METRO INC

PRESS RELEASE

METRO INC. INCREASED ITS NET EARNINGS BY 49.6% IN THE THIRD QUARTER OF 2006

HIGHLIGHTS

- The Company realized earnings of $85.1 million compared to $56.9 million, an increase of 49.6%, and fully diluted net earnings per share of $0.73, up 25.9% from $0.58 last year.

- Integration and rationalization costs of $3.9 million and an income tax gain of $9.4 million were recorded in the third quarter. Excluding these non-recurring items, adjusted net earnings would have been $78.3 million, up 37.6% over the same quarter last year, and adjusted fully diluted net earnings per share would have been $0.68, an increase of 17.2%.

- The Company's sales increased 75.8% to $3,336.7 million. Excluding the acquisition of A&P Canada, decreased sales of tobacco products and discontinuance, at the end of 2005, of certain low margin supply contracts, the sales increase would have been 2.9%.

- With $15.5 million in synergies achieved in the third quarter and $32.6 million after 40 weeks, we are confident to exceed our target of $35 million for the first year.

Conference Call

Financial analysts are invited to participate in a conference call at 4:30 p.m. EDT August 10, 2006 on the third quarter results of fiscal 2006. To access the conference call, please dial 416-644-3417 or 514-940-2795. The media and public are invited to listen to the call in real time or delayed time on the METRO INC. Web site at **www.metro.ca**.

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This press release is also available on our Web site www.metro.ca

METRO INC

METRO INC. INCREASED ITS NET EARNINGS BY 49.6% IN THE THIRD QUARTER OF 2006

(Montréal, August 10, 2006) – METRO INC. has realized net earnings of $85.1 million in the third quarter of 2006 compared with $56.9 million for the corresponding quarter of the previous fiscal year, a 49.6% increase, and fully diluted net earnings per share of $0.73 versus $0.58 last year, a 25.9% increase. Integration and rationalization costs of $3.9 million were recorded in the third quarter of 2006, as was an income tax gain of $9.4 million. Without these items, adjusted net earnings[(1)] for the third quarter of 2006 would have been $78.3 million, up 37.6% over the corresponding quarter, and adjusted fully diluted net earnings per share would have been $0.68 compared to $0.58 last year, up 17.2%.

SALES

Sales for the third quarter of 2006 increased 75.8% to $3,336.7 million and those for the first 40 weeks rose 76.2% to $8,270.5 million compared to $1,898.2 million and $4,694.7 million for the corresponding periods last year. Including A&P Canada stores, third quarter same-store sales rose 0.8%. Excluding the increased sales resulting from the acquisition of A&P Canada, and decreased sales of tobacco products as well as those due to the discontinuance of low margin supply contracts by our food services division in the fourth quarter of 2005, the sales increase would have been 2.9% for the third quarter and 3.4% for the 40-week period.

INTEGRATION AND RATIONALIZATION COSTS

Following the acquisition of A&P Canada, we developed a plan to integrate and rationalize our operations. The plan, centred on three key areas—namely stores, operations, and implementation of our information systems at A&P, progressed significantly in the third quarter.

We have finished converting our Ontario Super C discount stores to the Food Basics banner and have put in place new organizational structures that optimize Québec and Ontario divisions operations, such as a national procurement group to provide the various banners with the best products at the best possible prices. Lastly, we wrapped up a major phase in our information systems' implementation in the third quarter when the SAP finance modules went into operation at A&P Canada.

Total anticipated costs over this fiscal year and next year are $55 million, of which $3.9 million were incurred in the third quarter and $24.8 million in the first 40 weeks of fiscal 2006.

(1) Adjusted net earnings are presented for information purposes only. They do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other public companies.

Integration and rationalization Costs
(Millions of dollars)

	Incurred		Anticipated	Total
	16 weeks	40 weeks		
Stores	–	11.9	2.1	14.0
Integration of operations	3.8	12.6	8.4	21.0
Implementation of information systems	0.1	0.3	19.7	20.0
Total	**3.9**	**24.8**	**30.2**	**55.0**

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) [2]

Earnings before interest, taxes, depreciation and amortization for the third quarter were $192.3 million, up 81.2% over the $106.1 million for the same quarter last year. Third quarter EBITDA represented 5.8% of sales versus 5.6% last year. Without taking into account the $3.9 million in integration and rationalization costs, EBITDA as a percentage of sales would be 5.9%. In the third quarter, we realized $15.5 million in synergies. Third quarter earnings from our investment in Alimentation Couche-Tard Inc. were $3.7 million compared to $4.1 million for the same quarter last year.

