

## 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.

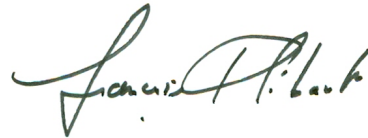
METRO INC. maintains accounting systems and internal controls over the financial reporting process which, in the opinion of management, provide reasonable assurance regarding the accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's 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<sup>1</sup>*

Montréal, Canada  
November 17, 2020

<sup>1</sup> CPA auditor, CA, public accountancy permit no. A112005



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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
<b>Sales</b> (notes 5 and 26)	<b>17,997.5</b>	16,767.5
Cost of sales and operating expenses (notes 5 and 26)	<b>(16,306.4)</b>	(15,416.0)
Loss on disposal of a subsidiary (notes 5 and 14)	<b>(7.5)</b>	—
Retail network restructuring expenses (notes 5 and 18)	—	(36.0)
Gain on divestiture of pharmacies (note 5)	—	6.0
<b>Operating income before depreciation and amortization and associate's earnings</b>	<b>1,683.6</b>	1,321.5
Depreciation and amortization (note 5)	<b>(462.5)</b>	(286.4)
Financial costs, net (note 5)	<b>(136.8)</b>	(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
<b>Earnings before income taxes</b>	<b>1,084.3</b>	969.2
Income taxes (note 6)	<b>(287.9)</b>	(254.8)
<b>Net earnings</b>	<b>796.4</b>	714.4
Attributable to:		
Equity holders of the parent	<b>795.2</b>	711.6
Non-controlling interests	<b>1.2</b>	2.8
	<b>796.4</b>	714.4
<b>Net earnings per share</b> (Dollars) (notes 7 and 21)		
Basic	<b>3.15</b>	2.79
Fully diluted	<b>3.14</b>	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
<b>ASSETS</b>		
<b>Current assets</b>		
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
	<b>2,500.5</b>	<b>2,088.3</b>
<b>Non-current assets</b>		
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
	<b>13,423.9</b>	<b>11,073.9</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
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
	<b>1,860.1</b>	<b>1,877.6</b>
<b>Non-current liabilities</b>		
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
	<b>7,268.5</b>	<b>5,105.3</b>
<b>Equity</b>		
Attributable to equity holders of the parent	6,142.2	5,955.2
Attributable to non-controlling interests	13.2	13.4
	<b>6,155.4</b>	<b>5,968.6</b>
	<b>13,423.9</b>	<b>11,073.9</b>

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						Total	Non-controlling interests	Total equity
	Capital stock (note 21)	Treasury shares (note 21)	Contributed surplus	Retained earnings	Accumulated other comprehensive income				
Balance as at September 28, 2019	1,732.3	(24.6)	19.2	4,228.3	—	5,955.2	13.4	5,968.6	
Net earnings	—	—	—	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						Non-controlling interests	Total equity
	Capital stock (note 21)	Treasury shares (note 21)	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total		
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
<b>Operating activities</b>		
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
<b>Investing activities</b>		
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)
<b>Financing activities</b>		
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)
<b>Net change in cash and cash equivalents</b>	<b>168.1</b>	<b>46.5</b>
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



## Notes to consolidated financial statements

September 26, 2020 and September 28, 2019

(Millions of dollars, unless otherwise indicated)

### 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.



## Notes to consolidated financial statements

September 26, 2020 and September 28, 2019

(Millions of dollars, unless otherwise indicated)

### 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.



## Notes to consolidated financial statements

September 26, 2020 and September 28, 2019

(Millions of dollars, unless otherwise indicated)

### 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.



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### 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.

**Notes to consolidated financial statements****September 26, 2020 and September 28, 2019***(Millions of dollars, unless otherwise indicated)*

- 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



## Notes to consolidated financial statements

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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.

**Notes to consolidated financial statements****September 26, 2020 and September 28, 2019***(Millions of dollars, unless otherwise indicated)***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.



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

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

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.



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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	<b>2,199.8</b>
Current portion of lease liabilities	<b>250.1</b>
Lease liabilities	<b>1,949.7</b>
Total lease liabilities	<b>2,199.8</b>

### 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



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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.



