.5	7.3
Net earnings			
Q1[4]	**170.2**	203.1	(16.2)
Q2[4]	**176.2**	121.5	45.0
Q3[5]	**263.5**	222.4	18.5
Q4[4]	**186.5**	167.4	11.4
Fiscal	**796.4**	714.4	11.5
Adjusted net earnings[1]			
Q1[4]	**180.9**	172.2	5.1
Q2[4]	**182.8**	155.1	17.9
Q3[5]	**272.3**	230.3	18.2
Q4[4]	**193.1**	174.0	11.0
Fiscal	**829.1**	731.6	13.3
Fully diluted net earnings per share ***(Dollars)***			
Q1[4]	**0.67**	0.79	(15.2)
Q2[4]	**0.69**	0.47	46.8
Q3[5]	**1.04**	0.86	20.9
Q4[4]	**0.74**	0.66	12.1
Fiscal	**3.14**	2.78	12.9
Adjusted fully diluted net earnings per share[1] ***(Dollars)***			
Q1[4]	**0.71**	0.67	6.0
Q2[4]	**0.72**	0.60	20.0
Q3[5]	**1.08**	0.90	20.0
Q4[4]	**0.77**	0.68	13.2
Fiscal	**3.27**	2.84	15.1

[4] 12 weeks
[5] 16 weeks

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 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 and a 2.7% increase in 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 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*, sales reached $4,001.5 million, up 8.1%. Food same-store sales were up 9.7% (4.3% in 2019). The shift in Christmas sales represents 0.6% of the same-store sales increase. 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 and a 8.3% increase in front-store sales.

Sales in the third quarter of fiscal 2020 reached $5,835.2 million, up 11.6% compared to $5,229.3 million in the third quarter of fiscal 2019. Excluding the impact of the adoption of IFRS 16 *Leases*, sales reached $5,851.9 million, up 11.9%. Food same-store sales were up 15.6% (3.1% in 2019). Our food basket inflation was approximately 3.0% (2.5% in 2019). Online food sales almost quadrupled in the quarter from a small base last year. Pharmacy same-store sales were up 1.0% (3.4% in 2019), with a 2.7% increase in prescription drugs and a 2.5% decrease in front-store sales.

Sales in the fourth quarter of fiscal 2020 reached $4,143.6 million, up 7.4% compared to $3,858.9 million in the fourth quarter of fiscal 2019. Excluding the impact of the adoption of IFRS 16 *Leases*, sales reached $4,156.1 million, up 7.7%. Food same-store sales were up 10.0% (4.1% in 2019). Online food sales were up 160% versus last year. Our food basket inflation was approximately 2.8% (2.8% in 2019). Pharmacy same-store sales were up 5.5% (3.4% in 2019), with a 5.3% increase in prescription drugs and a 6.0% increase in front-store sales.

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 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 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $8.8 million, 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.

Net earnings for the third quarter of fiscal 2020 were $263.5 million compared with $222.4 million for the third quarter of fiscal 2019, while fully diluted net earnings per share were $1.04 compared with $0.86 in 2019, up 18.5% and 20.9%, respectively. Excluding from the third quarter of fiscal 2020 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $11.9 million, and from the third quarter of fiscal 2019 the $1.0 million gain resulting from the selling price adjustment related to the investment in associate Colo-D Inc. and the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $11.9 million, as well as income taxes relating to all these items, adjusted net earnings(1) for the third quarter of fiscal 2020 totalled $272.3 million compared with $230.3 million for the corresponding quarter of fiscal 2019 and adjusted fully diluted net earnings per share(1) amounted to $1.08 compared with $0.90, up 18.2% and 20.0%, respectively.

Net earnings for the fourth quarter of fiscal 2020 were $186.5 million compared with $167.4 million for the fourth quarter of fiscal 2019, while fully diluted net earnings per share were $0.74 compared with $0.66 in 2019, up 11.4% and 12.1%, respectively. Excluding from the fourth quarter of fiscals 2020 and 2019 the amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition of $9.0 million, as well as income taxes relating to these items, adjusted net earnings(1) for the fourth quarter of fiscal 2020 totalled $193.1 million compared with

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$174.0 million for the corresponding quarter of fiscal 2019 and adjusted fully diluted net earnings per share[1] amounted to $0.77 compared with $0.68, up 11.0% and 13.2%, respectively.

	2020				2019			
(Millions of dollars)	**Q1**	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Net earnings	**170.2**	**176.2**	**263.5**	**186.5**	203.1	121.5	222.4	167.4
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	**—**	**—**	**—**	**—**	(5.4)	0.7	—	—
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.5**	**6.6**	**8.8**	**6.6**	6.6	6.5	8.8	6.6
Gain on disposal of an investment in an associate, after taxes	**—**	**—**	**—**	**—**	(31.0)	—	(0.9)	—
Gain on revaluation and disposal of an investment at fair value, after taxes	**—**	**—**	**—**	**—**	(1.1)	—	—	—
Adjusted net earnings[1]	**180.9**	**182.8**	**272.3**	**193.1**	172.2	155.1	230.3	174.0

	2020				2019			
(Dollars)	**Q1**	**Q2**	**Q3**	**Q4**	Q1	Q2	Q3	Q4
Fully diluted net earnings per share	**0.67**	**0.69**	**1.04**	**0.74**	0.79	0.47	0.86	0.66
Adjustments impact	**0.04**	**0.03**	**0.04**	**0.03**	(0.12)	0.13	0.04	0.02
Adjusted fully diluted net earnings per share[1]	**0.71**	**0.72**	**1.08**	**0.77**	0.67	0.60	0.90	0.68

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash inflows of $1,474.1 million in fiscal 2020 compared with $794.6 million for fiscal 2019. This difference resulted primarily from the significant increase in earnings in 2020, payments and interests received in respect of subleases reclassified to investing activities and payments and interests 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 Alimentation Couche-Tard in fiscal 2018.

INVESTING ACTIVITIES

In fiscal 2020, investing activities required cash outflows of $444.1 million compared with $308.5 million for fiscal 2019. This difference stemmed mainly from the buyout of minority interests in Groupe Première Moisson Inc. in the amount of $51.6 million in 2020, the higher fixed assets and investment properties additions of $106.4 million in 2020, and the proceeds of $59.0 million on disposal of our investment in associate Colo-D Inc. in 2019. These items offset the impact of payments and interests in respect of sublease of $101.5 million reclassified from operating activities following the adoption of IFRS 16 in 2020.

During fiscal 2020, we and our retailers opened 7 stores, carried out major expansions and renovations of 17 stores, relocated 2 stores and closed 5 stores for a net increase of 168,800 square feet or 0.8% of our food 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

Financing activities required cash outflows of $861.9 million in fiscal 2020 compared with $439.6 million for fiscal 2019. This difference resulted mainly from payments and interest in respect of lease liabilities of $304.0 million reclassified from operating activities following the adoption of IFRS 16 and from higher share repurchases of $71.3 million in 2020.

FINANCIAL POSITION

We do not anticipate[3] any liquidity risk and consider our financial position at the end of fiscal 2020 as very solid. We had an unused authorized revolving credit facility of $600.0 million. Our non-current debt and lease liabilities represented 41.8% of the combined total of non-current debt, lease liabilities and equity (ratio of non-current debt and lease liabilities/total capital).

At the end 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 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 September 26, 2020	As at September 28, 2019
Financial structure		
Non-current debt *(Millions of dollars)*	**2,612.0**	2,629.0
Non-current lease liabilities *(Millions of dollars)*	**1,811.4**	—
	4,423.4	2,629.0
Equity *(Millions of dollars)*	**6,155.4**	5,968.6
Non-current debt and lease liabilities/total capital *(%)*	**41.8**	30.6

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.

[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"

Excluding the non-current lease liabilities related to the adoption of IFRS 16, the ratio stood at 29.8% as at September 26, 2020.

	2020	2019
Interest Coverage Ratio		
Operating income before depreciation and amortization and associate's earnings/Financial costs *(Times)*	**12.3**	12.7

CAPITAL STOCK

	Common Shares issued	
(Thousands)	**2020**	2019
Balance – beginning of year	**254,440**	256,253
Share redemption	**(3,910)**	(2,925)
Stock options exercised	**265**	1,112
Balance – end of year	**250,795**	254,440
Balance as at November 27, 2020 and November 29, 2019	**249,746**	254,222

	Treasury shares	
(Thousands)	**2020**	2019
Balance – beginning of year	**577**	603
Acquisition	**112**	115
Release	**(137)**	(141)
Balance – end of year	**552**	577
Balance as at November 27, 2020 and November 29, 2019	**552**	577

STOCK OPTIONS PLAN

	As at November 27, 2020	**As at September 26, 2020**	As at September 28, 2019
Stock options *(Thousands)*	**2,310**	**2,322**	2,281
Exercise prices *(Dollars)*	**21.90 to 56.92**	**21.90 to 56.92**	20.30 to 48.68
Weighted average exercise price *(Dollars)*	**41.26**	**41.27**	37.30

PERFORMANCE SHARE UNIT PLAN

	As at November 27, 2020	**As at September 26, 2020**	As at September 28, 2019
Performance share units *(Thousands)*	**613**	**618**	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 tax attributes.

(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"

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between November 25, 2019 and November 24, 2020, the Corporation repurchased 4,560,000 Common Shares at an average price of $56.78, for a total consideration of $258.9 million.

The Corporation decided to renew the issuer bid program as an additional option for using excess funds. Thus, the Corporation will be able to repurchase, in the normal course of business, between November 25, 2020 and November 24, 2021, up to 7,000,000 of its Common Shares representing approximately 2.8% of its issued and outstanding shares on November 11, 2020. Repurchases will be made through the facilities of the Toronto Stock Exchange at market price, in accordance with its policies and regulations, or through the facilities of alternative trading systems as well as by other means as may be permitted by a securities regulatory authority, including by private agreements. Between November 25, 2020 and November 27, 2020, the Corporation has repurchased 200,000 Common Shares at an average price of $59.75 for a total consideration of $11.9 million.

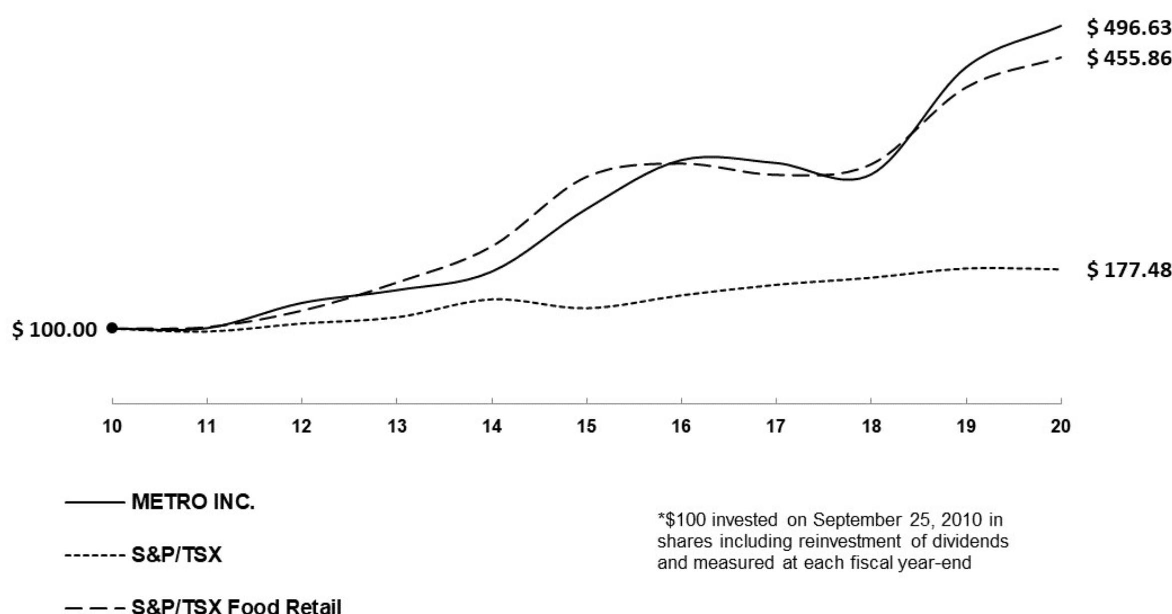
DIVIDEND

For the 26th consecutive year, the Corporation paid quarterly dividends to its shareholders. The annual dividend increased by 12.2%, to $0.8750 per share compared to $0.7800 in 2019, for total dividends of $220.7 million in 2020 compared to $198.9 million in 2019.

SHARE TRADING

The value of METRO shares remained in the $49.03 to $64.61 range throughout fiscal 2020 ($39.04 to $58.94 in 2019). A total of 156.7 million shares traded on the TSX during this fiscal year (139.6 million in 2019). The closing price on Friday, September 25, 2020 was $64.02, compared to $57.91 at the end of fiscal 2019. Since fiscal year-end, the value of METRO shares has remained in the $59.54 to $66.25 range. The closing price on November 27, 2020 was $60.06. METRO shares have maintained sustained growth over the last 10 years.

