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Annual Report

1990

METRO-RICHELIEU

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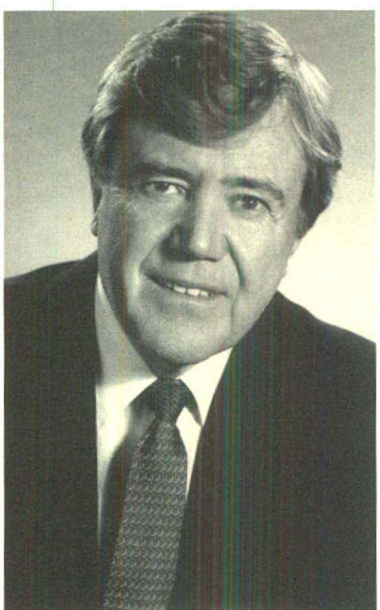
Highlights

	1990	1989
OPERATING RESULTS ($000)		
Sales	**2,189,404**	2,301,096
Earnings from operations	**52,951**	68,083
Earnings (loss) from continuing operations	**(4,540)**	7,612
Net loss	**(9,002)**	(9,229)
FINANCIAL STRUCTURE ($000)		
Working capital	**20,163**	22,151
Total assets	**503,711**	556,135
Long-term debt	**184,435**	200,554
Shareholders' equity	**142,071**	150,435
PER COMMON SHARE		
Earnings (loss) from continuing operations	**$(0.39)**	$ 0.28
Net loss	**$(0.63)**	$(0.67)
Book value	**$ 5.80**	$ 6.58
FINANCIAL RATIOS		
Working capital	**1.11**	1.11
Earnings (loss) from continuing operations/sales	**(0.21) %**	0.33 %
Net loss/sales	**(0.41) %**	(0.40)%
Debt/equity	**1.30**	1.33
Return on shareholders' equity – earnings (loss) from continuing operations	**(6.04) %**	3.92 %

Message from the Chairman



Marcel R. Guertin
Chairman of the Board of Directors

To our Shareholders:

During the past year, the food industry has experienced unprecedented competition, which has made it much harder for food distribution operations to attain profitability. The 1990 year has been particularly difficult due to a large increase in the unemployment rate and continuing high interest rates. These trends have had a direct effect on consumption patterns, including food purchases.

Nowadays, Quebec food retailers have to face new competition from Canadian and American chains that have outlets in the east, west and south of the province. Furthermore, the market has attained maturity, a fact that reflects the aging of the population and the low birth rate. All this to say nothing of the need for food distributors to react promptly to fast-changing consumer preferences that often break with tradition.

At the beginning of the year, Métro-Richelieu Inc. (Métro-Richelieu) announced the introduction of a major recovery program, centred on a five-point plan:

- rationalization of our assets by maximizing use of our storage facilities;
- reduction of our work force;
- integration of the pharmaceuticals operations with the other operations of the Company;
- development and implementation of new marketing strategies at Super Carnaval in order to benefit fully from our position in that market;
- disposal of our interests in André Lalonde Sports Inc. (André Lalonde Sports), Restaurant Giorgio (Amérique) Ltée (Giorgio) and our corporate stores.

You will observe upon reading this annual report that we have indeed commenced implementing this program. However, other improvements have to be made, since the results for the fiscal year show a loss.

This situation is attributable to several factors. The results for the first six months were affected by a large drop in Super Carnaval's sales, caused by a five-week labour dispute in our three Quebec City stores. In the second half of the year, we recorded extraordinary losses as a result of discontinuing our André Lalonde Sports operations, the sale of our corporate stores to independent retailers, additional expenses incurred in connection with the closing of the warehouses of Merit-Provincial Fruit and Service Alimentaire de Québec Inc. and the severance payments associated with the abolition of several positions, in particular when the Boeuf Mérite division ceased distributing national brands of packaged meats. When we took these difficult, but necessary decisions we realized that it would be some time before the effects would be reflected in the Company's earnings.

Last summer, following introduction of Bill 57 by the Minister of Industry and Trade, an amended version of the Act respecting commercial establishments business hours was adopted. A great deal was at stake in this long-pending dossier, since it represents a market of nearly one billion dollars which until now was closed to us. A conservative estimate is that the four major food chains should share approximately 40% of the market, and that 26% to 28% should come to Métro-Richelieu over the next few years, representing sales of between \$100 million and \$115 million. Most of our retailers have taken advantage of the new store hours. To date the response of consumers has been very encouraging and next year should give a better idea of the additional volume. We are confident that the government will be able to ensure compliance with this long-awaited Act. We, for our part, will use all the means at our disposal to ensure its equitable application and respect for the rights of our retailers.

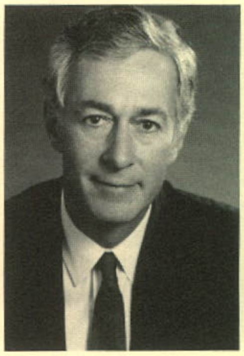
During the past year, Métro-Richelieu faced a difficult financial situation which required prompt action. The Company was therefore forced to renew its leadership last March by making changes among its senior officers. During the transition period, which lasted until October 1, 1990, I agreed to run the Company with the existing team. The Board of Directors asked the selection committee to take as much time as was required to find the best candidates, with a view to meeting the Company's needs in the short and medium term. The recruitment process was entrusted to outside firms that specialize in executive search.

On August 16, 1990, the Board of Directors appointed Mr. Gilles Caron as Vice-President, Marketing, following a vacancy which lasted several months.

A few weeks later, on September 4, 1990, we had the pleasure of announcing the appointment of Mr. Pierre H. Lessard as President and Chief Executive Officer of Métro-Richelieu and Mr. Paul Gobeil as Vice-Chairman of the Board of Directors. Messrs. Lessard and Gobeil, who took up their appointments on October 1, 1990, have a combined experience of thirty years in the management of a major food distributor.

We are very proud that they have joined our team. The challenge is enormous. We are sure that as a seasoned team they will allow us to benefit from their vast experience and will waste no time in implementing an effective recovery plan. They will bring new ideas that should allow the Company to make the most of its potential. Under their leadership, we can contemplate the future with optimism and look forward to recovering our profitability during the coming year.

I wish to express my sincere thanks to my fellow directors, as well as Messrs. Claude Castonguay and Gabriel Verreault, who served on the Board during the year, as well as to the management and the employees of the Company who gave me their full support during this difficult year. I would also like to thank all our shareholders, retailers and suppliers for their understanding and patience.