EBITDA for the 40-week period rose 69.4% to $440.4 million or 5.3% of sales compared to $259.9 million or 5.5% of sales for the same period last year. Without taking into account the $24.8 million in integration and rationalization costs, EBITDA would be 5.6% of sales. We realized $32.6 million in synergies over the 40-week period, and we shall exceed the first-year target of $35 million announced at the time of the acquisition. Earnings from our investment in Alimentation Couche-Tard were $17.1 million for the 40-week period compared to $14.1 million for the same period last year.

INTEREST, DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the third quarter and first 40 weeks of fiscal 2006 rose to $57.3 million and $135.2 million respectively compared with $23.8 million and $58.1 million for the same periods last year. The increases result primarily from the acquisition of A&P Canada, with $24.5 million amortized in the third quarter and $66 million in the first 40 weeks of 2006. Third quarter interest expenses totalled $21.2 million versus $0.7 million last year, while interest expenses for the 40-week period totalled $53 million versus $2 million last year. This increase results primarily from the financing of the acquisition of A&P Canada. Interest rates and loans for the 40-week period averaged 4.9% and $1,257.1 million compared with 3% and $67.5 million for the corresponding period of the previous fiscal year.

INCOME TAXES

The 2006 third quarter and 40-week income tax expenses of $26.5 million and $74.3 million represent respectively effective tax rates of 23.3% and 29.5%. During the first quarter, an approval milestone was met with regard to the Québec government's budget tabled on April 21, 2005 providing, among other things, for increases of the large business tax rate from 8.9% to 11.9% planned between January 1, 2006 and January 1, 2009. Accordingly, in the first quarter, we recorded a $5.3 million increase in our future income tax liabilities and an additional tax expense in the same amount corresponding to the future 3% Québec income tax increase that will apply to our future tax liabilities. During the third quarter, an approval milestone was also met with regard to the federal budget tabled on May 2, 2006 providing, among other things, for a decrease in the tax rate from 22.12% to 19% planned between January 1, 2008 and January 1, 2010. These future decreases in the federal tax rate reduced our future tax liabilities by $9.4 million as well as our third quarter income tax expenses by the same amount. Excluding all these additional tax expense changes, the effective tax rate for the 40-week period would have been 31.1%. The 1% statutory Québec tax rate increase effective January 1, 2006 represents a 0.7% tax impact on the effective tax rate for the third quarter and first 40 weeks of fiscal 2006.

[2] EBITDA is presented for information purposes only. It does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other public companies.

NET EARNINGS

Third quarter net earnings reached $85.1 million versus $56.9 million for the same quarter last year, a 49.6% increase. Fully diluted net earnings per share were $0.73 versus $0.58 last year, a 25.9% increase. Excluding integration and rationalization costs of $3.9 million and the income tax gain of $9.4 million, adjusted net earnings[3] for the third quarter would be $78.3 million, up 37.6% from the same quarter last year. Adjusted fully diluted net earnings per share would have been $0.68, up 17.2% from last year.

Net earnings for the first 40 weeks reached $174.1 million versus $140.2 million last year, a 24.2% increase. Fully diluted net earnings per share were $1.50 versus $1.44, a 4.2% increase. Not taking into account integration and rationalization costs of $24.8 million and the income tax gain of $4.1 million, adjusted net earnings[3] for the 40-week period would have been $186.6 million, up 33.1% over the corresponding period last year. Fully diluted net earnings per share would have been $1.61, up 11.8% over last year.

The growth registered in the first three quarters of 2006 versus that in the fourth quarter of 2005 was affected by the acquisition of A&P Canada.

Growing synergies since the acquisition of A&P Canada and the beneficial effect of our integration and rationalization plan's progress contributed to the growth of our adjusted net earnings in each of the first three quarters of 2006.

Cash Position

OPERATING ACTIVITIES

Operating activities generated cash flows of $191.2 million in the third quarter and $319.5 million over the first 40 weeks of 2006 compared to $97.5 million and $131.3 million respectively in the corresponding periods of fiscal 2005. The increase in cash flows for the third quarter and first 40 weeks of 2006 compared to fiscal 2005 are due mainly to increased cash flows generated by A&P Canada.

INVESTMENT ACTIVITIES

Investing activities required outflows of $48.2 million in the third quarter of 2006 and $128.7 million over the first 40 weeks compared to $35.2 million and $99.8 million respectively in the corresponding quarters of fiscal 2005. These increases are due primarily to the acquisition of additional fixed assets following the acquisition of A&P Canada.