COMPARATIVE SHARE PERFORMANCE (10 YEARS)*



(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, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these litigations or the amount of potential losses. No accruals or provisions for contingent losses have been recognized in the Corporation's annual consolidated financial statements.

In February 2020, a proposed class action relating to opioids 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.

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 intends to contest this action on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

SOURCES OF FINANCING

Our operating activities generated in 2020 cash flows in the amount of $1,474.1 million. These cash flows were used to finance our investing activities, including $510.7 million in fixed asset and intangible asset acquisitions, to redeem shares for an amount of $217.2 million, to pay dividends of $220.7 million, to reimburse interest on debt of $107.1 million and to pay lease liabilities (principal and interest), nets of payments and interest received from subleases totalling $202.5 million, as well as to carry out other investing and financing activities.

[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"

At the end of fiscal 2020, our financial position mainly consisted of cash and cash equivalents in the amount of $441.5 million, an unused authorized Revolving Credit Facility of $600.0 million maturing in 2024, Series C Notes in the amount of $300.0 million maturing in 2021, Series F Notes in the amount of $300.0 million maturing in 2022, Series G Notes in the amount of $450.0 million maturing in 2027, Series B Notes in the amount of $400.0 million maturing in 2035, Series D Notes in the amount of $300.0 million maturing in 2044, Series H Notes in the amount of $450.0 million maturing in 2047 and Series I Notes in the amount of $400.0 million maturing in 2050.

We believe[3] that cash flows from next year's operating activities will be sufficient to finance the Corporation's current investing activities.

CONTRACTUAL OBLIGATIONS

Payment commitments by fiscal year (capital and interest)

(Millions of dollars)	Loans	Notes	Lease liabilities	Service contract commitments	Total
2021	21.7	104.7	306.3	100.2	532.9
2022	2.8	396.7	303.5	91.7	794.7
2023	3.4	388.4	298.1	70.5	760.4
2024	1.6	87.1	275.2	10.0	373.9
2025	1.3	87.1	241.7	6.4	336.5
2026 and thereafter	22.5	3,321.4	917.6	0.2	4,261.7
	53.3	4,385.4	2,342.4	279.0	7,060.1

RELATED PARTY TRANSACTIONS

During fiscal 2020, we supplied drugstores held by a member of the Board of Directors. These transactions were carried out in the normal course of business and recorded at exchange value. They are itemized in note 26 to the consolidated financial statements.

FOURTH QUARTER

(Millions of dollars, except for net earnings per share)	**2020**	2019	Change (%)
Sales	**4,143.6**	3,858.9	7.4
Operating income before depreciation and amortization and associate's earnings	**403.5**	321.6	25.5
Adjusted operating income before depreciation and amortization and associate's earnings[1]	**403.5**	321.6	25.5
Net earnings	**186.5**	167.4	11.4
Adjusted net earnings[1]	**193.1**	174.0	11.0
Fully diluted net earnings per share	**0.74**	0.66	12.1
Adjusted fully diluted net earnings per share[1]	**0.77**	0.68	13.2
Cash flows from:			
Operating activities	**415.8**	232.4	—
Investing activities	**(181.9)**	(146.1)	—
Financing activities	**(159.0)**	(76.2)	—

[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 RESULTS

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

SALES

Sales in the fourth quarter of fiscal 2020 reached $4,143.6 million, up 7.4% compared to $3,858.9 million in the fourth quarter of fiscal 2019. Excluding the impact of IFRS 16 *Leases* adopted in the first quarter of 2020, sales reached $4,156.1 million, up 7.7%. Food same-store sales were up 10.0% (4.1% in 2019). Online food sales were up 160% versus last year. Our food basket inflation was approximately 2.8% (2.8% in 2019). Pharmacy same-store sales were up 5.5% (3.4% in 2019), with a 5.3% increase in prescription drugs and a 6.0% increase in front-store sales.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

This earnings measurement excludes financial costs, taxes, depreciation and amortization and the gain on disposal of an 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 fourth quarter of fiscal 2020 totalled $403.5 million, or 9.7% of sales, versus $321.6 million, or 8.3% of sales for the corresponding quarter of fiscal 2019.

The adoption of IFRS 16 resulted in a $12.5 million decrease in sales related to sublease income for the fourth quarter of fiscal 2020, with an equivalent reduction in gross margin. The adoption of IFRS 16 also resulted in a decrease in operating expenses of $56.5 million for the fourth quarter of fiscal 2020, as lease payments are now recorded as a reduction of the lease liabilities. Together, these two elements had a favorable impact of $44.0 million on operating income before depreciation and amortization and associate’s earnings for the fourth quarter of fiscal 2020.

Impact of the adoption of IFRS 16	12 weeks / Fiscal Year					
(Millions of dollars)	**2020**	**IFRS 16**	**2020 excluding IFRS 16**	**% of sales**	2019	% of sales
Sales	**4,143.6**	**(12.5)**	**4,156.1**		3,858.9	
Operating income before depreciation and amortization and associate's earnings	**403.5**	**44.0**	**359.5**	**8.6**	321.6	8.3

No adjustment was recorded to operating income before depreciation and amortization and associate's earnings in the 2020 and 2019 fourth quarters. Excluding the impact of the adoption of IFRS 16, operating income before depreciation and amortization and associate's earnings for the fourth quarter of fiscal 2020 totalled $359.5 million, or 8.6% of sales compared with $321.6 million, or 8.3% of sales for the corresponding quarter of fiscal 2019.

Synergies related to the Jean Coutu acquisition generated for the fourth quarter of fiscal 2020 amounted to $16 million compared to $18 million (including a certain retroactive amount) for the corresponding quarter of fiscal 2019.

Gross margin on sales for the fourth quarter of fiscal 2020 were 20.2% (20.4% excluding the impact of the adoption of IFRS 16) versus 20.2% for the corresponding quarter of 2019.

Operating expenses as a percentage of sales for the fourth quarter of 2020 were 10.4% (11.8% excluding the impact of the adoption of IFRS 16) versus 11.9% for the corresponding quarter of fiscal 2019. The costs related to COVID-19 for the fourth quarter of fiscal 2020 were approximately $27 million.

[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"

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the fourth quarter of fiscal 2020 was $118.5 million, of which $35.1 million is an increase resulting from the adoption of IFRS 16, versus $68.5 million for the corresponding quarter of fiscal 2019. In the fourth quarter of 2020, we recorded accelerated amortization totalling $10.7 million, or $0.03 per share, related to the forthcoming opening of our new fresh product distribution centre in Ontario. We have not adjusted our 2020 earnings for this charge.

Net financial costs for the fourth quarter of 2020 were $30.8 million, of which $7.3 million is an increase resulting from the adoption of IFRS 16, compared with $23.4 million for the corresponding quarter of fiscal 2019.

INCOME TAXES

The income tax expense of $67.7 million for the fourth quarter of fiscal 2020 represented an effective tax rate of 26.6% compared with an income tax expense of $62.3 million in the fourth quarter of fiscal 2019 which represented an effective tax rate of 27.1%. The impact of the adoption of IFRS 16 on the fourth quarter of 2020 income tax expense is not significant.

NET EARNINGS AND ADJUSTED NET EARNINGS(1)

Net earnings for the fourth quarter of fiscal 2020 were $186.5 million compared with $167.4 million for the corresponding quarter of fiscal 2019, while fully diluted net earnings per share were $0.74 compared with $0.66 in 2019, up 11.4% and 12.1%, respectively. Excluding the specific items shown in the table below, adjusted net earnings(1) for the fourth quarter of fiscal 2020 totalled $193.1 million compared with $174.0 million for the corresponding quarter of fiscal 2019, and adjusted fully diluted net earnings per share(1) amounted to $0.77 versus $0.68, up 11.0% and 13.2%, respectively. The adoption of IFRS 16 had an insignificant impact on the fourth quarter of 2020 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	**186.5**	**0.74**	167.4	0.66	11.4	12.1
Amortization of intangible assets acquired in connection with the Jean Coutu Group acquisition, after taxes	**6.6**		6.6			
Adjusted net earnings(1)	**193.1**	**0.77**	174.0	0.68	11.0	13.2

(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

(Millions of dollars, unless otherwise indicated)	12 weeks / Fiscal Year			
	2020	**IFRS 16**	**2020** excluding IFRS 16	2019
Sales	**4,143.6**	**(12.5)**	**4,156.1**	3,858.9
Operating income before depreciation and amortization and associate's earnings	**403.5**	**44.0**	**359.5**	321.6
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**403.5**	**44.0**	**359.5**	321.6
Depreciation	**118.5**	**(35.1)**	**83.4**	68.5
Net financial costs	**30.8**	**(7.3)**	**23.5**	23.4
Income taxes	**67.7**	**(0.4)**	**67.3**	62.3
Net earnings	**186.5**	**1.2**	**185.3**	167.4
Adjusted net earnings[1]	**193.1**	**1.2**	**191.9**	174.0
Fully diluted net earnings per share *(Dollars)*	**0.74**	**—**	**0.74**	0.66
Adjusted fully diluted net earnings per share[1] *(Dollars)*	**0.77**	**—**	**0.77**	0.68

CASH POSITION

Operating activities

Operating activities generated cash inflows of $415.8 million in the fourth quarter of fiscal 2020 compared with $232.4 million for the corresponding quarter of fiscal 2019. This difference resulted primarily from the significant increase in earnings in the fourth quarter of fiscal 2020, the change in non-cash working capital items as well as, from payments and interests received in respect of subleases reclassified to investing activities and payments and interests in respect of lease liabilities reclassified to financing activities in 2020 following the adoption of IFRS 16 as well as a significant contribution to a pension plan in 2019.

Investing activities

Investing activities required cash outflows of $181.9 million in the fourth quarter of fiscal 2020 compared with $146.1 million for the corresponding quarter of fiscal 2019. This difference stemmed mainly from the higher fixed assets and investment properties additions of $52.7 million in 2020.

Financing activities

In the fourth quarter of 2020, financing activities required cash outflows of $159.0 million compared with $76.2 million in the corresponding quarter of 2019. This difference resulted mainly from payments and interests on lease liabilities of $53.7 million reclassified from operating activities in 2020 following the adoption of IFRS 16.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation adopted a financial risk management policy, approved by the Board of Directors in April 2010 and amended in 2019, setting forth guidelines relating to its use of derivative financial instruments. These guidelines prohibit the use of derivatives for speculative purposes. During fiscal 2020, the Corporation used derivative financial instruments as described in notes 2 and 28 to the consolidated financial statements.

[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"

NEW ACCOUNTING STANDARDS

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 for 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. Comparative period numbers have not been restated.

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, lease liabilities have been measured at the present value of the remaining lease payments and right-of-use assets have been measured using the modified retrospective approach. The discount rate used was 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 related to subleases that should 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 assessment performed immediately before the initial application date to determine whether a lease is onerous, instead of performing a review of the impairment of the right-of-use assets.
- Exclude leases expiring within 12 months of the initial application date.
- 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.

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

Increase (Decrease)	**As at September 29, 2019**
ASSETS	
Current assets	
Accounts receivable 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 receivable 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 $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.

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 lease term was 9 years as at September 29, 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"

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)
Renewal 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**
Total lease liabilities	**2,199.8**

The impact of the adoption of IFRS 16 on the results for fiscal year ended September 26, 2020 was as follows:

Increase (Decrease)		Description
Sales and gross margin	(54.2)	Sublease income now accounted as interest income and accounts receivable on subleases
Occupancy charges	(244.6)	Rental expense replaced by depreciation and financial costs
Depreciation	149.2	Depreciation of right-of-use assets
Financial costs	33.5	Interest expense on lease liabilities net of interest income on subleases
Earnings before income taxes	7.7	IFRS 16 impact before income taxes
Income taxes	2.0	
Net earnings	5.7	IFRS 16 net impact
Net earnings per share - Fully diluted	0.02	Diluted net earnings per share impact

The net financial costs included the financial costs of $49.5 million related to lease liabilities and the interest revenues of $16.0 million on subleases classified as finance leases for fiscal 2020.

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.

(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"

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 annual report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained in this report that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as "annualize", "continue", “anticipate”, "believe", "expect", "estimate" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained in this report are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2021 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 this annual report that 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 realization of forward-looking statements contained in this document.

We believe these statements to be reasonable and relevant as at the date of publication of this report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

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"

CONTROLS AND PROCEDURES

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

An evaluation was completed under their supervision in order to measure the effectiveness of DC&P and ICFR. Based on this evaluation, the President and Chief Executive Officer and the Executive Vice President, Chief Financial Officer and Treasurer of the Corporation concluded that the DC&P and the ICFR were effective as at the end of the fiscal year ended September 26, 2020.