Pierre H. Lessard
President and
Chief Executive Officer

Paul Gobeil
Vice-Chairman of the Board

Allow me to also recognize the significant contribution of Mr. Jean-Claude Messier, who is completing his last term as a director. He has participated in the growth and expansion of the Company, holding several positions on the Board of Directors since 1958, including 17 years as Chairman of the Board. Mr. Messier and members of his family also operate 13 Métro stores in the Montreal area. I wish to express my gratitude for his dedication and outstanding contribution to the Company.

On September 25, 1990, we were saddened by the death of Mr. Aimé Gagnon, who had been Vice-Chairman of the Board since 1979. I take this opportunity to express my appreciation of a colleague who for many years contributed to the growth of our Company. Mr. Aimé Gagnon helped to develop our Métro banner by establishing nine supermarkets in Eastern Quebec.

I am sure that the major changes we have made in the past months will fulfil your expectations and allow Métro-Richelieu to take the lead in the Quebec food industry!

Marcel R. Guertin

Marcel R. Guertin

Chairman of the Board of Directors

Operations Review
Métro-Richelieu, an Established Force in the Québec Food Buisiness

Métro-Richelieu is a major Quebec food distributor which supplies nearly 500 independent retailers operating under the Métro and Marché Richelieu banners throughout Quebec and 14 Super Carnaval corporate stores. The Company's warehouses are located in Montreal, Quebec City and Mont-Joli. The Company also offers a range of management, marketing and merchandising services to support its retailers' growth in a highly competitive market. Meanwhile, Métro-Richelieu's Éconogros division, which operates in Montreal and Quebec City, supplies Couche-Tard convenience stores, GEM and AMI supermarkets, a large group of customers consisting of small grocery stores, and a growing number of institutions.

Métro-Richelieu is also engaged in the distribution of pharmaceuticals. Its subsidiary, McMahon-Essaim Inc. (McMahon-Essaim), supplies 201 drugstores that operate under the Essaim, Brunet and Clini+ banners, as well as an increasing number of nonaffiliated customers.

The Company was also engaged in the distribution of sporting goods until quite recently when it disposed of certain assets of André Lalonde Sports, thus terminating its involvement in this sector. It has also disposed of its 50% interest in Giorgio, a chain of fast-food restaurants.

The Company and its subsidiaries have 12 warehouses, each of which has a specific role. The Company has 4,900 employees, while its affiliated merchants have an additional 17,500 employees.

Food Wholesaling Operations and Retailing Services

The Company provides its customers with groceries, fresh fruit and vegetables, meat, fish and frozen products. Its main customers are the Métro, Marché Richelieu and Super Carnaval stores. These operations account for 71% of Métro-Richelieu's sales.

The food business is in a perpetual state of flux; however, the explanation for changing patterns of food consumption may be found in various underlying factors such as the low population growth, the aging of the population, the reduced time available to prepare meals, concern with healthy eating, the evolution of the nuclear family, the growing importance of ethnic groups, the low population density, regional differences, and the greater variety of products available. Grocery sales are greatly affected by all of these factors and the food business must constantly adjust to consumer needs. A period of slow growth, combined with the arrival of new players in the marketplace, accounts for the high level of competition in the industry today. The Company's response to these many challenges has been to tackle them head-on, both in its operations and in its strategic planning.

In these circumstances, efficient operations and cost rationalization are essential. That is why, during the fiscal year, the Company closed its fruit and vegetable warehouse in Ottawa (Merit-Provincial Fruit), and transferred most of its sales volume to the Montreal warehouse. In the Boeuf Mérite division, increased operating costs forced the Company to give up distributing packaged national brands and to discontinue certain production operations. Management was also given a mandate to analyse every aspect of the Company's operations, which resulted in job cuts.

In a market characterized by radical change and very strong competition, the Métro and Marché Richelieu retailers must anticipate consumers' needs. With this in mind, Métro and Marché Richelieu stores have introduced a variety of specialized boutiques. The traditional meat counter on which the reputation of the Métro and Marché Richelieu banners was built has been matched by counters featuring products baked on the premises, fresh fish, bulk foods, cheese and processed meats, prepared foods and personal care items. Thus, consumers can be sure of finding all the specialties they need under one roof.

This year, nine more Métro and Marché Richelieu retailers introduced a fish counter, bringing the total number of such counters to 99 and contributing to a 12.6% increase in sales of the Pêcheries Atlantiques division.

In addition to supplying its retailers, Métro-Richelieu offers them a range of services to support their growth. For example, the Company provides its Métro and Marché Richelieu retailers with market studies and merchandising, marketing and advertising programs that allow them to meet consumers' expectations. The Company also offers management services that enable the retailers to maximize their profitability.

The "Métro 5 étoiles" banner, which was introduced during the 1987 fiscal year, has continued to develop. At year-end, the banner was displayed by 137 Métro stores that offer consumers a complete range of specialized supermarket services.

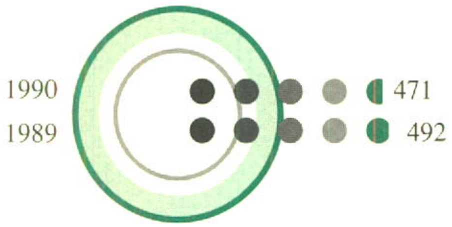
The Company has also maintained its program of awards for excellence in order to promote improved standards of customer service. Existing awards for Métro stores now have their counterpart in the Marché Richelieu award for excellence ("Marché d'excellence Richelieu"), which acknowledges the overall performance of a Marché Richelieu store in marketing and in product and service quality.

During the past year, we celebrated the 50th anniversary of the Marché Richelieu banner. This occasion was of historic importance and deserved special attention. The Company therefore developed a complete advertising, promotional and awards program.

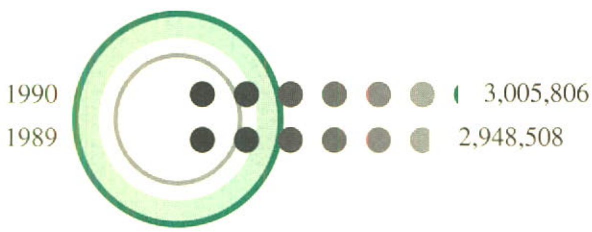
Following amendment of the Act respecting commercial establishments business hours, the Company left its retailers free to decide whether or not they should open on Sundays. To date, most retailers have decided to open seven days a week. These new business hours and a more aggressive marketing strategy should permit our retailers to increase their market share.