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### 5. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	2020	%	2019	%
<b>Sales</b>	<b>17,997.5</b>		16,767.5	
<b>Cost of sales</b>	<b>(14,415.7)</b>		(13,438.8)	
<b>Gross margins</b>	<b>3,581.8</b>	<b>19.9</b>	3,328.7	19.9
<b>Operating expenses</b>				
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)	
	<b>(1,898.2)</b>	<b>10.5</b>	(2,007.2)	12.0
<b>Operating income before depreciation and amortization and an associate's earnings</b>	<b>1,683.6</b>	<b>9.4</b>	1,321.5	7.9
<b>Depreciation and amortization</b>				
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)	
	<b>(462.5)</b>		(286.4)	
<b>Financial costs, net</b>				
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)	
	<b>(136.8)</b>		(103.8)	
<b>Gain on disposal of an investment in an associate (note 15)</b>	—		36.4	
<b>Gain on revaluation and disposal of an investment at fair value (note 9)</b>	—		1.5	
<b>Earnings before income taxes</b>	<b>1,084.3</b>		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.



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### 6. INCOME TAXES

The effective income tax rates were as follows:

<i>(Percentage)</i>	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
	<b>26.6</b>	<b>26.3</b>

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
	<b>287.9</b>	<b>254.8</b>

#### 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)
	<b>(4.1)</b>	<b>(25.2)</b>



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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)
	<b>(790.4)</b>	<b>(839.9)</b>	<b>(16.8)</b>	<b>(23.1)</b>
Deferred tax assets	43.5	2.8		
Deferred tax liabilities	(833.9)	(842.7)		
	<b>(790.4)</b>	<b>(839.9)</b>		

## 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



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### 8. INVENTORIES

	2020	2019
Wholesale inventories	808.1	655.1
Retail inventories	460.1	470.9
	<b>1,268.2</b>	<b>1,126.0</b>

### 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.

**Notes to consolidated financial statements**

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(Millions of dollars, unless otherwise indicated)

**10. FIXED ASSETS**

	Land	Buildings	Equipment	Leasehold improvements	Buildings under finance leases	Total
<b>Cost</b>						
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	<b>480.4</b>	<b>1,276.6</b>	<b>1,557.4</b>	<b>861.8</b>	<b>55.8</b>	<b>4,232.0</b>
Acquisitions	<b>8.8</b>	<b>171.6</b>	<b>198.4</b>	<b>84.5</b>	—	<b>463.3</b>
Disposals and write-offs	<b>(2.0)</b>	<b>(12.5)</b>	<b>(79.4)</b>	<b>(43.3)</b>	—	<b>(137.2)</b>
Adoption of IFRS16 (note 3)	—	—	—	—	<b>(55.8)</b>	<b>(55.8)</b>
Balance as at September 26, 2020	<b>487.2</b>	<b>1,435.7</b>	<b>1,676.4</b>	<b>903.0</b>	—	<b>4,502.3</b>
<b>Accumulated depreciation and impairment</b>						
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	—	<b>(281.8)</b>	<b>(830.4)</b>	<b>(422.8)</b>	<b>(39.2)</b>	<b>(1,574.2)</b>
Depreciation	—	<b>(49.9)</b>	<b>(122.0)</b>	<b>(60.4)</b>	—	<b>(232.3)</b>
Disposals and write-offs	—	<b>10.6</b>	<b>76.6</b>	<b>40.8</b>	—	<b>128.0</b>
Impairment losses	—	—	<b>(1.0)</b>	<b>(1.2)</b>	—	<b>(2.2)</b>
Adoption of IFRS16 (note 3)	—	—	—	—	<b>39.2</b>	<b>39.2</b>
Balance as at September 26, 2020	—	<b>(321.1)</b>	<b>(876.8)</b>	<b>(443.6)</b>	—	<b>(1,641.5)</b>
<b>Net carrying value</b>						
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	<b>487.2</b>	<b>1,114.6</b>	<b>799.6</b>	<b>459.4</b>	—	<b>2,860.8</b>

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.



## Notes to consolidated financial statements

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(Millions of dollars, unless otherwise indicated)

### 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	<b>42.9</b>	<b>(1.4)</b>	<b>41.5</b>
Disposals and write-offs	<b>(0.9)</b>	<b>0.2</b>	<b>(0.7)</b>
Depreciation	—	<b>(0.6)</b>	<b>(0.6)</b>
Balance as at September 26, 2020	<b>42.0</b>	<b>(1.8)</b>	<b>40.2</b>

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	<b>1,194.4</b>	<b>28.0</b>	<b>1,222.4</b>
New leases	<b>85.2</b>	<b>13.4</b>	<b>98.6</b>
Terminations and adjustments	<b>(15.5)</b>	—	<b>(15.5)</b>
Impairment losses	<b>(0.8)</b>	—	<b>(0.8)</b>
Depreciation	<b>(143.7)</b>	<b>(10.5)</b>	<b>(154.2)</b>
Balance as at September 26, 2020	<b>1,119.6</b>	<b>30.9</b>	<b>1,150.5</b>

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.