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

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

SIGNIFICANT JUDGMENTS AND ESTIMATES

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

JUDGMENTS

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

Consolidation of structured entities

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

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

The Corporation also has an agreement with a third party that operates a plant exclusively for the needs and according to the specifications of the Corporation, which assumes all costs and control the plant's main activities. For these reasons, the Corporation consolidates it in the Corporation's financial statements.

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The reportable operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic

[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"

characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 13 and 14 to the annual consolidated financial statements.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 23 to the annual consolidated financial statements.

Leases

The application of IFRS 16 requires the use of estimates that affect the measurement of right-of-use-assets and lease liabilities, including the appropriate discount rate used to measure lease liabilities. The Corporation discounts lease payments at its incremental borrowing rate, which is based on estimates of the risk-free interest rate, credit spreads and lease terms. In addition, it assesses the duration of the lease based on the terms of the contract and the renewal options it has reasonable certainty to exercise. A change in these assumptions could affect the amounts recorded. The key assumptions are disclosed in note 12.

RISK MANAGEMENT

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

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

FOOD SAFETY

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

To counter these risks, we apply very strict food safety procedures and controls throughout the whole distribution chain. Employees receive continuous training in this area from Metro's *L'École des professionnels*. Our main meat distribution facilities are *Hazard Analysis and Critical Control Point (*HACCP) accredited, the industry's highest

[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"

international standard. Our systems also enable us to trace every meat product distributed from any of our main distribution centres to its consumer point of sale.

CRISIS MANAGEMENT

Events beyond our control that could seriously affect the continuity of our operations may arise. We have set up business continuity plans for all our operations. These plans provide for some disaster alternative physical sites, generators in case of power outages and back-up computers as powerful as the Corporation's existing computers. A steering committee oversees our business continuity plans and their objectives, and ensures their regular review.

Amid the current pandemic environment, we have created a strategic committee responsible for overseeing the management and coordination of the actions required to protect the Corporation's employees, customers and partners from the effects of COVID-19. This committee is composed of executives from the Corporation's various business units.

COMPUTER SYSTEMS

We rely on various computer systems that are necessary for our business activities and we could have to deal with certain security risks, notably cyberattacks, which could harm the availability and integrity of the systems or compromise data privacy.

In the normal course of business, we gather information that is confidential in nature concerning our customers, suppliers, employees, partners and loyalty program participants. Personal and confidential data is also gathered from customers who do business with the drugstores affiliated to one of our banners. Furthermore, the online shopping sites represent an additional risk with respect to the security of our systems. As a result, we are even more exposed to the risk of cyberattacks aimed at stealing information or interrupting our computer systems.

A system breakdown could have a major impact on our business operations, while a cyberattack or an intrusion into our systems could result in unauthorized persons altering our systems or gaining access to sensitive and confidential information and then using or damaging it. Such situations could also affect third parties who provide essential services to our operations or who store confidential information. These events could have a negative impact on our customers and partners that could result in financial losses, reducing our competitive advantage or tarnishing our reputation.

In order to mitigate these risks, management deployed various technological security measures, which include a high-availability environment for all of its critical systems, and has set up processes, procedures and controls related to the various systems concerned. A committee comprised of executives from the Corporation oversees cybersecurity activities, including Information Security Service activities. This service sets up and coordinates prevention, detection and remediation measures in the area of cybersecurity. Cybersecurity measures include, among others, setting up strong controls with respect to systems access and hiring a specialized firm to carry out occasional intrusion tests. We have also implemented an information security awareness and training program for our employees.

No significant incident attributable to the Corporation's technology occurred over the past fiscal year. Considering the rapid evolution of risks with respect to cybersecurity as well as the complexity of threats, we cannot guarantee that the measures taken, by the Corporation and third parties it deals with, will be sufficient to prevent or detect a cyberattack. In that regard, we stay current with the latest information security trends and practices in order to take proactive action.

LABOUR RELATIONS

The majority of our store and distribution centre employees are unionized. Collective bargaining may give rise to work stoppages or slowdowns that could negatively impact the Corporation. We negotiate collective agreements with different maturity dates and conditions that ensure our competitiveness, and terms that promote a positive work environment in all our business segments. We develop contingency plans to minimize the impact of possible labour conflicts. We have experienced some labour conflicts over the last few years and we expect[3] to maintain good labour relations in the future.

(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"

OCCUPATIONAL HEALTH AND SAFETY

Workplace accidents may occur at any of our sites. To minimize this risk, we have developed a worked-related accident prevention policy. Furthermore, at all of our sites, we have workplace health and safety committees responsible for setting-up action and accident prevention plans.

HIRING, EMPLOYEE RETENTION AND ORGANIZATION STRUCTURE

Our recruitment program, salary structure, performance evaluation programs, succession plan and training plan all entail risks which could negatively impact our capacity to execute our strategic plan as well as our ability to attract and retain necessary qualified resources to sustain the Corporation's growth and success. We have proven practices to attract the professionals necessary for our operations. Our performance evaluation practices are supervised by our human resources department. Our salary structure is regularly reviewed in order to ensure that we remain competitive on the market. We have a succession plan in place to ensure we have well-identified resources for the Corporation's key positions.

CORPORATE RESPONSIBILITY

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

In order to go beyond its role of distributor and become an active player in sustainable development, the Corporation introduced in 2010 its Corporate Responsibility Roadmap. Closely linked to our business strategy, our approach is built on four pillars: Delighted Customers, Respect for the Environment, Strengthened Communities and Empowered Employees, all of which involve priorities. Since then, the Corporation has issued annual reports with status updates on the various projects. For more information, visit *metro.ca/Corporate Responsibility*.

REGULATIONS

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

With the acquisition of Jean Coutu Group, the Corporation is relying on prescription drug sales for a more significant portion of its sales and operating income. The pharmacy activities are exposed to risks related to the regulated nature of some of our activities and the activities of our pharmacist/owner franchisees.

Any changes to laws and regulations or policies regarding the Corporation's activities could have a material adverse effect on its performance and on the sales growth. Processes are in place to ensure our compliance as well as to monitor any and all changes to the laws and regulations in effect and any new laws and regulations.

MARKET, COMPETITION AND PRICES

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

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

Increased competition could lead to pressure on retail prices and margins. As a result, we adopt innovative marketing strategies to better meet the evolving needs of consumers and protect our market shares.

We have also developed a successful market segmentation strategy. Our grocery banners: the conventional Metro supermarkets, Super C and Food Basics discount banners, and Adonis international food stores, target three different market segments. The Première Moisson banner is specialized in bakery, pastry, deli products and other food offerings prepared on an artisanal basis and respectful of great traditions.

[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"

In the pharmacy market, we have large, medium, and small drugstores under the Jean Coutu, Brunet, Metro Pharmacy, and Food Basics Pharmacy banners. We acquired in 2018 the Jean Coutu Group which operates a network of 414 franchised drugstores in Québec, New Brunswick and Ontario under the PJC Jean Coutu, PJC Santé and PJC Santé Beauté banners.

With the *metro&moi* and *Air Miles®* loyalty programs in our Metro and Metro Plus supermarkets and our Jean Coutu drugstore network, we are able to know the buying habits of loyal customers, offer them personalized promotions so as to increase their purchases at our stores.

Our online grocery service, websites and various mobile applications are part of the Corporation's overall digital strategy, which aims to position METRO as the retailer that offers the food experience most suited to the needs and behaviors of consumers.

MODERNIZATION OF OUR DISTRIBUTION FACILITIES

Investments in the modernization of our distribution centres in Québec and Ontario translate into large-scale projects. Poor management of human, material and financial resources could turn into significant costs and not meet our objective. Efficient project management and adequate change management of these new technologies, including automation, will allow us to achieve the expected results according to our business plan.

PRICE OF FUEL, ENERGY AND UTILITIES

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

SUPPLIERS

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

FRANCHISEES AND AFFILIATES

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

FINANCIAL INSTRUMENTS

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

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

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

[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"

JEAN COUTU GROUP ACQUISITION

The successful combination with the Jean Coutu Group's activities requires significant efforts from the Corporation's management. Ineffective change management and poor integration decisions could cause disruptions to the pharmacy activities of the Corporation. Failure to successfully execute enterprise integration, to realize the anticipated strategic benefits or the synergies associated with this acquisition could adversely affect the reputation, operations or financial performance of the Corporation. A project management office, under the leadership of the Corporation’s management, ensures that all directions and decisions are aligned with the realization of anticipated strategic benefits.

Montréal, Canada, December 11, 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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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

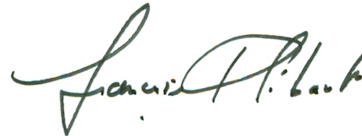
The preparation and presentation of the consolidated financial statements of METRO INC. and the other financial information contained in this Annual Report are the responsibility of management. This responsibility is based on a judicious choice of appropriate accounting principles and policies, the application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

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

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

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

Eric La Flèche
President and Chief Executive Officer



François Thibault
Executive Vice President,
Chief Financial Officer and Treasurer

November 17, 2020

INDEPENDENT AUDITORS' REPORT

To the shareholders of **METRO INC.**

Opinion

We have audited the consolidated financial statements of METRO INC. and its subsidiaries (the “Group”), which comprise the consolidated statements of financial position as at September 26, 2020 and September 28, 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 26, 2020 and September 28, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- The information included in the Management’s Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor’s report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor’s report. If, based on the work we will perform on the Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Martine Quintal.

Ernst & Young LLP[1]

Montréal, Canada
November 17, 2020

[1] CPA auditor, CA, public accountancy permit no. A112005

A member firm of Ernst & Young Global Limited

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Annual Consolidated Financial Statements

METRO INC.

September 26, 2020

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Consolidated statements of income

Years ended September 26, 2020 and September 28, 2019
(Millions of dollars, except for net earnings per share)

	2020	2019
Sales *(notes 5 and 26)*	**17,997.5**	16,767.5
Cost of sales and operating expenses *(notes 5 and 26)*	**(16,306.4)**	(15,416.0)
Loss on disposal of a subsidiary *(notes 5 and 14)*	**(7.5)**	—
Retail network restructuring expenses *(notes 5 and 18)*	**—**	(36.0)
Gain on divestiture of pharmacies *(note 5)*	**—**	6.0
Operating income before depreciation and amortization and associate's earnings	**1,683.6**	1,321.5
Depreciation and amortization *(note 5)*	**(462.5)**	(286.4)
Financial costs, net *(note 5)*	**(136.8)**	(103.8)
Gain on disposal of an investment in an associate *(notes 5 and 15)*	**—**	36.4
Gain on revaluation and disposal of an investment at fair value *(notes 5 and 9)*	**—**	1.5
Earnings before income taxes	**1,084.3**	969.2
Income taxes *(note 6)*	**(287.9)**	(254.8)
Net earnings	**796.4**	714.4
Attributable to:		
Equity holders of the parent	**795.2**	711.6
Non-controlling interests	**1.2**	2.8
	796.4	714.4
Net earnings per share *(Dollars) (notes 7 and 21)*		
Basic	**3.15**	2.79
Fully diluted	**3.14**	2.78

See accompanying notes

Consolidated statements of comprehensive income

Years ended September 26, 2020 and September 28, 2019

(Millions of dollars)

	2020	2019
Net earnings	**796.4**	714.4
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial losses	**(15.5)**	(97.9)
Asset ceiling effect	**(0.3)**	4.3
Minimum funding requirement	**0.8**	(0.6)
Loss on disposal of an investment at fair value *(note 9)*	**—**	(1.3)
Corresponding income taxes	**4.1**	25.2
	(10.9)	(70.3)
Comprehensive income	**785.5**	644.1
Attributable to:		
Equity holders of the parent	**784.3**	641.3
Non-controlling interests	**1.2**	2.8
	785.5	644.1

See accompanying notes

Consolidated statements of financial position

As at September 26, 2020 and September 28, 2019

(Millions of dollars)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	**441.5**	273.4
Accounts receivable *(notes 15 and 26)*	**641.8**	611.2
Accounts receivable on subleases *(note 12)*	**88.0**	—
Inventories *(note 8)*	**1,268.2**	1,126.0
Prepaid expenses	**45.0**	33.2
Current taxes	**16.0**	44.5
	2,500.5	2,088.3
Non-current assets		
Fixed assets *(note 10)*	**2,860.8**	2,657.8
Investment properties *(note 11)*	**40.2**	41.5
Right-of-use assets *(note 12)*	**1,150.5**	—
Intangible assets *(note 13)*	**2,850.2**	2,889.0
Goodwill *(note 14)*	**3,300.7**	3,306.5
Deferred taxes *(note 6)*	**43.5**	2.8
Defined benefit assets *(note 23)*	**19.7**	25.6
Accounts receivable on subleases *(note 12)*	**596.3**	—
Other assets *(note 15)*	**61.5**	62.4
	13,423.9	11,073.9
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans *(note 16)*	**0.4**	—
Accounts payable *(note 17)*	**1,458.9**	1,331.4
Deferred revenues	**38.0**	22.3
Current taxes	**81.7**	33.3
Provisions *(note 18)*	**2.5**	10.9
Current portion of debt *(note 19)*	**20.6**	428.6
Current portion of lease liabilities *(note 12)*	**258.0**	—
Non-controlling interest *(note 28)*	**—**	51.1
	1,860.1	1,877.6
Non-current liabilities		
Debt *(note 19)*	**2,612.0**	2,229.0
Lease liabilities *(note 12)*	**1,811.4**	—
Defined benefit liabilities *(note 23)*	**129.9**	113.0
Provisions *(note 18)*	**19.2**	30.2
Deferred taxes *(note 6)*	**833.9**	842.7
Other liabilities *(note 20)*	**2.0**	12.8
	7,268.5	5,105.3
Equity		
Attributable to equity holders of the parent	**6,142.2**	5,955.2
Attributable to non-controlling interests	**13.2**	13.4
	6,155.4	5,968.6
	13,423.9	11,073.9