Our retailers have continued to show the dynamism on which their success is based by investing $15 million in the renovation or expansion of their stores. The total floor space of the Métro and Marché Richelieu stores increased by 2% in 1990. In order to meet local competition, eight retailers operating under the Marché Richelieu banner elected during the year to display either the GEM or AMI banners and are supplied by our Éconogros division.

Number of stores
Métro and Marché Richelieu



Total area (square feet)
Métro and Marché Richelieu



Food Services

The mission of this sector is to expand Métro-Richelieu's traditional market by developing services to institutions and small retail outlets. This offers an opportunity for additional sales to institutional customers such as hospitals, nursing and retirement homes and schools, and to restaurants, hotels and small stores.

During the fiscal year, the Service Alimentaire de Québec Inc. division, located in the Quebec City area, was closed down, resulting in the recording of additional costs for the year. Further measures were taken during the year to improve efficiency, all of which should produce better results in the coming fiscal year.

Number of establishments
AMI and GEM

Food Retailing Operations

Métro-Richelieu conducts its food retailing operations under the Super Carnaval and Métro banners. During the year, Métro-Richelieu operated nine corporate stores under the Métro banner for various periods of time, compared with 18 in the previous year. In keeping with the Company's redefined strategy, the stores were sold to independent retailers who continue to display the Métro banner. At year-end, only one corporate store remained. The sale of the stores and the five-week strike at three Super Carnaval stores in the Quebec City region resulted in lower sales compared with the previous year.

With 14 sales outlets and an aggregate floor area of 610,268 square feet, Super Carnaval is one of Quebec's major superstore chains. In Quebec, competition in this market segment, where discount pricing is the rule, has increased drastically in the past five years. Additional efforts will be made during the coming year to ensure that we reach our customers and to develop a marketing strategy that meets their needs. These measures, together with tighter cost controls, should produce a higher volume and improved earnings in the coming year.

Pharmaceuticals Wholesaling Operations

The Quebec pharmaceuticals market represents annual retail sales of almost $2 billion, while pharmaceuticals wholesalers have sales of approximately half as much. In view of the aging of the population, this is a sector with good growth prospects.

The Company's operations in this sector are carried on by McMahon-Essaim, which supplies the Essaim, Brunet and Clini+ banners, all of which are wholly or partly owned by McMahon-Essaim. The Company also supplies certain nonaffiliated drugstore chains.

During the year, sales increased by 23%, reflecting the fact that the number of affiliated outlets increased by 34 and the growth in sales to nonaffiliated drugstore chains. In addition, substantial cost rationalization was carried out during the year. The effect of these improvements will be felt during the coming year, thus contributing to the Company's overall profitability.

PHARMACEUTICALS SECTOR

		Number of stores	Type of store
ESSAIM	1990	132	Neighbourhood drugstore
	1989	113	
BRUNET	1990	22	Drugstore where emphasis is placed on professional services
	1989	17	
CLINI +	1990	47	Drugstore located in a medical clinic
	1989	37	

Community Involvement

During the year, the Company fulfilled its role as a corporate citizen by its involvement in the community. The collaboration of its retailers and the generosity of its customers enabled the Company to collect funds for several organizations, including the Fondation Charles-Bruneau and Centraide. The Company was also involved in the Ordre du Mérite Agricole, the Matins symphoniques Métro, the Métrostar gala and the ADISQ contest and gala.

Métro-Richelieu contributes to cultural life through the Matins symphoniques Métro. These morning concerts by the Orchestre symphonique de Montréal (OSM) are sponsored by Métro-Richelieu in collaboration with *La Presse* newspaper. Before every concert, OSM volunteers distribute a light breakfast offered by Métro-Richelieu and its suppliers.

SALES

Consolidated sales for the year amounted to $2,189,404,000, compared with $2,301,096,000 for the previous year, representing a decline of 4.9%. The fiscal year ended September 29, 1990 reflects 52 weeks of operations compared with 53 weeks for the fiscal year ended September 30, 1989. Based on an identical number of weeks of operations, the decline in sales is 3.0%.

The food wholesaling sector recorded a drop in sales of 5.3% as a result of a decrease in the number of retailers, increased competition in food retailing and the closure of certain establishments.

Sales of the food services sector increased by 6.6%, a performance attributable to institutional and bulk products sales.

The food retailing sector includes Super Carnaval and the Métro corporate stores. The five-week strike experienced by three Super Carnaval stores in the Quebec City region, combined with the fact that the Company operated fewer corporate stores and for shorter periods than in the previous year, produced a drop in sales of 14.0%.

Sales of the pharmaceuticals sector rose 23.2%, from $100,105,000 to $123,290,000. This increase is mainly due to the addition of new Essaim and Brunet outlets and sales to new customers.

EARNINGS FROM OPERATIONS

Earnings from operations declined by $15,132,000 to $52,951,000.

The loss of sales volume, combined with an increase in operating costs, resulted in a substantial drop in earnings from operations. The benefits of the cost control program introduced during the year were not felt over the whole year. In the pharmaceuticals sector, a period of adjustment following discontinuance of the Cloutier banner at the very end of the 1989 year, resulted in high operating costs in the first three quarters of the 1990 year.

The rationalization program implemented by the new management team at the start of the 1991 fiscal year, together with an expected increase in sales volume, should produce an increase in earnings from operations for 1991.

SALES ($000)

Sector	1990 (52 weeks)	1989 (53 weeks)	Change (%)	Change (%) (1989, 52 weeks)
Food				
- wholesaling	**1,703,976**	1,799,157	(5.3)	(3.5)
- food services	**185,896**	174,396	6.6	8.6
- retailing	**369,360**	429,567	(14.0)	(12.4)
Pharmaceuticals	**123,290**	100,105	23.2	25.5
Other sectors	**10,721**	11,325	(5.3)	(3.5)
	2,393,243	2,514,550		
Intersector eliminations	**203,839**	213,454		
	2,189,404	2,301,096	(4.9)	(3.0)

Financing and Cash Position

Financing expenses rose from $26,807,000 (1.16% of sales) in 1989 to $27,271,000 (1.25% of sales) in 1990. The difference is attributable to an increase in short-term financing, especially in the first half of the year, combined with rising interest rate.

The working capital ratio remained steady in 1989 and 1990 at 1.11. Thanks to better inventory control (total reduction of $17,532,000), rationalization of operations, disposal of certain assets (corporate stores and interest in Giorgio) and reduction in capital expenditures, Métro-Richelieu reduced use of its $90 million authorized credit line and still has available credit of almost $35 million on average.