## Notes to consolidated financial statements

September 26, 2020 and September 28, 2019

(Millions of dollars, unless otherwise indicated)

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.



## Notes to consolidated financial statements

September 26, 2020 and September 28, 2019

(Millions of dollars, unless otherwise indicated)

### 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



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September 26, 2020 and September 28, 2019

(Millions of dollars, unless otherwise indicated)

### 13. INTANGIBLE ASSETS

Intangible assets with finite useful lives were as follows:

	Leasehold rights	Software	Retail network retention premiums	Customer relationships	Total
<b>Cost</b>					
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	<b>57.4</b>	<b>246.3</b>	<b>262.6</b>	<b>1,067.4</b>	<b>1,633.7</b>
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	—	<b>282.0</b>	<b>263.5</b>	<b>1,067.4</b>	<b>1,612.9</b>
<b>Accumulated amortization and impairment</b>					
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	<b>(43.9)</b>	<b>(183.5)</b>	<b>(121.7)</b>	<b>(73.9)</b>	<b>(423.0)</b>
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	—	<b>(199.3)</b>	<b>(127.0)</b>	<b>(114.7)</b>	<b>(441.0)</b>
<b>Net carrying value</b>					
Balance as at September 28, 2019	13.5	62.8	140.9	993.5	1,210.7
Balance as at September 26, 2020	—	<b>82.7</b>	<b>136.5</b>	<b>952.7</b>	<b>1,171.9</b>

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	<b>1,473.3</b>	<b>121.5</b>	<b>83.5</b>	<b>1,678.3</b>



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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.



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### 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



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### 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	<b>14.8</b>	<b>11.6</b>	<b>12.0</b>	<b>2.7</b>	<b>38.4</b>
Amounts used	<b>(6.8)</b>	<b>(2.5)</b>	—	—	<b>(9.3)</b>
Adoption of IFRS16 <i>(note 3)</i>	<b>(5.6)</b>	<b>(2.1)</b>	—	<b>(2.7)</b>	<b>(7.7)</b>
Passage of time	—	—	<b>0.3</b>	—	<b>0.3</b>
Balance as at September 26, 2020	<b>2.4</b>	<b>7.0</b>	<b>12.3</b>	—	<b>21.7</b>
Current provisions	<b>1.5</b>	<b>1.0</b>	—	—	<b>2.5</b>
Non-current provisions	<b>0.9</b>	<b>6.0</b>	<b>12.3</b>	—	<b>19.2</b>
Balance as at September 26, 2020	<b>2.4</b>	<b>7.0</b>	<b>12.3</b>	—	<b>21.7</b>

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.



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### 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)
	<b>2,632.6</b>	2,657.6
Current portion	<b>20.6</b>	428.6
	<b>2,612.0</b>	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).



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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



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### 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	<b>577</b>	<b>(24.6)</b>
Acquisitions	<b>112</b>	<b>(6.2)</b>
Released	<b>(137)</b>	<b>5.7</b>
Balance as at September 26, 2020	<b>552</b>	<b>(25.1)</b>

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	<b>2,281</b>	<b>37.30</b>
Granted	<b>355</b>	<b>56.92</b>
Exercised	<b>(265)</b>	<b>27.35</b>
Cancelled	<b>(49)</b>	<b>45.08</b>
Balance as at September 26, 2020	<b>2,322</b>	<b>41.27</b>



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

Range of exercise prices (Dollars)	Outstanding options			Exercisable options	
	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).



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### 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



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

(Percentage)	2020		2019	
	Pension plans	Other plans	Pension plans	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		2019	
	Pension plans	Other plans	Pension plans	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		2019	
	Asset ceiling	Minimum funding requirement	Asset ceiling	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.



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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
<b>Defined contribution plans</b> , including multi-employer plans	37.6	—	39.2	—
<b>Defined benefit plans</b>				
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.



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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:

(Percentage)	2020		2019	
	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



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### 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
	<b>279.0</b>	<b>482.5</b>

### 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



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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



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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<sup>(1)</sup>, 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<sup>(1)</sup>, excluding non-recurring items (34.3% in 2019).



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### 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
<b>Other assets</b>				
Assets measured at amortized cost				
Loans to certain customers (note 15)	59.8	59.8	62.8	62.8
<b>Debt (note 19)</b>				
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
	<b>2,647.2</b>	<b>3,056.6</b>	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



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

### 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.



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	Undiscounted cash flows (capital and interest)				Total
	Accounts payable	Loans	Notes	Lease liabilities	
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.