Commitments and contingencies *(notes 24 and 25)*

See accompanying notes

On behalf of the Board

ERIC LA FLÈCHE
Director

RUSSELL GOODMAN
Director

Consolidated statements of changes in equity

Years ended September 26, 2020 and September 28, 2019

(Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 21)*	Treasury shares *(note 21)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
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	**—**	**—**	**—**	**795.2**	**—**	**795.2**	**1.2**	**796.4**
Other comprehensive income (loss)	**—**	**—**	**—**	**(10.9)**	**—**	**(10.9)**	**—**	**(10.9)**
Comprehensive income	**—**	**—**	**—**	**784.3**	**—**	**784.3**	**1.2**	**785.5**
Stock options exercised	**8.2**	**—**	**(1.0)**	**—**	**—**	**7.2**	**—**	**7.2**
Shares redeemed	**(26.7)**	**—**	**—**	**—**	**—**	**(26.7)**	**—**	**(26.7)**
Share redemption premium	**—**	**—**	**—**	**(190.5)**	**—**	**(190.5)**	**—**	**(190.5)**
Acquisition of treasury shares	**—**	**(6.2)**	**—**	**—**	**—**	**(6.2)**	**—**	**(6.2)**
Share-based compensation cost	**—**	**—**	**9.5**	**—**	**—**	**9.5**	**—**	**9.5**
Performance share units settlement	**—**	**5.7**	**(5.5)**	**(0.2)**	**—**	**—**	**—**	**—**
Dividends	**—**	**—**	**—**	**(220.7)**	**—**	**(220.7)**	**(1.4)**	**(222.1)**
Adoption of IFRS 16 "*Leases*" *(note 3)*	**—**	**—**	**—**	**(169.4)**	**—**	**(169.4)**	**—**	**(169.4)**
Change in fair value of non-controlling interest liability *(note 28)*	**—**	**—**	**—**	**(0.5)**	**—**	**(0.5)**	**—**	**(0.5)**
	(18.5)	**(0.5)**	**3.0**	**(581.3)**	**—**	**(597.3)**	**(1.4)**	**(598.7)**
Balance as at September 26, 2020	**1,713.8**	**(25.1)**	**22.2**	**4,431.3**	**—**	**6,142.2**	**13.2**	**6,155.4**

See accompanying notes

Consolidated statements of changes in equity

Years ended September 26, 2020 and September 28, 2019

(Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 21)*	Treasury shares *(note 21)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
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	—	—	—	711.6	—	711.6	2.8	714.4
Other comprehensive income (loss)	—	—	—	(70.3)	—	(70.3)	—	(70.3)
Comprehensive income	—	—	—	641.3	—	641.3	2.8	644.1
Stock options exercised	28.0	—	(4.0)	—	—	24.0	—	24.0
Shares redeemed	(19.8)	—	—	—	—	(19.8)	—	(19.8)
Share redemption premium	—	—	—	(126.1)	—	(126.1)	—	(126.1)
Acquisition of treasury shares	—	(5.6)	—	—	—	(5.6)	—	(5.6)
Share-based compensation cost	—	—	8.6	—	—	8.6	—	8.6
Performance share units settlement	—	5.9	(5.7)	(0.2)	—	—	—	—
Dividends	—	—	—	(198.9)	—	(198.9)	(2.1)	(201.0)
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 *(note 28)*	—	—	—	(11.1)	—	(11.1)	(0.7)	(11.8)
Sales of shares in joint ventures	—	—	—	—	—	—	0.2	0.2
	8.2	0.3	(1.1)	(331.4)	(4.9)	(328.9)	(2.6)	(331.5)
Balance as at September 28, 2019	1,732.3	(24.6)	19.2	4,228.3	—	5,955.2	13.4	5,968.6

See accompanying notes

Consolidated statements of cash flows

Years ended September 26, 2020 and September 28, 2019
(Millions of dollars)

	2020	2019
Operating activities		
Earnings before income taxes	**1,084.3**	969.2
Non-cash items		
Gain on disposal of an investment in an associate *(note 15)*	**—**	(36.4)
Gain on revaluation and disposal of an investment at fair value *(note 9)*	**—**	(1.5)
Loss on disposal of a subsidiary *(note 14)*	**7.5**	—
Gain on divestiture of pharmacies *(note 5)*	**—**	(6.0)
Depreciation and amortization	**462.5**	286.4
Gain on disposal and write-offs of fixed and intangible assets and investment properties	**(4.5)**	(0.8)
Impairment losses on fixed assets and right-of-use assets	**3.0**	2.1
Impairment loss reversals on fixed and intangible assets	**—**	(0.1)
Share-based compensation cost	**9.5**	8.6
Difference between amounts paid for employee benefits and current year cost	**3.8**	(35.1)
Retail network restructuring expenses *(note 18)*	**—**	36.0
Financial costs, net	**136.8**	103.8
	1,702.9	1,326.2
Net change in non-cash working capital items	**(34.5)**	(54.5)
Income taxes paid	**(194.3)**	(477.1)
	1,474.1	794.6
Investing activities		
Net proceeds on disposal of a subsidiary *(note 14)*	**3.5**	—
Proceeds on disposal of an investment in an associate *(note 15)*	**—**	59.0
Proceeds on divestiture of pharmacies *(note 5)*	**—**	14.0
Sale of shares in joint ventures	**—**	0.2
Buyout of a minority interest *(note 28)*	**(51.6)**	—
Net change in other assets	**0.8**	9.2
Additions to fixed assets and investment properties	**(463.3)**	(356.9)
Disposals of fixed assets and investment properties	**12.4**	5.4
Additions to intangible assets	**(47.4)**	(39.4)
Payments received from subleases	**85.6**	—
Interests received from subleases	**15.9**	—
	(444.1)	(308.5)
Financing activities		
Net change in bank loans	**0.4**	(0.1)
Shares issued *(note 21)*	**7.2**	24.0
Shares redeemed *(note 21)*	**(217.2)**	(145.9)
Acquisition of treasury shares *(note 21)*	**(6.2)**	(5.6)
Increase in debt	**413.1**	46.6
Repayment of debt	**(428.7)**	(53.9)
Interest paid on debt *(note 29)*	**(107.1)**	(106.9)
Payment of lease liabilities (principal)	**(252.9)**	—
Payment of lease liabilities (interest)	**(51.1)**	—
Net change in other liabilities	**1.3**	1.1
Dividends *(note 22)*	**(220.7)**	(198.9)
	(861.9)	(439.6)
Net change in cash and cash equivalents	**168.1**	46.5
Cash and cash equivalents – beginning of year	**273.4**	226.9
Cash and cash equivalents – end of year	**441.5**	273.4

See accompanying notes

1. DESCRIPTION OF BUSINESS

METRO INC. (the Corporation), incorporated under the laws of Québec, is 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 pharmaceutical operations, are combined into one reportable operating segment due to the similar nature of their operations (see note 4).

2. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, as well as those of structured entities (notes 4 and 26). All intercompany transactions and balances were eliminated on consolidation.

Sales recognition

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

Recognition of considerations from vendors

Cash considerations from vendors are considered as an adjustment to the vendor's product pricing and are therefore characterized as a reduction of cost of sales and related inventories when recognized in the consolidated financial statements.

Loyalty programs

The Corporation has two loyalty programs.

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

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

Revenue from contracts with customers

Revenue from contracts with customers are accounted for when control of goods or services is transferred to the customer. Retail sales of corporate stores and stores that qualify as structured entities are recorded at the time of sale to the consumer. Sales to unconsolidated affiliated or franchised stores and other customers are recorded when the goods are delivered to them. Discounts granted by the Corporation are recorded as a reduction in revenue.

Foreign currency translation

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

Income taxes

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

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

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

Share-based payment

A share-based compensation expense is recognized for the stock option and performance share unit (PSU) plans offered to certain employees as well as a deferred share unit (DSU) plan offered to directors.

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

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

The compensation expense and corresponding liability for the DSU plan are recognized on the grant date and determined based on the grant date market value of the Corporation’s Common Shares. The DSU liability is included in accounts payable and is periodically adjusted to reflect any changes in the stock market valuation of the Corporation’s Common Shares.

Net earnings per share

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, highly liquid investments (with an initial term of three months or less) and outstanding deposits. They are classified as “Financial assets at fair value through net earnings”.

Accounts receivable

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

Inventories

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

Investment in a joint venture

The Corporation has an investment in a joint venture, whereby the venturers have a contractual agreement that establishes joint control over the economic activity of the entity. The investment is accounted for using the equity method and is presented in other assets.

Fixed assets

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

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

Leases

Policy in effect prior to September 29, 2019:

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

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

Policy in effect as of September 29, 2019:

For the year ended September 26, 2020, the Corporation adopted IFRS 16, *Leases*. The accounting standards that were applied are disclosed Note 3.

Investment properties

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

Intangible assets

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

Leasehold rights	20 to 40 years
Software	3 to 7 years
Retail network retention premiums	5 to 30 years
Customer relationships	10 to 27 years

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

Goodwill

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

Impairment of non financial assets

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

Impairment testing is conducted at the level of the asset itself, a cash generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each store is a separate CGU. Impairment testing of warehouses is conducted at the level of the different groups of CGUs. Impairment testing of common assets is conducted at the level of the smallest CGU to which assets have been allocated. Impairment testing of goodwill resulting from a business acquisition is conducted at the level of the smallest CGU to which the goodwill relates. Impairment testing of investment properties, banners, private labels and loyalty programs is conducted at the level of the asset itself.

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

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

Employee benefits

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

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

- Defined benefit obligations and the cost of pension, ancillary retirement benefits and other long-term benefits earned by participants are determined from actuarial calculations according to the projected credit unit method. The calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation and expected health care costs.
- Defined benefit obligations are discounted using high-quality corporate bond yield rates with cash flows that match the timing and amount of expected benefit payments.
- Defined benefit plan assets or liabilities recognized in the consolidated statement of financial position correspond to the difference between the present value of defined benefit obligations and the fair value of plan assets. In the case of a surplus funded plan, these assets are limited at the lesser of the actuarial value determined for accounting purposes or the value of the future economic benefit by way of surplus refunds or contribution holidays. Furthermore, an additional liability could be recorded when minimum funding requirements for past services exceed economic benefits available.

- The interest expense on defined benefit obligations, on the asset ceiling and on the minimum funding requirement is net of interest income on plan assets, which is calculated by applying the same rate used to evaluate the obligations, and is recognized as financing costs.
- Actuarial gains or losses on pension plans and ancillary post-employment benefits arise from changes to current year end actuarial assumptions used to determine the defined benefit obligations. They also arise from variances between the experience adjustments of the plans for the current year and the assumptions defined at the end of the previous fiscal year to determine the employee benefit expense for the current fiscal year and the defined benefit obligations at the previous fiscal year end.
- Remeasurements of defined benefit net liabilities include actuarial gains or losses, the yield on plan assets, and asset ceiling and minimum funding requirement changes, excluding the amount already recorded in net interest. Remeasurements are recognized under other comprehensive income during the period in which they occur and reclassified from accumulated other comprehensive income to retained earnings at the end of each period.
- Actuarial gains or losses related to other long-term employee benefits are recognized in full immediately in net earnings.
- Past service amendment costs are recognized immediately in net earnings.
- Defined contribution plan costs, including those of multi-employer plans, are recorded when the contributions are due. As sufficient information to reliably determine multi-employer defined benefit plan obligations and assets is not available and as there is no actuarial valuation according to IFRS, these plans are accounted for as defined contribution plans and the Corporation participation is limited to the negotiated contributions. The vast majority of the Corporation's contributions to multi-employer plans are paid into the Canadian Commercial Workers Industry Pension Plan (CCWIPP). The Corporation and its franchisees represent approximately 25% of the Plan’s total number of participants.