Métro-Richelieu is partially protected against interest rate fluctuations, since over 73% of its short-term and long-term borrowing is at fixed rates. Its average cost of borrowing in 1990 was 10.88%, compared with 10.59% in 1989.

In view of the Company's financial position, the Board of Directors decided to suspend payment of the cumulative quarterly dividend on the First preferred shares, Series 1, which would have been payable on September 1 and December 1, 1990. This decision allowed the Company to improve its cash position by $655,000 as of September 29, 1990.

During the coming year, the rate of use of the credit line should not increase in view of a capital budget of $12,000,000 for 1991 and receipts of $4,000,000 from the disposal of André Lalonde Sports. The economic slowdown should allow the Bank of Canada to lower interest rates, thus, total interest expense should drop.

Depreciation and Amortization, Loss on Disposal of Stores, Rationalization Costs

Depreciation and amortization expenses amounted to $24,855,000 (1.14% of sales) in 1990, compared with $23,001,000 (1.00% of sales) in 1989. This increase is mainly due to capital expenditures of $35,432,000 in 1989 and $9,658,000 in 1990.

Operation of the corporate stores was producing annual operating losses. During the year, the decision to sell the stores was made, resulting in a loss upon disposal of $1,525,000.

The Company incurred expenses of $5,313,000 under its rationalization and restructuring plan. These expenses are attributable to discontinuing distribution of national brands of packaged meat by Boeuf Mérite, closing Merit-Provincial Fruit and Service Alimentaire de Québec, severance payments to employees and restructuring costs.

Loss on Disposal of Discontinued Segments

The loss of $4,462,000 on the sale of discontinued operations results from the sale of certain assets of André Lalonde Sports on October 1, 1990. Last year, the Board of Directors had decided to withdraw from this business area, which was no longer in keeping with the Company's strategic plan; the provision recorded at that time proved to be insufficient since André Lalonde Sports was not sold as quickly as anticipated and the sale took place in unfavourable economic circumstances.

Net Loss

The net loss for the year amounts to $9,002,000 or (0.41)% of sales and $(0.63) per share compared with $9,229,000 or (0.40)% of sales and $(0.67) per share in 1989. The loss on continuing operations amounts to $4,540,000 or (0.21)% of sales and $(0.39) per share compared with a profit of $7,612,000 or 0.33% of sales and $0.28 per share in 1989.

Capital Expenditures

Capital expenditures amounted to $9,658,000 compared with $35,432,000 for the previous year. More than $4,000,000 was invested in the renovation of Super Carnaval and corporate stores. Other capital expenditures required for efficient operation were also made. The reduction in capital expenditures has been made possible by cutting back the Company's expansion program.

Financial Structure

Total assets at year-end stand at $503,711,000, a reduction of $52,424,000 over total assets at the previous year-end. The reduction in total assets is attributable to the disposal of the corporate stores and better inventory management.

The debt/equity ratio dropped from 1.33 to 1.30. This improvement is attributable to a net reduction in long-term debt of $16,119,000. Management intends to act quickly to improve this ratio.

Outlook

In these difficult times, it is important to be able to rely on effective leadership. On September 4, 1990, the Board of Directors appointed Mr. Pierre H. Lessard as President and Chief Executive Officer and Mr. Paul Gobeil as Vice-Chairman of the Board of Directors. The new management team, which assumed its new responsibilities on October 1, 1990, must take decisive action to deal with the situation in the short run and is aware that one of its primary responsibilities is to put the Company's balance sheet in order and to restore profitability. All aspects of the Company are being reviewed and a plan of action will be proposed soon. Development programs for both the Métro and Marché Richelieu retailers and Super Carnaval are being examined and should result in sales growth. Each division and subsidiary will be reviewing its operating procedures in order to improve profit margins and find ways of reducing its investments in working capital items.

The management of the Company is confident that all these measures will produce a significant improvement in earnings and in the balance sheet, starting in the coming fiscal year.

Quarterly Results

	Year ended September 29, 1990					Year ended September 30, 1989				
	1st quarter (12 weeks)	2nd quarter (12 weeks)	3rd quarter (16 weeks)	4th quarter (12 weeks)	TOTAL	1st quarter (12 weeks)	2nd quarter (12 weeks)	3rd quarter (16 weeks)	4th quarter (13 weeks)	TOTAL
Sales ($000)	532,215	481,425	680,629	495,135	**2,189,404**	530,387	494,826	709,602	566,281	**2,301,096**
Earnings (loss) from continuing operations ($000)	(419)	(1,572)	(70)	(2,479)	**(4,540)**	3,446	2,002	5,562	(3,398)	**7,612**
Net earnings (loss) ($000)	(462)	(1,572)	(1,399)	(5,569)	**(9,002)**	3,015	1,885	2,278	(16,407)	**(9,229)**
Earnings (loss) per share:										
continuing operations	$(0.06)	$(0.12)	$(0.04)	$(0.17)	**$(0.39)**	$ 0.16	$ 0.09	$ 0.27	$(0.24)	**$ 0.28**
net	$(0.06)	$(0.12)	$(0.12)	$(0.33)	**$(0.63)**	$ 0.14	$ 0.07	$ 0.09	$(0.97)	**$(0.67)**
Market price:										
high	$ 4.00	$ 3.45	$ 3.85	$ 3.25	**$ 4.00**	$ 5.25	$ 5 1/8	$ 4.75	$ 4.50	**$ 5.25**
low	$ 3.15	$ 2.75	$ 2.80	$ 2.50	**$ 2.50**	$ 4.50	$ 4.50	$ 3.80	$ 3.85	**$ 3.80**
Volume of transactions	600,342	472,783	857,001	603,792	**2,533,918**	382,673	644,420	932,232	692,490	**2,651,815**

Financial Statements

Management's Report

On the Company's consolidated financial statements

The consolidated financial statements of Métro-Richelieu Inc. and financial information contained in this Annual Report are the responsibility of Management. These consolidated financial statements were prepared according to the accounting principles generally accepted in Canada and were approved by the Board of Directors.

Métro-Richelieu Inc. maintains accounting and administrative control systems which, in the opinion of Management, ensure reasonable accuracy of financial information and well-ordered, efficient management of the Company's affairs.

The Board of Directors discharges its responsibilities for approving the consolidated financial statements included in this Annual Report, principally through its Audit Committee. This Committee, which holds periodic meetings with members of Management, the internal auditor and external auditors, reviewed the consolidated financial statements of Métro-Richelieu Inc. and recommended their approval to the Board of Directors.