During the first 40 weeks, the Company and retailers invested $213.9 million in our retail network for a net expansion of 363,000 square feet or 2%. Major renovations and expansions of 46 stores were completed and 16 new stores were opened.

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(3) These earnings are presented for information purposes only. They do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other public companies.

	16 weeks		40 weeks	
	Millions of Dollars	Fully Diluted EPS Dollars	Millions of Dollars	Fully Diluted EPS Dollars
Adjusted net earnings	78.3	0.68	186.6	1.61
Integration and rationalization costs after taxes	(2.6)	(0.03)	(16.6)	(0.14)
Additional change in tax expense	9.4	0.08	4.1	0.03
Net earnings	85.1	0.73	174.1	1.50

FINANCING ACTIVITIES

Financing activities required outflows of $102.7 million in the third quarter of 2006 and $26.2 million over the first 40 weeks compared to third quarter and 40-week outflows of $66.1 million and $51.7 million respectively in fiscal 2005. These variations between the different periods in 2006 and 2005 are due mainly to variations in bank loans and long-term debt and redemption of $7.9 million worth of Class A Subordinate shares during the third quarter of 2005 and $37 million over the first 40 weeks of 2005, whereas no shares were redeemed in 2006. During the first 40 weeks of 2006, the Company issued $200 million worth of Series A 10-year medium-term notes at a nominal interest rate of 4.98% and $400 million worth of Series B 30-year notes at a nominal interest rate of 5.97%. The amounts received from these issues were used to repay the balance of Credit Facility B and $100 million of the $750 million Credit Facility A.

Credit Facility A was paid down by $80 million in the third quarter and by another $50 million at the beginning of the fourth quarter.

In the third quarter, the Company changed its long-term incentive and profit-sharing plan for senior management and certain key employees from one consisting solely of stock options to an equivalent program comprised of stock options and performance share units. Each performance share unit entitles its holder, after a certain period, to a METRO INC. share or, at the Company's discretion, the equivalent in cash. The METRO share granted to the holder shall come from shares acquired on the stock market. A trust was set up to acquire these shares on the stock market so as to cover share price fluctuations. The trust, considered a variable interest entity under accounting rules, is consolidated in the Company's financial statements and the acquired shares presented as a treasury shares reducing capital stock. At the close of the third quarter, 50,000 shares were purchased at an average price of $29.97 per share.

Financial Position

Our financial position is very solid at the end of the third quarter. We have $258.4 million in cash and cash equivalents. We have not used our approved $400 million line of credit. Our long-term debt corresponds to 42.4% of the combined total of long-term debt and shareholder equity (long-term debt/total capital).

In the third quarter, the picture of our main long-term debts was as follows:

	Interest Rate	Balance (Millions of dollars)	Maturity
Credit Facility A	Variable rates which fluctuate with changes in banker's acceptance rates	570	August 15, 2010
Medium-term notes Series A	Fixed rate of 4.98%	200	October 15, 2015
Medium-term notes Series B	Fixed rate of 5.97%	400	October 15, 2035

At the end of the third quarter, with interest rate swap contracts for a total notional amount of $150 million of Credit Facility A, we were able to exchange variable interest payments for fixed interest rate payments in accordance with the following terms:

Contract rate	Notional Amount (Millions of dollars)	Maturity
4.6480%	50	November 23, 2008
4.6820%	50	December 16, 2009
4.7425%	50	December 16, 2010

Given the swap contracts, at the end of the third quarter, the equivalent of $750 million of our long-term debt was at fixed rates varying from 4.6480% to 5.97% and $420 million at variable rates that fluctuate with changes in banker's acceptance rates.

FINANCIAL RATIOS

	As at July 1, 2006	As at September 24, 2005
Capital structure		
Long-term debt (millions)	**1,220.8**	1,205.0
Shareholders' equity (millions)	**1,656.6**	1,513.3
Long-term debt/total capital (%)	**42.4**	44.3
	40 weeks Fiscal 2006	40 weeks Fiscal 2005
Earnings		
EBITDA/Interest (times)	**8.3**	N.M.