Deferred revenues

The portion of revenue that is unearned is recorded in deferred revenues when payments are received. This includes prepayments received by the Corporation for future periods for which revenue is recognized when the goods are delivered or services are rendered. Deferred revenues also include loyalty points issued as part of the Corporation’s loyalty programs and gift cards outstanding as at year end for which revenue is recognized upon redemption.

Provisions

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

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

Other financial liabilities

Bank loans, accounts payable, the revolving credit facility, notes and loans payable are classified as “Liabilities measured at amortized cost” and initially measured at fair value less financing costs. They are subsequently measured at amortized cost using the effective interest method.

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

Non-controlling interests

Non-controlling interests are recognized in equity.

Financial instruments

Financial assets and liabilities are recognized when the Corporation becomes a party to the contractual provisions of a financial instrument. Upon initial recognition, financial instruments are measured at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified

as fair value through profit or loss (FVTPL). Subsequently, financial assets are measured on the basis of their classification, which is included in one of the following categories: at amortized cost, at fair value through other comprehensive income (FVOCI), and at FVTPL.

Financial assets that are not designated as FVTPL upon initial recognition, are classified and measured at amortized cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and the contractual terms give rise, on specified dates, to cash flows that correspond only to payments of principal and interest. Otherwise, they are classified and measured at FVOCI, as long as the asset is held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, and the contractual terms, on specified dates, give rise to cash flows that correspond only to payments of principal and interest. Classification and measurement of financial liabilities are based on amortized cost or FVTPL.

In summary, the Corporation's assets and liabilities are classified and measured valued as follows:

- Cash and cash equivalents are classified and measured at amortized cost;
- Accounts receivable, accounts receivable on subleases and loans to certain customers are classified and measured at amortized cost;
- The investment at fair value is classified and measured at FVOCI;
- Bank loans, accounts payable except deferred revenues, the revolving credit facility, notes and loans are classified and measured at amortized cost;
- Non-controlling interests are classified and measured at FVTPL. Gains and losses from the remeasurement at the end of each period are recorded through retained earnings;
- Derivative financial instruments that are not designated as hedges are classified and measured at FVTPL.

Impairment of financial assets

At the end of each reporting period, the Corporation estimates expected credit losses (ECL) based on lifetime credit losses. ECLs are adjusted for factors specific to receivables, receivables on subleases and loans to certain customers, the general economic condition and an assessment of the current and expected economic conditions at the reporting date, including the time value of the money, if applicable. The measurement is carried out using the simplified method for cash and current assets and the general method for loans. The net change in ECLs on receivables, receivables on subleases and loans to certain customers is recorded in net income.

Derivative financial instruments

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

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

The Corporation could use foreign exchange forward contracts, cross currency interest rate swaps and equity forward transaction. Given their short-term maturity, the Corporation elected not to apply hedge accounting. These derivative financial instruments are classified as "Financial assets or liabilities measured at FVTPL" and measured at fair value with revaluation at the end of each period. Resulting gains or losses are recorded in net earnings.

Fiscal year

The Corporation's fiscal year ends on the last Saturday of September. The fiscal years ended September 26, 2020 and September 28, 2019 included 52 weeks of operations.

3. NEW ACCOUNTING STANDARDS

ACCOUNTING STANDARDS 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 for 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. Comparative period numbers have not been restated.

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, lease liabilities have been measured at the present value of the remaining lease payments and right-of-use assets have been measured using the modified retrospective approach. The discount rate used was 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 related to subleases that should 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 assessment performed immediately before the initial application date to determine whether a lease is onerous, instead of performing a review of the impairment of the right-of-use assets.
- Exclude leases expiring within 12 months of the initial application date.
- 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:

Increase (Decrease)	**As at September 29, 2019**
ASSETS	
Current assets	
Accounts receivable 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 receivable 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 $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 lease term 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)
Renewal 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**
Total lease liabilities	**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.

4. SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the recognition and valuation of assets, liabilities, sales, other income and expenses. These estimates and assumptions are based on historical experience and other factors deemed relevant and reasonable

and are reviewed at every closing date. The use of different estimates could produce different amounts in the consolidated financial statements. Actual results may differ from these estimates.

JUDGMENTS

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

Consolidation of structured entities

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

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

The Corporation also has an agreement with a third party that operates a plant exclusively for the needs and according to the specifications of the Corporation, which assumes all costs and control the plant's main activities. For these reasons, the Corporation consolidates it in the Corporation's financial statements.

Determination of the aggregation of operating segments

The Corporation uses judgment in determining the aggregation of business segments. The reportable operating segment comprises the food operations segment and the pharmaceutical operations segment. The Corporation has aggregated these two business segments due to the similar nature of their goods and services and similar economic characteristics: operations are carried on primarily in Québec and Ontario and are therefore subject to the same regulatory environment and competitive and economic market pressures, use the same product distribution methods and serve the same customers.

ESTIMATES

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

Impairment of assets

In testing for impairment of intangible assets with indefinite useful lives and goodwill, value in use and fair value less costs of disposal are estimated using the discounted future cash flows model, the capitalized excess earnings before financial costs and taxes (EBIT) and royalty-free license methods. These methods are based on various assumptions, such as the future cash flows estimate, excess EBIT, royalty rates, discount rate, earnings multiples and growth rates. The key assumptions are disclosed in notes 13 and 14.

Pension plans and other plans

Defined pension plans, ancillary retirements and other long-term benefits obligations and costs associated to these obligations are determined from actuarial calculations according to the projected credit unit method. These calculations are based on management's best assumptions relating to salary escalation, retirement age of participants, inflation rate and expected health care costs. The key assumptions are disclosed in note 23.

Leases

The application of IFRS 16 requires the use of estimates that affect the measurement of right-of-use-assets and lease liabilities, including the appropriate discount rate used to measure lease liabilities. The Corporation discounts lease payments at its incremental borrowing rate, which is based on estimates of the risk-free interest rate, credit spreads and lease terms. In addition, it assesses the duration of the lease based on the terms of the contract and the renewal options it has reasonable certainty to exercise. A change in these assumptions could affect the amounts recorded. The key assumptions are disclosed in note 12.

5. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	2020	%	2019	%
Sales	**17,997.5**		16,767.5	
Cost of sales	**(14,415.7)**		(13,438.8)	
Gross margins	**3,581.8**	**19.9**	3,328.7	19.9
Operating expenses				
Wages and fringe benefits	**(954.9)**		(880.6)	
Employee benefits expense *(note 23)*	**(96.9)**		(85.8)	
Rent and occupancy charges *(notes 3 et 12)*	**(296.2)**		(529.2)	
Retail network restructuring expenses *(note 18)*	**—**		(36.0)	
Gain on divestiture of pharmacies	**—**		6.0	
Loss on disposal of a subsidiary *(note 14)*	**(7.5)**		—	
Other	**(542.7)**		(481.6)	
	(1,898.2)	**10.5**	(2,007.2)	12.0
Operating income before depreciation and amortization and an associate's earnings	**1,683.6**	**9.4**	1,321.5	7.9
Depreciation and amortization				
Fixed assets *(note 10)*	**(232.3)**		(210.3)	
Investment properties *(note 11)*	**(0.6)**		(0.7)	
Right-of-use assets *(note 12)*	**(154.2)**		—	
Intangible assets *(note 13)*	**(75.4)**		(75.4)	
	(462.5)		(286.4)	
Financial costs, net				
Current interest	**(3.1)**		(2.9)	
Non-current interest	**(103.4)**		(103.5)	
Net interest on lease liabilities *(note 12)*	**(34.9)**		—	
Interest on defined benefit obligations net of plan assets *(note 23)*	**(4.0)**		(2.1)	
Amortization of deferred financing costs	**(2.4)**		(2.9)	
Interest income	**11.2**		7.8	
Passage of time	**(0.2)**		(0.2)	
	(136.8)		(103.8)	
Gain on disposal of an investment in an associate *(note 15)*	**—**		36.4	
Gain on revaluation and disposal of an investment at fair value *(note 9)*	**—**		1.5	
Earnings before income taxes	**1,084.3**		969.2	

Pursuant to the agreement reached with the Commissioner of Competition of Canada on April 23, 2018, the Corporation was required to divest its rights in 10 locations where drugstores are operated. During fiscal 2019, the Corporation completed the divestiture of rights in the 10 locations where pharmacies are in operation. Consequently, the Corporation recorded a $6.0 gain before income taxes in fiscal 2019 following the disposal of leases and buildings and the termination of franchise agreements related to these pharmacies, for a total cash consideration of $14.0.

6. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	**2020**	2019
Combined statutory income tax rate	**26.5**	26.6
Changes		
Loss on disposal of a subsidiary *(note 14)*	**(0.3)**	—
Gain on disposal of an investment in an associate *(note 15)*	**—**	(0.5)
Other	**0.4**	0.2
	26.6	26.3

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

Consolidated income statements

	2020	2019
Current		
Current tax expense	**271.1**	231.7
Deferred		
Adjustment related to temporary differences	**16.8**	23.1
	287.9	254.8

Consolidated comprehensive income statements

	2020	2019
Deferred tax related to items reported directly in other comprehensive income during the year		
Changes in defined benefit plans		
Actuarial losses	**(4.2)**	(25.9)
Asset ceiling effect	**(0.1)**	1.1
Minimum funding requirement	**0.2**	(0.1)
Loss on disposal of an investment at fair value	**—**	(0.3)
	(4.1)	(25.2)

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

	Consolidated statements of financial position		Consolidated statements of income	
	As at September 26, 2020	As at September 28, 2019	**2020**	2019
Accrued expenses, provisions and other reserves that are tax-deductible only at the time of disbursement	**21.3**	23.0	**(1.7)**	5.3
Lease liabilities	**546.4**	—	**(24.5)**	—
Deferred tax losses	**8.8**	0.8	**8.0**	(3.3)
Inventories	**(11.3)**	(11.4)	**0.1**	(0.2)
Employee benefits	**27.5**	21.0	**2.4**	(9.9)
Accounts receivable on subleases	**(181.3)**	—	**9.5**	—
Investment in a joint venture and an associate	**1.0**	1.0	**—**	9.4
Difference between net carrying value and tax value				
Fixed assets	**(219.9)**	(194.4)	**(23.7)**	(27.9)
Investment properties	**0.3**	0.1	**0.2**	—
Right-of-use assets	**(305.0)**	—	**11.1**	—
Intangible assets	**(624.8)**	(629.9)	**5.1**	6.5
Goodwill	**(53.4)**	(50.1)	**(3.3)**	(3.0)
	(790.4)	(839.9)	**(16.8)**	(23.1)

Deferred tax assets	**43.5**	2.8
Deferred tax liabilities	**(833.9)**	(842.7)
	(790.4)	(839.9)

7. 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)	**2020**	2019
Weighted average number of shares outstanding – Basic	**252.1**	254.9
Dilutive effect under:		
Stock option plan	**0.7**	0.8
Performance share unit plan	**0.5**	0.6
Weighted average number of shares outstanding – Fully diluted	**253.3**	256.3

8. INVENTORIES

	2020	2019
Wholesale inventories	**808.1**	655.1
Retail inventories	**460.1**	470.9
	1,268.2	1,126.0

9. INVESTMENT AT FAIR VALUE

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 and recorded as a deferred revenue upon entering into a forward agreement. The revaluation of this agreement as at September 29, 2018 gave rise to the recording of a loss and a financial liability in the amount of $1.6. Finalization of this agreement following the disposal of the investment resulted in a revaluation gain of $1.5 before income taxes in 2019 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.

10. FIXED ASSETS

	Land	Buildings	Equipment	Leasehold improvements	Buildings under finance leases	Total
Cost						
Balance as at September 29, 2018	473.7	1,188.7	1,507.6	836.7	55.8	4,062.5
Acquisitions	7.7	88.9	167.6	92.6	—	356.8
Transfer to investment properties	(0.5)	—	—	—	—	(0.5)
Disposals and write-offs	(0.5)	(1.0)	(117.8)	(67.5)	—	(186.8)
Balance as at September 28, 2019	**480.4**	**1,276.6**	**1,557.4**	**861.8**	**55.8**	**4,232.0**
Acquisitions	**8.8**	**171.6**	**198.4**	**84.5**	**—**	**463.3**
Disposals and write-offs	**(2.0)**	**(12.5)**	**(79.4)**	**(43.3)**	**—**	**(137.2)**
Adoption of IFRS16 *(note 3)*	**—**	**—**	**—**	**—**	**(55.8)**	**(55.8)**
Balance as at September 26, 2020	**487.2**	**1,435.7**	**1,676.4**	**903.0**	**—**	**4,502.3**
Accumulated depreciation and impairment						
Balance as at September 29, 2018	—	(227.8)	(829.5)	(446.6)	(35.2)	(1,539.1)
Depreciation	—	(53.0)	(111.8)	(41.5)	(4.0)	(210.3)
Disposals and write-offs	—	0.4	111.4	65.5	—	177.3
Impairment losses	—	(1.4)	(0.5)	(0.2)	—	(2.1)
Balance as at September 28, 2019	**—**	**(281.8)**	**(830.4)**	**(422.8)**	**(39.2)**	**(1,574.2)**
Depreciation	**—**	**(49.9)**	**(122.0)**	**(60.4)**	**—**	**(232.3)**
Disposals and write-offs	**—**	**10.6**	**76.6**	**40.8**	**—**	**128.0**
Impairment losses	**—**	**—**	**(1.0)**	**(1.2)**	**—**	**(2.2)**
Adoption of IFRS16 *(note 3)*	**—**	**—**	**—**	**—**	**39.2**	**39.2**
Balance as at September 26, 2020	**—**	**(321.1)**	**(876.8)**	**(443.6)**	**—**	**(1,641.5)**
Net carrying value						
Balance as at September 28, 2019	480.4	994.8	727.0	439.0	16.6	2,657.8
Balance as at September 26, 2020	**487.2**	**1,114.6**	**799.6**	**459.4**	**—**	**2,860.8**

Impairment losses were recorded on food store assets where cash flows decreased due to local competition. As food stores' profitability improved, impairment loss reversals can be recognized on previously impaired food store assets.