The enclosed consolidated financial statements were audited by Mallette, Benoit, Boulanger, Rondeau & Associés, chartered accountants and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

Marcel R. Guertin

Marcel R. Guertin
Chairman of the Board

L.G. Serge Gadbois

L.G. Serge Gadbois, c.a.
Vice-president, Finance

Auditors' Report

To the Shareholders of Métro-Richelieu Inc.

We have examined the consolidated balance sheet of Métro-Richelieu Inc. as at September 29, 1990 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at September 29, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mallette, Benoit, Boulanger, Rondeau & Associés

Chartered Accountants

Montreal,
November 23, 1990

Consolidated Statement of Earnings
Year Ended September 29, 1990
(in thousands of dollars)

	1990 (52 weeks)	1989 (53 weeks)
SALES	**$ 2,189,404**	$ 2,301,096
COST OF SALES AND OPERATING EXPENSES	**2,136,453**	2,233,013
EARNINGS FROM OPERATIONS	**52,951**	68,083
OTHER ITEMS		
Financial		
Short-term	**4,497**	2,974
Long-term	**22,774**	23,833
Depreciation and amortization (note 4)	**24,855**	23,001
Loss on disposal of stores	**1,525**	6,117
Rationalization cost (note 5)	**5,313**	–
	58,964	55,925
EARNINGS (LOSS) BEFORE INCOME TAXES	**(6,013)**	12,158
INCOME TAXES (note 6)		
Current	**2,609**	5,587
Deferred	**(4,082)**	(1,041)
	(1,473)	4,546
EARNINGS (LOSS) FROM CONTINUING OPERATIONS	**(4,540)**	7,612
LOSS OF DISCONTINUED OPERATIONS	**-**	(5,514)
LOSS ON DISPOSAL OF DISCONTINUED SEGMENTS (note 7)	**(4,462)**	(11,327)
NET LOSS	**$(9,002)**	$(9,229)
EARNINGS (LOSS) PER SHARE		
Continuing operations	**$(0.39)**	$ 0.28
Net loss	**$(0.63)**	$(0.67)

Consolidated Statement of Retained Earnings
Year Ended September 29, 1990
(in thousands of dollars)

	1990 (52 weeks)	1989 (53 weeks)
BALANCE, BEGINNING OF YEAR	**$ 14,036**	$ 25,854
ADD:		
Transfer of the excess of appraised value of fixed assets over cost	**12**	13
	14,048	25,867
DEDUCT:		
Net loss	**9,002**	9,229
Share issue expenses less income taxes	**–**	2
Dividends on preferred shares	**1,988**	2,600
	10,990	11,831
BALANCE, END OF YEAR	**$ 3,058**	$ 14,036

CONSOLIDATED BALANCE SHEET
SEPTEMBER 29, 1990
(IN THOUSANDS OF DOLLARS)

ASSETS	1990	1989
CURRENT ASSETS		
Accounts receivable	$ 94,004	$ 97,627
Income taxes	2,493	–
Inventories	94,055	111,587
Prepaid expenses	4,153	6,595
Current portion of investments (note 8)	2,190	4,583
	196,895	220,392
INVESTMENTS (note 8)	16,361	20,733
FIXED ASSETS (note 9)	134,292	149,255
OTHER ASSETS (note 10)	156,163	165,755
	$ 503,711	$ 556,135

LIABILITIES		
CURRENT LIABILITIES		
Bank loans (note 11)	$ 50,453	$ 45,436
Accounts payable	112,405	139,808
Income taxes	–	353
Current portion of long-term debt (note 12)	13,874	12,644
	176,732	198,241
LONG-TERM DEBT (note 12)	154,435	170,554
DEFERRED INCOME TAXES	473	6,905
CONVERTIBLE DEBENTURES (note 13)	30,000	30,000
SHAREHOLDERS' EQUITY		
Capital stock (note 14)	138,321	135,695
Retained earnings	3,058	14,036
Contributed surplus	157	157
Excess of appraised value of fixed assets over cost	535	547
	142,071	150,435
	$ 503,711	$ 556,135

ON BEHALF OF THE BOARD

Marcel R. Guertin

Marcel R. Guertin
Chairman of the Board

Bernard Bélair

Bernard Bélair
Treasurer

Consolidated Statement of Changes in Financial Position
Year Ended September 29, 1990
(in thousands of dollars)

	1990 (52 weeks)	1989 (53 weeks)
OPERATING ACTIVITIES		
Earnings (loss) from continuing operations	$(4,540)	$ 7,612
Depreciation and amortization	24,855	23,001
Loss on disposal of long-term assets	1,465	5,991
Deferred income taxes	(4,082)	(1,041)
	17,698	35,563
Net changes in other items	4,526	9,738
Cash provided from continuing operations	22,224	45,301
Application of funds resulting from:		
Loss of discontinued operations	–	(7,847)
Loss on disposal of discontinued segments	(18,662)	(743)
Cash provided from operating activities	3,562	36,711
FINANCING ACTIVITIES		
Increase in long-term debt	2,015	35,430
Repayment of long-term debt	(16,904)	(24,867)
Issuance of capital stock	2,637	3,027
Share issue expenses	–	(2)
Redemption of preferred capital stock	(11)	(24)
Cash provided from (applied to) financing activities	(12,263)	13,564
INVESTING ACTIVITIES		
Acquisition of fixed assets	(9,658)	(35,432)
Acquisition of other assets	(5,687)	(7,054)
Disposal of fixed assets and other assets	13,920	9,567
Net change in investments	7,097	821
Cash provided from (applied to) investing activities	5,672	(32,098)
DIVIDENDS	(1,988)	(2,600)
CASH INCREASE (DECREASE)	(5,017)	15,577
CASH POSITION, BEGINNING OF YEAR	(45,436)	(61,013)
CASH POSITION, END OF YEAR	$(50,453)	$(45,436)

Cash consists of bank loans.

1- STATUTES OF INCORPORATION:

The Company is governed by Part IA of the Quebec Companies Act.

2- CHANGE IN AN ACCOUNTING POLICY:

Comparative figures have been reclassified to conform with new recommendations of the Canadian Institute of Chartered Accountants related to discontinued operations and extraordinary items.

Losses and provisions for losses of $11,327,000, accounted for last year, have been shown under "loss on disposal of discontinued segments".
The application of these recommendations does not affect the net loss for the current year and the net earnings (net loss) for preceding years.