CAPITAL STOCK, STOCK OPTIONS AND SHARE UNITS

	As at July 1, 2006	As at September 24, 2005
Number of Class A Subordinate Shares outstanding (Thousands)	**113,843**	113,504
Number of Class B Multiple Voting Shares outstanding (Thousands)	**880**	923
Stock options:		
Number outstanding (Thousands)	**4,179**	4,374
Exercise price	**$7.93 to $33.87**	$7.93 to $27.25
Weighted average exercise price	**$20.61**	$19.72
Number of performance shares:		
Number outstanding (Thousands)	**50**	–
Weighted average maturity	**33 months**	–

ISSUER BID PROGRAM

The Company has decided to renew its issuer bid program in order to have an additional option to use its excess cash. Thus, we will be able to decide, in the shareholders' best interest, to reimburse debt or to repurchase shares of the Company. Subject to regulatory approval, the Board of Directors has authorized the Company to purchase, in the normal course of its activities, from September 5, 2006 to September 4, 2007, up to 3 million of its Class A Subordinate Shares, representing approximately 2.6% of the outstanding public float of such shares on August 7, 2006 at the close of the Toronto Stock Exchange. The purchases will be made at market prices through the facilities of such exchange in accordance with its rules and policies. The Class A Subordinate Shares thereby purchased will be cancelled. During its last normal course issuer bid program covering the period from February 4, 2005 to February 3, 2006, the Company has repurchased during the normal course of its activities 605,500 of its Class A Subordinate Shares at an average price of $27.35. Shareholders may obtain without charge a copy of the documents filed with the regulatory authorities concerning this program by writing to the legal department of the Company.

DIVIDENDS

On August 10, 2006, the Company's Board of Directors declared a quarterly dividend of $0.105 per Class A Subordinate Share and Class B Share payable September 5, 2006, an increase of 5% over the dividend for the corresponding quarter last year. On an annualized basis, this dividend represents 25% of 2005 net earnings.

SHARE TRADING

The value of METRO shares remained in the range of $28.47 to $36.00 over the first 40 weeks of fiscal 2006. During this period, a total of 31,428,305 shares were traded on the Toronto Stock Exchange. The closing price on Friday, July 28, 2006 was $29.75 compared with $34.25 at the end of fiscal 2005.

PURCHASE PRICE ALLOCATION

During the third quarter, we completed a preliminary purchase price allocation for A&P Canada that will be finalized in the fourth quarter.

NEW ACCOUNTING POLICY

In the third quarter, the Company adopted EIC-156 "Accounting by a Vendor for Consideration Given to a Customer (including a Reseller of the Vendor's Products)". Under this new standard, certain rebates granted by the Company to its retailers have to be reclassified as a reduction in sales rather than as cost of sales. The new standard must also be applied retroactively with restatement of prior interim financial statements. The following table shows the effect of the new standard's application and of certain adjustments to A&P Canada's different accounting practices on previously stated results.

(Millions of dollars)	2006			2005			
	Q 1 12 wks.	Q 2 12 wks.	Total 24 wks.	Q 1 12 wks.	Q 2 12 wks.	Q 3 16 wks.	Total 40 wks.
Reclassification from cost of sales and operating expenses to sales	2.4	3.4	5.8	13.3	12.9	16.1	42.3

SUBSEQUENT EVENT

On August 8, 2006, a Canadian food distribution company announced the acquisition of wholesaler Achille de la Chevrotière Limitée located in Northwestern Québec, which supplied some Metro and Loeb stores, some ten neighbourhood stores and some other clients. METRO INC. has owned about 14% of this company since 1986 as well as a right of first refusal on the sale. We decided not to exercise our right, deeming the investment required to purchase and modernize the network seemed too high to earn an adequate return on capital. We have sales in the order of $125 million a year with this company. We foresee no material decrease in profitability resulting from this disposal. The anticipated net gain after taxes from this transaction would be in the order of some $8 million.

Outlook

"We are pursuing our integration and rationalization plan and the achievement of synergies. We shall exceed our original targets of $35 million in synergies in the first year and $60 million in the second year after the acquisition of A&P Canada. A year after the acquisition of A&P, we are satisfied with our progress to date and are confident that METRO is well positioned to pursue its growth in the Canadian grocery market," stated the President and Chief Executive Officer, Mr. Pierre H. Lessard.

Projections

Any statement contained in the present press release which does not constitute an historic fact, may be deemed a projection. Verbs such as "believe", "foresee", "estimate" and other similar expressions appearing in this press release generally indicate projections. These projections do not provide guarantees as to the future performance of METRO INC. and are subject to risks, both known and unknown, as well as uncertainties which may cause the outlook, profitability and actual results of METRO INC. to differ significantly from the profitability or future results stated or implied in these projections.