As at September 26, 2020, work in progress not yet amortized included in buildings, equipment and leasehold improvements totalled $176.5, $64.2 and $2.2, respectively.

Net additions of fixed assets excluded from the consolidated statements of cash flow was nil in 2020 and 2019.

As at September 26, 2020, the Corporation had contractual commitments to purchase fixed assets totaling $120.7 in 2021, consisting mainly of buildings and equipment.

11. INVESTMENT PROPERTIES

	Cost	Accumulated depreciation	Net carrying value
Balance as at September 29, 2018	46.9	(0.8)	46.1
Acquisitions	0.1	—	0.1
Disposals and write-offs	(4.6)	0.1	(4.5)
Depreciation	—	(0.7)	(0.7)
Balance as at September 28, 2019	**42.9**	**(1.4)**	**41.5**
Disposals and write-offs	**(0.9)**	**0.2**	**(0.7)**
Depreciation	**—**	**(0.6)**	**(0.6)**
Balance as at September 26, 2020	**42.0**	**(1.8)**	**40.2**

The fair value of investment properties was $45.6 as at September 26, 2020 ($45.4 as at September 28, 2019). The Corporation classified the fair value measurement in Level 2, as it is derived from observable market inputs, i.e. recent transactions on these assets or similar assets.

12. LEASES

The Corporation as lessee

The main right-of-use assets held under the Corporation's leases are real estate, vehicles and equipment.

As at September 26, 2020, changes in right-of-use assets were as follows:

	Buildings	Rolling stock and other	Total
Balance at September 29, 2019	**1,194.4**	**28.0**	**1,222.4**
New leases	**85.2**	**13.4**	**98.6**
Terminations and adjustments	**(15.5)**	**—**	**(15.5)**
Impairment losses	**(0.8)**	**—**	**(0.8)**
Depreciation	**(143.7)**	**(10.5)**	**(154.2)**
Balance as at September 26, 2020	**1,119.6**	**30.9**	**1,150.5**

The Corporation has variable lease payments for property taxes, common operating costs and insurance costs for leased properties. The Corporation also has variable lease payments that vary according to a percentage of retail sales. These expenses are recorded in operating expenses and totalled $111.2 in 2020.

As at September 26, 2020, changes in lease liabilities were as follows:

Balance at September 29, 2019	**2,199.8**
New leases	**150.1**
Terminations and adjustments	**(27.6)**
Lease payments	**(303.7)**
Interest expense on lease liabilities	**50.8**
Balance at September 26, 2020	**2,069.4**
Current portion	**258.0**
Non-current portion	**1,811.4**

The weighted average incremental borrowing rate was 2.35% as at September 26, 2020. The weighted average remaining contractual life as at September 26, 2020 was 8 years.

Contractual undiscounted payments under leases defined above will be as follows:

2021	306.3
2022	303.5
2023	298.1
2024	275.2
2025	241.7
2026 and thereafter	917.6
	2,342.4

The Corporation has also entered into short-term leases or leases with underlying low-value asset, specifically for the rental of machinery and equipment, as well as vehicles and trailers. These leases were recorded in operating expenses for a total of $5.3 in 2020.

The Corporation as lessor

The Corporation acted as intermediate lessor for real estate subleases.

Finance leases

Finance income for the year ended in 2020 was $15.9. Future minimum lease payments receivable by the Corporation relating to subleased properties to third parties will be as follows:

2021	102.9
2022	103.0
2023	101.9
2024	95.4
2025	87.3
2026 and thereafter	272.7
Total undiscounted lease payments receivable	763.2
Unearned finance income	(78.9)
Accounts receivable on subleases	684.3
Current portion	88.0
Non-current portion	596.3

Operating leases

The Corporation leases buildings under operating leases. The Corporation recorded rental income of $51.2 in 2020 ($51.7 in 2019).

The lease payments expected to be received over the next five fiscal years for owned properties will be as follows:

2021	45.3
2022	37.1
2023	27.1
2024	16.4
2025	9.1
2026 and thereafter	58.9
	193.9

13. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Leasehold rights	Software	Retail network retention premiums	Customer relationships	Total
Cost					
Balance as at September 29, 2018	58.5	231.1	247.2	1,067.4	1,604.2
Acquisitions	—	16.7	34.7	—	51.4
Disposals and write-offs	(1.1)	(1.5)	(19.3)	—	(21.9)
Balance as at September 28, 2019	**57.4**	**246.3**	**262.6**	**1,067.4**	**1,633.7**
Acquisitions	**—**	**37.9**	**14.5**	**—**	**52.4**
Disposals and write-offs	**—**	**(2.2)**	**(13.6)**	**—**	**(15.8)**
Adoption of IFRS16 *(note 3)*	**(57.4)**	**—**	**—**	**—**	**(57.4)**
Balance as at September 26, 2020	**—**	**282.0**	**263.5**	**1,067.4**	**1,612.9**
Accumulated amortization and impairment					
Balance as at September 29, 2018	(43.0)	(170.3)	(121.8)	(33.0)	(368.1)
Amortization	(1.9)	(13.8)	(18.8)	(40.9)	(75.4)
Disposals and write-offs	0.9	0.6	18.9	—	20.4
Impairment loss reversals *(note 10)*	0.1	—	—	—	0.1
Balance as at September 28, 2019	**(43.9)**	**(183.5)**	**(121.7)**	**(73.9)**	**(423.0)**
Amortization	**—**	**(16.1)**	**(18.5)**	**(40.8)**	**(75.4)**
Disposals and write-offs	**—**	**0.3**	**13.2**	**—**	**13.5**
Adoption of IFRS16 *(note 3)*	**43.9**	**—**	**—**	**—**	**43.9**
Balance as at September 26, 2020	**—**	**(199.3)**	**(127.0)**	**(114.7)**	**(441.0)**
Net carrying value					
Balance as at September 28, 2019	13.5	62.8	140.9	993.5	1,210.7
Balance as at September 26, 2020	**—**	**82.7**	**136.5**	**952.7**	**1,171.9**

Net additions of intangible assets excluded from the consolidated statement of cash flows amounted to $5.6 in 2020 ($18.3 in 2019).

As at September 26, 2020, work in progress for software not yet amortized totalled $20.0.

Intangible assets with indefinite useful lives were as follows:

	Banners	Private labels	Loyalty programs	Total
Balances as at September 28, 2019 and September 26, 2020	**1,473.3**	**121.5**	**83.5**	**1,678.3**

Impairment testing of loyalty programs and exclusive private labels was conducted at the individual asset level. The recoverable amount was determined based on its fair value less costs of disposal, which was calculated using the capitalized excess EBIT method. The estimated EBIT directly allocated to the programs and private labels, after deduction of the return on contributory assets, was based on historical data reflecting past experience. For loyalty programs, the earnings multiples used were 22.9 and 15.9 (17.2 and 13.0 in 2019) considering a growth rate of 2.0% (2.0% in 2019) corresponding to the consumer price index. For the private labels, the earnings multiples used were 19.5 and 25.0 (14.3 and 17.4 in 2019) considering a growth rate of 2.0% (2.0% in 2019) corresponding to the consumer price index. The Corporation classified the fair value measurement in Level 3, as it is derived from unobservable market inputs.

Impairment testing of banners and other private labels were conducted at the level of the asset itself. The recoverable amount was determined based on its fair value calculated using the royalty-free license method. The estimated royalty rate was based on information from external sources and historical data reflecting past experience. For the banners and these private labels, the royalty rate used was 1.0% to 3.0% (1.0% to 3.0% in 2019) and the multiples used were between 21.6 and 25.0 (15.4 and 17.4 in 2019) considering growth rate of 2.0% (2.0% in 2019) corresponding to the consumer price index. The Corporation classified the fair value measurement in Level 3, as it is derived from unobservable market inputs.

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

14. GOODWILL

	2020	2019
Balance – beginning of year	**3,306.5**	3,302.2
Acquisitions through business combinations	**0.6**	6.3
Disposals	**(6.4)**	(2.0)
Balance – end of year	**3,300.7**	3,306.5

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.

For impairment testing, goodwill with a carrying amount of $1,977.4 ($1,983.2 as at September 28, 2019) was allocated to the operating segment related to food operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. The forecasts reflected past experience. A pre-tax discount rate of 8.2% (10.5% in 2019) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

For impairment testing, goodwill with a carrying amount of $1,323.3 ($1,323.3 as at September 28, 2019) was allocated to the operating segment related to pharmaceutical operations. The recoverable amount was determined based on its value in use, which was calculated using pre-tax cash flow forecasts from the management-approved budgets for the next fiscal year. Cash flows for subsequent years are based on forecasts reflecting past experience and 2% growth in line with the consumer price index. A pre-tax discount rate of 8.8% (8.7% in 2019) was used. No reasonably possible change in any of these assumptions would result in a carrying amount higher than the recoverable amount.

15. OTHER ASSETS

	2020	2019
Loans to certain customers, bearing interest at floating rates, weighted average rate of 3.52% in 2020 repayable in monthly installments, maturing through 2031	**59.8**	62.8
Investment in a joint venture	**8.4**	6.9
Other assets	**3.4**	3.3
	71.6	73.0
Current portion included in accounts receivable	**10.1**	10.6
	61.5	62.4

During the first quarter of fiscal 2019, the Corporation disposed of its investment in Colo-D Inc., an associate reported 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). A selling price adjustment was made during the third quarter of fiscal 2019, bringing the total cash consideration to $59.0 and the gain before income taxes to $36.4 ($31.9 after taxes).

16. BANK LOANS

As at September 26, 2020 and September 28, 2019, the Corporation's bank loans were the credit margins of structured entities. The consolidated structured entities have credit margins totaling $8.4 ($8.4 as at September 28, 2019), bearing interest at prime plus 0.5%, unsecured and maturing on various dates through 2021. As at September 26, 2020, $0,4 had been drawn down under credit margins (nil as at September 28, 2019) at an interest rate of 3.0% (4.5% as at September 28, 2019).

17. OFFSETTING

	2020	2019
Accounts payable (gross)	**1,521.0**	1,389.7
Vendor rebate receivables	**(62.1)**	(58.3)
Accounts payable (net)	**1,458.9**	1,331.4

18. PROVISIONS

	Retail network restructuring expenses	Pharmacy network closure and restructuring expenses	Distribution network modernization project expenses	Other onerous leases	Total
Balance as at September 29, 2018	—	13.9	11.7	4.7	25.6
Additional provisions	24.9	—	—	—	24.9
Amounts used	(9.9)	(2.3)	(0.1)	(2.0)	(12.3)
Passage of time	(0.2)	—	0.4	—	0.2
Balance as at September 28, 2019	14.8	11.6	12.0	2.7	38.4
Current provisions	5.1	4.0	—	1.8	9.1
Non-current provisions	9.7	7.6	12.0	0.9	29.3
Balance as at September 28, 2019	14.8	11.6	12.0	2.7	38.4
Balance as at September 28, 2019	**14.8**	**11.6**	**12.0**	**2.7**	**38.4**
Amounts used	**(6.8)**	**(2.5)**	**—**	**—**	**(9.3)**
Adoption of IFRS16 *(note 3)*	**(5.6)**	**(2.1)**	**—**	**(2.7)**	**(7.7)**
Passage of time	**—**	**—**	**0.3**	**—**	**0.3**
Balance as at September 26, 2020	**2.4**	**7.0**	**12.3**	**—**	**21.7**
Current provisions	**1.5**	**1.0**	**—**	**—**	**2.5**
Non-current provisions	**0.9**	**6.0**	**12.3**	**—**	**19.2**
Balance as at September 26, 2020	**2.4**	**7.0**	**12.3**	**—**	**21.7**

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 an $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 fourth quarter of 2018, 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 three Brunet drugstores and the divestiture of ten drugstores.