3- SUMMARY OF THE PRINCIPAL ACCOUNTING POLICIES:

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the principal accounting policies used to prepare the consolidated financial statements.

a) Consolidation -

The consolidated financial statements include the accounts of the Company and its subsidiaries.

b) Inventory valuation -

Inventory is valued at lower of cost, determined on a first in, first out basis, and net realizable value.

c) Acquisitions and disposals of stores -

Acquisitions and disposals of stores form part of the company's normal operations. Gains and losses on disposals of stores and provisions for decrease in value of stores are accounted for when known.

d) Investments -

Investments in companies subject to significant influence are accounted for using the equity method. Other investments are accounted for at cost.

e) Fixed assets, leased assets and depreciation -

Fixed assets and leased assets under capital leases are accounted for at cost, except for a land and a building which were appraised in 1968. Depreciation of fixed assets and leased assets under capital leases are recorded using the straight-line method at the following rates:

Land improvements	2 1/2% to 5%
Buildings	2 1/2%
Machinery and equipment	2 1/2% to 25%
Rolling stock	10% to 25%
Leasehold improvements	term of the leases

f) Other assets and amortization -

Other assets are accounted for at cost.

Amortization is recorded using the straight-line method at the following rates:

Goodwill	2 1/2% to 5%
Leasehold rights	term of the leases
Other	5% to 33 1/3%

g) Excess of appraised value of fixed assets over cost -

The excess is transferred to retained earnings when realized through depreciation or sale of appraised fixed assets.

h) Pension plan -

Pension costs related to current services are charged to earnings for the period during which the services are rendered; past service costs are amortized over the expected average remaining service life of the employees covered by the plan, namely sixteen years. The difference between the pension costs and funding payments is recorded on the balance sheet under "Other assets".

4- EARNINGS:

	1990	1989
The consolidated statement of earnings includes the following items:		
Depreciation and amortization		
Fixed assets	$ 17,110	$ 15,840
Goodwill	2,626	2,854
Leasehold rights	1,750	1,782
Other	3,369	2,525
	$ 24,855	$ 23,001
Interest in companies subject to significant influence	$ 501	$ 271

5- RATIONALIZATION COST:

In order to rationalize and reorganize its activities, the Company has suspended some operations and laid off employees. Incurred cost and provision related to the rationalization and reorganization amount to $5,313,000.

6- INCOME TAXES:

	1990	1989
The actual income tax rates of the Company are as follows:		
Statutory income tax rates	(35,07) %	34,84 %
Change in income tax rate resulting from:		
Non-deductibility of goodwill	11,60	5,73
Other	(1,03)	(3,18)
	(24,50) %	37,39 %

7- LOSS ON DISPOSAL OF DISCONTINUED SEGMENTS:

As at October 1, 1990, the Company has disposed of some assets of its subsidiary, André Lalonde Sports Inc. The loss amounts to $4,462,000 net of income tax benefits of $2,349,000.

The remaining items of this subsidiary are:

Accounts receivable	$6,989,300
Investments	$1,000,000
Accounts payable	$4,556,600

Comparative figures include losses and a provision for losses related to the discontinuance of activity under the banner of Cloutier and a provision for losses due to the declin in the value of its subsidiary, André Lalonde Sports Inc., for a total amount of $11,327,000 net of income tax benefits of $3,551,000.

8- INVESTMENTS:

	1990	1989
Investment in a subsidiary excluded from consolidation	$ –	$ 5,335
Investments in companies subject to significant influence	11,297	12,502
Investments in other companies	2,389	1,497
Loans	4,865	5,982
	18,551	25,316
Current portion	2,190	4,583
	$ 16,361	$ 20,733

9- FIXED ASSETS:

	Cost	Accumulated depreciation	1990 Net value	1989 Net value
Land and land improvements	$ 13,584	$ 385	$ 13,199	$ 13,549
Buildings	64,749	13,557	51,192	52,769
Machinery and equipment	38,286	19,894	18,392	22,074
Rolling stock	32,196	20,149	12,047	15,137
Leasehold improvements	10,084	3,233	6,851	5,576
	158,899	57,218	101,681	109,105
Leased assets under capital leases	59,063	26,452	32,611	40,150
	$217,962	$ 83,670	$134,292	$149,255

10- OTHER ASSETS:

	1990	1989
Goodwill	$ 67,824	$ 78,689
Leasehold rights	64,178	65,928
Other	24,161	21,138
	$156,163	$165,755

11- BANK LOANS:

The bank loans are secured by a first assignment of subsidiaries' inventories and by a second assignment of subsidiaries' accounts receivable.

12- LONG-TERM DEBT:

	1990	1989
Loans, secured by mortgages, bearing interest at rates ranging from 11.5% to 13.5%, maturing up to 1995	**$ 17,365**	$ 17,607
Loan, secured by a mortgage and by a commercial pledge, bearing interest at the rate of 13.395%, maturing in 1993	**3,500**	4,500
Notes, $30,000,000 being secured, at the same rank as for bank loans, by subsidiaries' inventories and accounts receivable, bearing interest at rates ranging from 1% below to 1.5% above prime rate and at rates of 9.5% and 10.6%, maturing up to 1996	**33,450**	37,062
Loans, secured by liens on equipment, bearing interest at rates ranging from 9.75% to 15.25%, maturing up to 1996	**4,328**	6,637
Debentures, series A and B, secured by a floating charge on all assets of the Company under a trust deed and a first assignment of subsidiaries' accounts receivable, bearing interest at the banker's acceptance rate, maturing in 1998	**68,000**	70,000
Loans from shareholder customers, redeemable after five and ten years of their respective instalments, bearing interest at rates ranging from 1% below to 1.5% above the average prime rate, maturing up to 1999	**447**	480
Notes from shareholder customers, without interest, converted quarterly into Class A subordinate shares	**511**	398
Other loans from shareholder customers, without repayment conditions, bearing interest at rates ranging from 1.5% below to 1.5% above the average prime rate	**$ 730**	$ 875
Obligations under capital leases, bearing interest at rates ranging from 9.9% to 14.75%, maturing up to 1997	**39,978**	45,639
	168,309	183,198
Current portion	**13,874**	12,644
	$154,435	$170,554

The Company has two interest rate swap facilities contracts for an amount of $35,000,000 each, bearing interest at the rates of 9.98% and 10.73%, maturing in 1993 and 1994.