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 2024, building a new fresh distribution centre and a new frozen distribution centre. During the first quarter of 2018, the Corporation recorded an $11.4 before taxes provision related to termination and retirement benefits in connection with the modernization of the Ontario distribution network.

19. DEBT

	2020	2019
Series E Notes, bearing interest at a floating rate equal to the 3-month bankers' acceptance rate plus 0.57%, 2.53% in 2020 (2.65% in 2019), maturing on February 27, 2020	**—**	400.0
Series C Notes, bearing interest at a fixed nominal rate of 3.20%, maturing on December 1, 2021	**300.0**	300.0
Series F Notes, bearing interest at a fixed nominal rate of 2.68%, maturing on December 5, 2022	**300.0**	300.0
Series G Notes bearing interest at a fixed nominal rate of 3.39%, maturing on December 6, 2027	**450.0**	450.0
Series B Notes, bearing interest at a fixed nominal rate of 5.97%, maturing on October 15, 2035	**400.0**	400.0
Series D Notes, bearing interest at a fixed nominal rate of 5.03%, maturing on December 1, 2044	**300.0**	300.0
Series H Notes, bearing interest at a fixed nominal rate of 4.27%, maturing on December 4, 2047	**450.0**	450.0
Series I Notes, bearing interest at a fixed nominal rate of 3.41%, maturing on February 28, 2050	**400.0**	—
Loans, maturing on various dates through 2031, bearing interest at an average rate of 2.11% (2.50% in 2019)	**47.2**	51.0
Obligations under finance leases, bearing interest at an effective rate of 7.67% in 2019 *(note 3 - adoption of IFRS16)*	**—**	20.9
Deferred financing costs	**(14.6)**	(14.3)
	2,632.6	2,657.6
Current portion	**20.6**	428.6
	2,612.0	2,229.0

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. 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.

The Notes of the Corporation are redeemable at the issuer's option prior to maturity at the prices, terms and conditions specified for each series.

The Corporation has access to an unsecured revolving credit facility with a maximum of $600.0 bearing interest at rates that fluctuate with changes in bankers' acceptance rates. As at September 26, 2020 and September 28, 2019, the authorized revolving credit facility was unused. Given that the Corporation frequently increases and decreases this credit facility through bankers' acceptances with a minimum of 30 days and to simplify its presentation, the Corporation found that it is preferable for the understanding of its financing activities to present the consolidated statement of cash flows solely with net annual changes.

The debt related to the acquisition of intangible assets, excluded from debt changes presented at the consolidated statements of cash flows, totaled $5.6 in 2020 ($18.3 in 2019).

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

	Loans	Notes	Total
2021	21.1	—	21.1
2022	2.2	300.0	302.2
2023	3.0	300.0	303.0
2024	1.1	—	1.1
2025	0.9	—	0.9
2026 and thereafter	18.9	2,000.0	2,018.9
	47.2	2,600.0	2,647.2

20. OTHER LIABILITIES

	2020	2019
Lease liabilities *(note 3 - adoption of IFRS16)*	**—**	12.1
Deferred revenues	**2.0**	0.7
	2.0	12.8

21. CAPITAL STOCK

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

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

Common Shares issued

The Common Shares issued and the changes during the year 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 $190.5	**(3,910)**	**(26.7)**
Stock options exercised	**265**	**8.2**
Balance as at September 26, 2020	**250,795**	**1,713.8**

Treasury shares

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

	Number *(Thousands)*	
Balance as at September 29, 2018	603	(24.9)
Acquisitions	115	(5.6)
Released	(141)	5.9
Balance as at September 28, 2019	**577**	**(24.6)**
Acquisitions	**112**	**(6.2)**
Released	**(137)**	**5.7**
Balance as at September 26, 2020	**552**	**(25.1)**

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

Stock option plan

The Corporation has a stock option plan for certain Corporation employees providing for the grant of options to purchase up to 30,000,000 Common Shares. As at September 26, 2020, a balance of 3,923,996 shares could be issued following the exercise of stock options (4,189,336 as at September 28, 2019). The subscription price of each Common Share under an option granted pursuant to the plan is equal to the market price of the shares on the day prior to the option grant date and must be paid in full at the time the option is exercised. While the Board of Directors determines other terms and conditions for the exercise of options, in general no options may have a term of more than five years from the date the option may initially be exercised, in whole or in part, and the total term may in no circumstances exceed ten years from the option grant date. Options may generally be exercised two years after their grant date and vest at the rate of 20% per year.

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

	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 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	**(265)**	**27.35**
Cancelled	**(49)**	**45.08**
Balance as at September 26, 2020	**2,322**	**41.27**

The information regarding the stock options outstanding and exercisable as at September 26, 2020 is summarized below:

	Outstanding options			Exercisable options	
Range of exercise prices *(Dollars)*	Number *(Thousands)*	Weighted average remaining period *(Months)*	Weighted average exercise price *(Dollars)*	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
21.90 to 24.69	271	6.8	21.98	271	21.98
35.42 to 40.31	964	28.8	38.59	553	38.05
41.16 to 56.92	1,087	63.5	48.47	73	41.37
	2,322	42.5	41.27	897	33.46

The weighted average fair value of $8.10 per option ($6.57 in 2019) for stock options granted during fiscal 2020 was determined at the time of grant using the Black-Scholes model and the following weighted average assumptions: risk-free interest rate of 1.7% (1.8% in 2019), expected life of 5.5 years (5.5 years in 2019), expected volatility of 16.0% (16.1% in 2019) and expected dividend yield of 1.4% (1.7% in 2019). The expected volatility is based on the historic share price volatility over a period similar to the life of the options.

Compensation expense for these options amounted to $2.3 for fiscal 2020 ($2.0 in 2019).

Performance share unit plan

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

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

	Number *(Thousands)*
Balance as at September 29, 2018	579
Granted	226
Settled	(141)
Cancelled	(59)
Balance as at September 28, 2019	**605**
Granted	**205**
Settled	**(137)**
Cancelled	**(55)**
Balance as at September 26, 2020	**618**

The weighted average fair value of $54.11 per PSU ($47.57 in 2019) for PSUs granted during fiscal 2020 was the stock market valuation of a Common Share of the Corporation at grant date.

The compensation expense comprising all PSUs amounted to $7.2 for fiscal 2020 ($6.6 in 2019).

Deferred Share Unit Plan

The Corporation has a DSU plan designed to encourage stock ownership by directors who are not Corporation officers. Under this program, directors who meet the stock ownership guidelines may choose to receive all or part of their compensation in DSUs. DSUs vest when granted. On leaving, a director receives a lump-sum cash payout from the Corporation.

The DSU expense totalled $2.9 for fiscal 2020 ($6.2 in 2019).

As at September 26, 2020, the DSU liability amounted to $17.5 ($17.3 as at September 28, 2019).

22. DIVIDENDS

In fiscal 2020, the Corporation paid $220.7 in dividends to holders of Common Shares ($198.9 in 2019), or $0.8750 per share ($0.7800 in 2019). On September 28, 2020, the Corporation's Board of Directors declared a quarterly dividend of $0.2250 per Common Share payable on November 10, 2020.

23. EMPLOYEE BENEFITS

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

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

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

	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance – beginning of year	**1,512.0**	**34.9**	1,262.7	35.0
Participant contributions	**9.6**	**—**	7.8	—
Benefits paid	**(55.2)**	**(3.5)**	(49.2)	(3.7)
Items in net earnings				
Current service cost	**56.2**	**2.5**	43.8	2.5
Interest cost	**46.9**	**1.1**	50.3	1.4
Past service cost	**—**	**—**	—	0.2
Actuarial gains	**—**	**(1.4)**	—	(1.3)
	103.1	**2.2**	94.1	2.8
Items in comprehensive income				
Actuarial gains from demographic assumptions	**—**	**(2.2)**	(0.1)	(1.3)
Actuarial losses from financial assumptions	**74.9**	**0.7**	199.4	2.1
Adjustments due to experience	**0.2**	**1.4**	(2.7)	—
	75.1	**(0.1)**	196.6	0.8
Balance – end of year	**1,644.6**	**33.5**	1,512.0	34.9

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

(Percentage)	**2020** Pension plans	**2020** Other plans	2019 Pension plans	2019 Other plans
Active plan participants	**59**	**70**	59	71
Deferred plan participants	**5**	**—**	5	—
Retirees	**36**	**30**	36	29

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

	2020 Pension plans	**2020** Other plans	2019 Pension plans	2019 Other plans
Fair value – beginning of year	**1,475.6**	**—**	1,290.6	—
Employer contributions	**52.0**	**3.5**	78.1	3.7
Participant contributions	**9.6**	**—**	7.8	—
Benefits paid	**(55.2)**	**(3.5)**	(49.2)	(3.7)
Items in net earnings				
Interest income	**44.5**	**—**	50.3	—
Administration costs	**(2.0)**	**—**	(1.4)	—
	42.5	**—**	48.9	—
Items in comprehensive income				
Return on plan assets, excluding the amounts included in interest income	**59.5**	**—**	99.4	—
Fair value – end of year	**1,584.0**	**—**	1,475.6	—

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

	2020 Asset ceiling	**2020** Minimum funding requirement	2019 Asset ceiling	2019 Minimum funding requirement
Balance - beginning of year	**(15.3)**	**(0.8)**	(18.9)	(0.2)
Interest	**(0.5)**	**—**	(0.7)	—
Change in defined benefit assets	**(0.3)**	**—**	4.3	—
Change in defined benefit liabilities	**—**	**0.8**	—	(0.6)
Balance - end of year	**(16.1)**	**—**	(15.3)	(0.8)

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

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

	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
Balance of defined benefit obligation – end of year	**(1,644.6)**	**(33.5)**	(1,512.0)	(34.9)
Fair value of plan assets – end of year	**1,584.0**	**—**	1,475.6	—
Funded status	**(60.6)**	**(33.5)**	(36.4)	(34.9)
Asset ceiling effect	**(16.1)**	**—**	(15.3)	—
Minimum funding requirement	**—**	**—**	(0.8)	—
	(76.7)	**(33.5)**	(52.5)	(34.9)
Defined benefit assets	**19.7**	**—**	25.6	—
Defined benefit liabilities	**(96.4)**	**(33.5)**	(78.1)	(34.9)
	(76.7)	**(33.5)**	(52.5)	(34.9)

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

	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
Defined contribution plans, including multi-employer plans	**37.6**	**—**	39.2	—
Defined benefit plans				
Current service cost	**56.2**	**2.5**	43.8	2.5
Past service cost	**—**	**—**	—	0.2
Actuarial gains	**—**	**(1.4)**	—	(1.3)
Administration costs	**2.0**	**—**	1.4	—
	58.2	**1.1**	45.2	1.4
Employee benefits expense	**95.8**	**1.1**	84.4	1.4
Interest on obligations, asset ceiling effect and minimum funding requirement net of plans assets, presented in financial costs	**2.9**	**1.1**	0.7	1.4
Net total expense	**98.7**	**2.2**	85.1	2.8

The remeasurements recognized as other comprehensive income were as follows:

	2020		2019	
	Pension plans	**Other plans**	Pension plans	Other plans
Actuarial losses (gains) on accrued obligation	**75.1**	**(0.1)**	196.6	0.8
Return on plan assets	**(59.5)**	**—**	(99.4)	—
Change in the effect of the asset ceiling	**0.3**	**—**	(4.3)	—
Change in the minimum funding requirement	**(0.8)**	**—**	0.6	—
	15.1	**(0.1)**	93.5	0.8

Total cash payments for employee benefits, consisting of cash contributed by the Corporation to its funded pension plans and cash payments directly to beneficiaries for its unfunded other benefit plans, amounted to $55.5 in 2020 ($81.8 in 2019). The Corporation plans to contribute $53.1 to the defined benefit plans and $30.6 to multi-employer plans during the next fiscal year.

Weighted average duration of defined benefit obligations was 16 years as at September 26, 2020 and September 28, 2019.

The most recent actuarial valuations for funding purposes in respect of the Corporation's pension plans were performed on various dates between December 2017 and December 2019. The next valuations will be performed in December 2020.

Plan assets, evaluated at level 1 as it is based on quoted market prices in an active market for the shares and at Level 2 for bonds and other as it is derived from observable market inputs, held in trust and their weighted average allocation as at the measurement dates were as follows:

Asset categories *(Percentage)*	**2020**	2019
Shares in Canadian corporations	**19**	18
Shares in foreign corporations	**25**	22
Government and corporation bonds	**49**	51
Other	**7**	9

Pension plan assets included shares issued by the Corporation with a fair value of $6.3 as at September 26, 2020 ($6.1 as at September 28, 2019).