Capital repayments of the long-term debt, payable during the next five years, and minimum payments under capital leases are as follows, assuming that loans subject to renewal are renewed under the same conditions:

Long-term debt	
1990-91	$ 10,029
1991-92	$ 7,362
1992-93	$ 7,409
1993-94	$ 6,453
1994-95	$ 6,927

Capital leases	
1990-91	$ 10,187
1991-92	9,983
1992-93	7,992
1993-94	7,584
1994 and following	20,425
	56,171
Less interest included in instalments	16,193
	$ 39,978

13- CONVERTIBLE DEBENTURES:

As at September 22, 1988, the Company has outstanding convertible debentures in the amount of $30,000,000, secured by a floating charge on all the assets of the Company under a trust deed, at the rate of 9.5%, repayable September 22, 1998. The debentures are convertible at any time at the holder's request by blocks of $7,500,000 into first preferred shares, series 2 or into participating shares of the Company's capital stock at a price of $7.25 per share and are retractable by the Company under certain conditions from September 22, 1991.

The interest rate could climb to 11.5% as of October 1, 1990 if certain financial and return ratio conditions are not met, but could be brought back to 9.5% as soon as these conditions are satisfied.

14- CAPITAL STOCK:

Authorized:

Unlimited number of first preferred shares, non-voting, without par value, issuable in series:

Series 1, cumulative dividend equal to 50% of the prime rate plus 1 3/4% up to a maximum of 8%, redeemable at $1,000 per share at any time by the Company and, as at June 1, 1992, at any time by the shareholder, convertible into Class A subordinate shares at a price of $13.80

Series 2, dividend at the same rate as Class A subordinate shares and Class B shares, participating, redeemable, convertible into an equal number of participating shares

12,000 second non-voting preferred shares, cumulative dividend of 75% of bank prime rate plus 1 1/2%, redeemable, with a par value of $100 each

Unlimited number of Class A subordinate shares, bearing one voting right per share, convertible into Class B shares in the case of a takeover bid for Class B shares, without par value

Unlimited number of Class B shares, bearing twenty voting rights per share, without par value

	1990	1989
Issued:		
32,500 first preferred shares, series 1	**$ 32,500**	$ 32,500
3,551 second preferred shares (3,661 in 1989)	**355**	366
17,627,684 Class A subordinate shares (16,740,495 in 1989)	**102,132**	99,254
1,039,880 Class B shares (1,112,460 in 1989)	**3,334**	3,575
	$138,321	$135,695

The change in capital stock is summarized as follows:

	1990		1989	
	Number of shares		Number of shares	
Issuance of capital stock:				
Class A subordinate shares	**754,509**	**$2,452**	567,186	$2,620
Class B shares	**60,100**	**$ 185**	89,100	$ 407
Redemption of shares:				
Second preferred shares	**110**	**$ 11**	238	$ 24
Conversion of shares:				
Class B shares converted into Class A subordinate shares	**132,680**	**$ 426**	141,560	$ 449

The Company has outstanding notes convertible until December 31, 1990 into a total of 200,000 Class A subordinate shares for a consideration of $2,000,000 and 300,000 warrants entitling their holders to purchase, until December 31, 1990, 300,000 Class A subordinate shares at a price of $10 per shares.

The Company has granted Class A subordinate share options to certain officers, entitling them to subscribe for 260,326 shares at a price ranging from $4.67 to $6.125 until December 8, 1992.

Arrears of cumulative dividends on first preferred shares, series 1, amount to $655,000.

15-PENSION PLAN:

As at September 29, 1990, the actuarial value of pension benefits amounts to $7,866,000 and the assets of the pension fund at market value totalize $5,927,200.

16- CONTRACTUAL OBLIGATIONS:

The Company has undertaken to lease certain premises under leases with varying terms extending up to the year 2009 for annual minimum payments totalling $10,319,000. The balance of these commitments as at September 29, 1990 amounts to $111,818,000.

Under lease agreements and lease offers with varying terms extending until 2010, the Company has undertaken to lease premises for minimum annual payments totalling $15,604,000. The balance of these commitments as at September 29, 1990, excluding escalator clauses, amounts to $205,848,000.
In return, the Company sublets these premises under the same terms and conditions and for the same considerations as in the above-mentioned lease agreements and lease offers.

The Company has undertaken, under a business agreement, to pay, during the next three years, an aggregate amount of about $500,000. This agreement concerns site development and a contribution to rental payments with respect to retail food outlets.

17- CONTINGENT LIABILITIES:

For certain of its shareholder customers and other firms with which business relationships are established:

The Company assumes a contingent liability as endorser of lease contracts having varying terms and maturing from 1997 to 2000. The annual minimum lease payments, excluding escalator clauses, amount to $322,100. The contingent liability under those endorsements as at September 29, 1990 is $2,517,900.

The Company has endorsed loans granted by financial institutions for a maximum amount of $4,190,300.

The Company has a limited contingent liability as guarantor of conditional sales contracts. As at September 29, 1990, the outstanding contracts amount to $1,882,700, representing the capital balance of the contracts.

As at September 29, 1990, various claims, amounting to $5,098,000, have been filed against the Company. Company management contests the validity of these claims and it is of the opinion that the settlement of these claims would not have a significant effect on the financial position of the Company. Any losses resulting from these litigations would be treated as an expense during the year.

As a result of its interest in a partnership, the Company has undertaken to provide funds necessary for the operations, if required.

18- RELATED PARTY TRANSACTIONS:

During the normal course of business, the Company concludes transactions with related parties under the same conditions as transactions with unrelated parties.

During the year, sales made to enterprises controlled by members of the Board of Directors amounted to $196,373,400 ($197,311,500 in 1989) and sales made to companies subject to significant influence amounted to $47,480,000 ($48,612,800 in 1989).

The Company has incurred costs for goods and services from companies subject to significant influence for an amount of $1,967,600 ($2,012,500 in 1989). Furthermore, the Company has accounted for $131,100 ($259,900 in 1989) of income related to these purchases.

The Company's commercial policies with its customers include, among others, discounts, fidelity premiums and various commercial programs. Costs incurred by the Company totalled $3,472,600 ($4,484,300 in 1989) for enterprises controlled by members of the Board of Directors and $1,166,500 ($1,632,500 in 1989) for companies subject to significant influence.

During the year, the Company has sold corporate stores by call for tender. Certain transactions were made with enterprises controlled by members of the Board of Directors. Proceeds from the sale of these store businesses were of $6,010,000 ($2,028,000 in 1989).

Total accounts receivable from enterprises controlled by members of the Board of Directors amounted to $6,239,200 ($6,893,600 in 1989) and $1,683,700 ($1,725,800 in 1989) for companies subject to significant influence.

FINANCIAL RETROSPECTIVE
(UNAUDITED)

	1990	1989	1988	1987	1986
SUMMARY OF RESULTS ($000)					
Sales	**2,189,404**	2,301,096	2,147,921	1,915,417	1,659,413
Earnings from operations	**52,951**	68,083	66,369	44,849	30,318
Depreciation and amortization	**24,855**	23,001	21,716	14,604	9,409
Interest	**27,271**	26,807	23,109	14,308	11,015
Non-recurring items	**6,838**	6,117	(3,298)		
Income taxes	**(1,473)**	4,546	10,892	7,200	3,913
Earnings from continuing operations	**(4,540)**	7,612	13,950		
Net earnings	**(9,002)**	(9,229)	13,045	10,023	5,981
CHANGES IN FINANCIAL POSITION ($000)					
Funds from operations	**17,698**	35,563	37,416	26,241	19,546
Capital expenditures	**9,658**	35,432	21,629	*14,975	16,566
FINANCIAL STRUCTURE ($000)					
Working capital	**20,163**	22,151	32,026	24,682	19,783
Current assets	**196,895**	220,392	230,239	213,322	153,686
Current liabilities	**176,732**	198,241	198,213	188,640	133,903
Fixed assets	**134,292**	149,255	142,428	142,668	91,404
Total assets	**503,711**	556,135	562,818	533,165	257,533
Long-term debt	**184,435**	200,554	191,684	188,968	73,945
Shareholders' equity	**142,071**	150,435	159,263	145,775	44,404
FINANCIAL RATIOS					
Earnings from operations/sales	**2.42 %**	2.96 %	3.09 %	2.34 %	1.83 %
Earnings from continuing operations/sales	**(0.21)%**	0.33 %	0.65 %		
Net earnings/sales	**(0.41)%**	(0.40)%	0.61 %	0.52 %	0.36 %
Cash flow/sales	**0.81 %**	1.55 %	1.74 %	1.37 %	1.18 %
Return on shareholders' equity	** **(6.04)%**	** 3.92 %	** 10.22 %	12.30 %	18.00 %
Debt/equity	**1.30**	1.33	1.20	1.30	1.67
Working capital	**1.11**	1.11	1.16	1.13	1.15
Interest coverage	** **0.78**	** 1.45	** 2.07	2.11	1.90
COMMON SHARE					
Earnings					
continuing operations	**$(0.39)**	$ 0.28	$ 0.69		
net	**$(0.63)**	$(0.67)	$ 0.63	$ 0.67	$ 0.73
Cash flow	**$ 0.82**	$ 1.87	$ 2.08	$ 1.87	$ 2.43
Number of shares outstanding at year-end	**18,667,564**	17,852,955	17,196,669	16,669,233	9,112,560
Weighted number of shares	**18,345,088**	17,581,798	16,917,113	13,676,276	7,997,840
Book value	**$ 5.80**	$ 6.58	$ 7.35	$ 6.75	$ 4.76
Market price					
high	**$ 4.00**	$ 5.25	$ 8 7/8	$ 13.25	N/A
low	**$ 2.50**	$ 3.80	$ 4.60	$ 6 1/8	N/A
Volume of transactions	**2,533,918**	2,651,815	2,322,925	5,631,990	N/A

* Excluding capital expenditures of companies acquired amounting to $52,342,000.

** Computed on the basis of earnings from continuing operations.

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

■ **Marcel R. Guertin**
President

■ **Paul Gobeil**
Vice-President

■ **Jean-Claude Messier**
Secretary

■ **Bernard Bélair**
Treasurer

■○ **Pierre H. Lessard**
Director

■▲○ **Michel Nadeau**
Director

■▲○ **Pierre Shooner**
Director

Réal Brouillette
Director

●* **Benoît Gadoury**
Director

● **Maurice Jodoin**
Director

*○ **Jacques Laliberté**
Director

▲ **Yves LeBel**
Director

James S. Parsons
Director

● **Mario Torti**
Director

■ Member of the Executive Committee
● Member of the Audit Committee
* Member of the Marketing Committee
▲ Member of the Human Resources Committee
○ Member of the Ethics Committee

MANAGEMENT OF MÉTRO-RICHELIEU INC.

Pierre H. Lessard
President and Chief Executive Officer

Paul Gobeil
Vice-Chairman of the Board

Claude Brunetta
Vice-President
Expansion and
Real Estate Development

Gilles Caron
Vice-President
Marketing

L.G. Serge Gadbois
Vice-President
Finance

Denise Martin
Vice-President
Information Systems

Jacques Obry
President and General Manager
Épiciers Unis Métro-Richelieu Inc.

Guy Piuze
Vice-President
Human Resources

André Roy
Vice-President
Administration

MANAGEMENT OF ÉPICIERS UNIS MÉTRO-RICHELIEU INC.

Jacques Obry
President and General Manager

Alain Brisebois
Vice-President
Grocery

Marc Cassidy
Vice-President
Eastern Quebec

Paul Laporte
Vice-President
Distribution

Robert Sawyer
Vice-President
Fruit and Vegetables

Lawrence Timmons
Vice-President
Meat and Frozen Products

MANAGEMENT OF LA FERME CARNAVAL INC.

Jocelyn Paquette
Vice-President and
Acting General Manager

MANAGEMENT OF McMAHON-ESSAIM INC.

Denise Martin
Vice-President and
Acting General Manager

As at October 1, 1990

Transfer Agent and Registrar:
Montreal Trust Company

Bankers:
National Bank of Canada
Royal Bank of Canada
Caisse centrale Desjardins
du Québec

Securities listed on The Montreal
Exchange:
Class A Subordinate Shares
Share symbol: **MRU,A**

Auditors:
Mallette, Benoit, Boulanger,
Rondeau & Associés
Chartered Accountants

Head Office Address:
11011 Maurice-Duplessis Blvd.
Montreal, Quebec H1C 1V6

Note to Shareholders:
The annual information form may be
obtained from the Finance Department
at the head office
(514) 643-1000 (extension 2172)

Les actionnaires peuvent se procurer
la version française de ce rapport
en s'adressant au service des finances
Métro-Richelieu Inc.
Siège social
11011, boul. Maurice-Duplessis
Montréal (Québec) H1C 1V6
(514) 643-1000 (poste 2172)

Annual Meeting:
The annual shareholders' meeting will be
held on January 28, 1991, at 11 a.m.
at Le Centre Sheraton
1201 René-Lévesque Blvd. West
in Montreal

METRO-RICHELIEU