The principal actuarial assumptions used in determining the defined benefit obligation and service costs were as follows:

	2020		2019	
(Percentage)	**Pension plans**	**Other plans**	Pension plans	Other plans
Discount rate on defined benefit obligation	**2.74**	**2.74**	3.01	3.01
Discount rate on service costs	**3.30**	**3.30**	3.96	3.96
Rate of compensation increase	**3.00**	**3.00**	3.00	3.00
Mortality table	**CPM2014Priv**	**CPM2014Priv**	CPM2014Priv	CPM2014Priv

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

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

	Pension plans		Other plans	
	1% increase	1% decrease	1% increase	1% decrease
Effect on defined benefit obligation	(246.5)	298.3	(3.0)	3.7

The assumed annual health care cost trend rate per participant was set at 5.5% (5.5% in 2019). Under the assumption used, this rate should gradually decline to 4.0% in 2040 and remain at that level thereafter. A 1% change in this rate would have the following effects:

	1% increase	1% decrease
Effect on defined benefit obligation	(1.7)	1.4

24. COMMITMENTS

Service contracts

The Corporation has service contract commitments essentially for transportation and IT, with varying terms through 2030 and no renewal option. Future minimum payments under these service contracts will be as follows:

	2020	2019
Under 1 year	**100.2**	141.9
Between 1 and 5 years	**178.6**	330.3
Over 5 years	**0.2**	10.3
	279.0	482.5

25. CONTINGENCIES

Guarantees

The Corporation has guaranteed loans granted to certain customers by financial institutions, with varying terms through 2030. The balance of these loans amounted to $23.5 as at September 26, 2020 ($24.1 as at September 28, 2019). No liability has been recorded in respect of these guarantees for the years ended September 26, 2020 and September 28, 2019.

Buyback agreements

Under inventory repurchase agreements, the Corporation has undertaken with respect to financial institutions to repurchase at cost the inventories of certain customers, when they are in default, up to the amount drawn on lines of credit granted to these same customers by the financial institutions. As at September 26, 2020, inventory financing amounted to $159.3 ($192.4 as at September 28, 2019). However, under these agreements, the Corporation has not undertaken to make up for any deficit created if the value of inventories falls below the amount of the advances.

Under buyback agreements, the Corporation is committed to financial institutions to purchase equipment held by customers and financed by finance leases not exceeding five years and loans not exceeding 15 years. For finance leases, the buyback value is linked to the net balance of the lease at the date of the buyback. For equipment financed by bank loans, the minimum buyback value is either set by contract with financial institutions or linked to the loan balance at the buyback date. As at September 26, 2020, financing related to the equipment amounted to $36.2 ($44.6 as at September 28, 2019).

No liability has been recorded in respect of these guarantees for the years ended September 26, 2020 and September 28, 2019 and historically, the Corporation has not made any indemnification payments under such agreements.

Claims

In the normal course of business, various proceedings and claims are instituted against the Corporation. The Corporation contests the validity of these claims and proceedings and at this stage, the Corporation does not believe that these matters will have a material effect on the Corporation's financial position or on consolidated earnings. However, since any litigation involves uncertainty, it is not possible to predict the outcome of these litigations or the amount of potential losses. No accruals or provisions for contingent losses have been recognized in the Corporation’s annual consolidated financial statements.

In February 2020, a proposed class action relating to opioids 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.

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 intends to contest this action on the merits. No provision for contingent losses has been recognized in the Corporation's annual consolidated financial statements.

26. RELATED PARTY TRANSACTIONS

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

Names	Country of incorporation	Percentage of interest in the capital	Percentage of voting rights
Subsidiaries			
Metro Richelieu Inc.	Canada	100.0	100.0
Metro Ontario Inc.	Canada	100.0	100.0
Groupe Jean Coutu Inc.	Canada	100.0	100.0
McMahon Distributeur pharmaceutique Inc.	Canada	100.0	100.0
Pro Doc Ltée	Canada	100.0	100.0
RX Information Centre Ltd.	Canada	100.0	100.0
Metro Québec Immobilier Inc.	Canada	100.0	100.0
Metro Ontario Real Estate Limited	Canada	100.0	100.0
Metro Ontario Pharmacies Limited	Canada	100.0	100.0
Groupe Adonis Inc.	Canada	100.0	100.0
Groupe Phoenicia Inc.	Canada	100.0	100.0
Groupe Première Moisson Inc.	Canada	100.0	100.0
Joint venture			
Medicus Group Inc.	Canada	46.5	46.5

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

	2020		2019	
	Sales	**Services received**	Sales	Services received
Joint venture	**—**	**—**	—	5.2
Companies controlled by a member of the Board of Directors	**32.8**	**—**	66.6	—
	32.8	**—**	66.6	5.2

	2020		2019	
	Accounts receivable	**Accounts payable**	Accounts receivable	Accounts payable
Companies controlled by a member of the Board of Directors	**2.1**	**—**	4.9	—
	2.1	**—**	4.9	—

Compensation for the principal officers and directors was as follows:

	2020	2019
Compensation and current benefits	**6.1**	8.3
Post-employment benefits	**1.3**	0.8
Share-based payment	**5.8**	6.2
	13.2	15.3

27. MANAGEMENT OF CAPITAL

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

- Striving for a percentage of non-current debt to total combined non-current debt and equity (non-current debt/ total capital ratio) of less than 50%.
- Maintaining an adequate credit rating to obtain an investment grade rating for its term notes.
- Paying total annual dividends representing a target range of 30% to 40% of the prior fiscal year's adjusted net earnings(1), excluding non-recurring items.

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

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

The Corporation's fiscal 2020 annual results regarding its capital management objectives were as follows:

- non-current debt and lease liabilities/total capital ratio of 41.8%, 29.8% excluding lease liabilities (30.6% as at September 28, 2019);
- a BBB credit rating confirmed by S&P and DBRS (same rating in 2019);
- a dividend representing 30.2% of the previous year adjusted net earnings(1), excluding non-recurring items (34.3% in 2019).

28. FINANCIAL INSTRUMENTS

FAIR VALUE

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

	2020		2019	
	Book value	**Fair value**	Book value	Fair value
Other assets				
Assets measured at amortized cost				
Loans to certain customers *(note 15)*	**59.8**	**59.8**	62.8	62.8
Debt *(note 19)*				
Liabilities measured at amortized cost				
Series E Notes	**—**	**—**	400.0	400.3
Series C Notes	**300.0**	**307.9**	300.0	305.2
Series F Notes	**300.0**	**311.0**	300.0	302.4
Series G Notes	**450.0**	**503.6**	450.0	466.8
Series B Notes	**400.0**	**542.8**	400.0	512.0
Series D Notes	**300.0**	**391.0**	300.0	362.6
Series H Notes	**450.0**	**536.6**	450.0	491.8
Series I Notes	**400.0**	**416.5**	—	—
Loans	**47.2**	**47.2**	51.0	51.0
	2,647.2	**3,056.6**	2,651.0	2,892.1

Fair value measurements hierarchy

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

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

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 classified 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 classified the fair value measurement in Level 2, as it is derived from observable market inputs.

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

	2020	2019
Balance – beginning of year	**51.1**	39.3
Buyout of minority interests	**(51.6)**	—
Change in fair value	**0.5**	11.8
Balance – end of year	**—**	51.1

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.

INTEREST RATE RISK

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

The Corporation keeps a close watch on interest rate fluctuations and, if warranted, uses derivative financial instruments such as interest rate swap contracts. As at September 26, 2020 and September 28, 2019, there were no outstanding interest rate swap contracts.

CREDIT RISK

Loans and receivables / Guarantees

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

To mitigate such risk, the Corporation performs ongoing credit evaluations of its customers and has adopted a credit policy that defines the credit terms to be met and the required guarantees. As at September 26, 2020 and September 28, 2019, no customer accounted for over 10% of total loans and receivables.

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

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

As at September 26, 2020, the maximum potential liability under guarantees provided amounted to $23.5 ($24.1 as at September 28, 2019) and no liability had been recognized as at that date.

Financial assets at fair value through profit and loss

With regard to its financial assets at fair value through profit and loss, consisting of cash equivalents, foreign exchange forward contracts and cross currency interest rate swaps, the Corporation is subject to credit risk when these contracts result in receivables from financial institutions.

In accordance with its financial risk management policy, the Corporation entered into these agreements with major Canadian financial institutions to reduce its credit risk.

As at September 26, 2020, the maximum exposure to credit risk for the foreign exchange forward contracts was equal to their carrying amount. As at September 28, 2019, the Corporation was not exposed to credit risk in respect of its foreign exchange forward contracts, as they resulted in amounts payable.

LIQUIDITY RISK

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

The Corporation regularly assesses its cash position and feels that its cash flows from operating activities are sufficient to fully cover its cash requirements as regards its financing activities. Its revolving credit facility and its Series C, F, G, B, D, H and I Notes mature only in 2024, 2021, 2022, 2027, 2035, 2044, 2047 and 2050, respectively. The Corporation also has an unused authorized balance of $600.0 on its revolving credit facility.

	Undiscounted cash flows (capital and interest)				
	Accounts payable	Loans	Notes	Lease liabilities	Total
Maturing under 1 year	1,458.9	21.7	104.7	306.3	1,891.6
Maturing in 1 to 10 years	—	9.0	1,801.6	1,790.3	3,600.9
Maturing in 11 to 20 years	—	3.0	1,000.0	237.3	1,240.3
Maturing over 20 years	—	19.6	1,479.1	8.5	1,507.2
	1,458.9	53.3	4,385.4	2,342.4	8,240.0

FOREIGN EXCHANGE RISK

Given that some of its purchases are denominated in foreign currencies and that it has, depending on market conditions, US borrowings on its revolving credit facility, the Corporation is exposed to foreign exchange risk.

In accordance with its financial risk management policy, the Corporation could use derivative financial instruments, consisting of foreign exchange forward contracts and cross currency interest rate swaps, to hedge against the effect of foreign exchange rate fluctuations on its future foreign-denominated purchases of goods and services and on its US borrowings. As at September 26, 2020 and September 28, 2019, the fair value of foreign exchange forward contracts was insignificant.

29. COMPARATIVE FIGURES

Interest paid on debt was reclassified from operational activities to financing activities in the consolidated statements of cash flows.

30. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the fiscal year ended September 26, 2020 (including comparative figures) were approved for issue by the Board of Directors on November 17, 2020.

DIRECTORS AND OFFICERS

Board of Directors

Maryse Bertrand[1][3]
Westmount, Québec

Pierre Boivin [2][3]
Montréal, Québec

François J. Coutu
Montréal, Québec

Michel Coutu
Montréal, Québec

Stephanie Coyles[1]
Toronto, Ontario

Claude Dussault[2][3]
Québec, Québec

Russell Goodman[1][3]
Mont-Tremblant, Québec

Marc Guay[1][2]
Oakville, Ontario

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

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

Christine Magee[3]
Oakville, Ontario

Réal Raymond
Montréal, Québec
Chair of the Board

Line Rivard[1][2]
Montréal, Québec

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

Management of METRO INC.

Eric La Flèche
President and Chief Executive Officer

François Thibault
Executive Vice President, Chief Financial Officer and Treasurer

Marc Giroux
Executive Vice President and Québec Division Head and eCommerce

Carmine Fortino
Executive Vice President, Ontario Division Head and National Supply Chain

Alain Champagne
President of The Jean Coutu Group (PJC) Inc.

Serge Boulanger
Senior Vice President, National Procurement and Corporate Brands

Martin Allaire
Vice President, Real Estate and Engineering

Marie-Claude Bacon
Vice President, Public Affairs and Communications

Christina Bédard
Vice President, eCommerce and Digital Strategy

Genevieve Bich
Vice President, Human Resources

Dan Gabbard
Vice President, Supply Chain, METRO

Karin Jonsson
Vice President, Corporate Controller

Éric Legault
Vice President, Technology Infrastructure, METRO

Frédéric Legault
Vice President, Information Systems

Simon Rivet
Vice President, General Counsel and Corporate Secretary

Alain Tadros
Vice President, Marketing

Yves Vézina
National Vice President, Logistics and Distribution

SHAREHOLDER INFORMATION

The corporate information, annual and quarterly reports, the annual information form, and press releases are available on our website: **www.metro.ca**

*Les renseignements sur la Société, les rapports annuels et trimestriels, la notice annuelle et les communiqués de presse sont disponibles sur Internet à l'adresse suivante : **www.metro.ca***

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Transfer agent and registrar
AST Trust Company (Canada)

Stock listing
Toronto Stock Exchange
Ticker Symbol: MRU

Auditors
Ernst & Young LLP

Annual meeting
The Annual General Meeting of Shareholders will be held virtually via a live webcast on January 26, 2021 at 10:00 a.m.

DIVIDENDS*

2021 FISCAL YEAR

Declaration date	Record date	Payment date
January 25, 2021	February 11, 2021	March 8, 2021
April 20, 2021	May 20, 2021	June 11, 2021
August 10, 2021	September 1, 2021	September 22, 2021
September 27, 2021	October 22, 2021	November 9, 2021

** Subject to approval by the Board of Directors*

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