

REPORT TO SHAREHOLDERS

24-week period ended March 11, 2006



2nd
quarter

HIGHLIGHTS

- 75.5% sales growth to \$2,415.5 million
- Net earnings increase of 27.5% to \$57 million
- Net earnings increase of 31.3% before special costs to \$58.7 million
- 8.7% increase in fully diluted net earnings per share before special costs to \$0.50 per share

REPORT TO SHAREHOLDERS

I am pleased to report on our second quarter of fiscal 2006 ended March 11, 2006.

For the second quarter, we realized net earnings of \$57 million compared to \$44.7 million for the same quarter last year, an increase of 27.5% and fully diluted net earnings per share of \$0.49 versus \$0.46 last year. Excluding integration and rationalization costs of \$2.6 million, our adjusted net earnings reached \$58.7 million, up 31.3% from last year. Adjusted fully diluted net earnings per share rose to \$0.50 compared to \$0.46 for the same quarter last year, an 8.7% increase.

Our net earnings for the 24-week period rose to \$89 million compared to \$83.3 million for the same period last year, a 6.8% increase. Fully diluted net earnings per share were \$0.77 compared to \$0.86 last year. Excluding the integration and rationalization costs of \$20.9 million and an additional tax expense of \$5.3 million resulting from an increase in future tax liabilities due to a 3% hike in Québec's tax rate by 2009, our adjusted net earnings reached \$108.3 million, up 30% over last year's. Fully diluted net earnings per share rose 8.1% to \$0.93 from \$0.86 last year.

Following the acquisition of A&P Canada, we continued the implementation of our integration and rationalization plan. We anticipate costs of \$55 million over the next two fiscal years for the plan's implementation, of which \$20.9 million were incurred in the first 24 weeks of fiscal 2006. We also continue to work on realizing synergies and are confident that we will meet our objective. We realized \$9.2 million in synergies in the second quarter, and \$17.1 million over the first 24 weeks of fiscal 2006.

Our second quarter sales increased 75.5% reaching \$2,415.5 million compared to \$1,376.6 million last year.

Our financial position remains solid with long-term debt corresponding to 45.2% of the combined total of long-term debt and shareholder equity at the end of the second quarter.

On April 11, 2006, the Board of Directors declared a quarterly dividend of \$0.105 per share. Annualized, this dividend represents 25% of net earnings for 2005.

Over the next few quarters, we will continue to work toward achieving, over the next two years, combined annual synergies estimated at \$60 million, starting with \$35 million in 2006 and an additional \$25 million in 2007. We will also work on implementing our integration and rationalization plan, including the deployment of our information systems at A&P Canada.

We are confident that we shall achieve our goals. On behalf of Management, I thank you for your continued support.



PIERRE H. LESSARD, FCA
President and Chief Executive Officer
April 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis sets out the financial position and results of METRO INC. on March 11, 2006. This discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes in this quarterly report along with the consolidated financial statements for the fiscal year ended September 24, 2005 and related notes and Management's Discussion and Analysis presented in the Company's 2005 Annual Report. This analysis is based upon information as at March 31, 2006 unless otherwise stated. Additional information, including the Certification of Interim Filings letters for the quarter ended March 11, 2006 signed by the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer, is also available on the SEDAR website at www.sedar.com.

PROJECTIONS

Any statement contained in the present quarterly Management's Discussion and Analysis 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 discussion and analysis 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.

RESULTS OF OPERATIONS

We realized net earnings of \$57 million in the second quarter of 2006 compared with \$44.7 million for the corresponding quarter of the previous fiscal year, a 27.5% increase, and fully diluted net earnings per share of \$0.49 versus \$0.46 last year, a 6.5% increase. Integration and rationalization costs of \$2.6 million were recorded in the second quarter. Without these items, adjusted net earnings for the second quarter of 2006 would have been \$58.7 million, up 31.3% over the corresponding quarter, and adjusted fully diluted net earnings per share would have been \$0.50 compared to \$0.46 last year, up 8.7%.

SALES

Sales for the second quarter ended March 11, 2006 increased 75.5% to \$2,415.5 million and those for the first 24 weeks rose 75% to \$4,939.6 million compared to \$1,376.6 million and \$2,822.7 million for the corresponding periods last year. Including A&P Canada stores, same-store sales rose 1.6%. Excluding the \$1,032.8 million and \$2,103.7 million in increased sales resulting from the acquisition of A&P Canada, second quarter and 24-week period sales growth would have been 0.5%. Also, when excluding the decrease in sales of tobacco products, temporary increase in sales of wine in 2005 due to labour disputes at the Société des alcools du Québec, and discontinuance of low margin supply contracts by our food services division, sales increase would have been 3.8% for the second quarter and 3.6% for the 24-week period of 2006.

INTEGRATION AND RATIONALIZATION COSTS

During the second quarter, we continued the implementation of our integration and rationalization plan following the acquisition of A&P Canada. We have identified three main lines, namely stores and distribution centres, common services, and implementing our information systems at A&P Canada. Regarding Ontario stores, we are converting some discount stores to different banners and closing a few others. We are also streamlining both common services shared by Québec and Ontario operations, and our distribution centre operations. In the coming quarters, the impact of the plan with regard to A&P Canada operations will be presented in the purchase price allocation as they are evaluated.

Total anticipated costs over the next two fiscal years are \$55 million, of which \$2.6 million were incurred in the second quarter and \$20.9 million in the first 24 weeks of fiscal 2006.

Integration and Rationalization Costs (Millions of dollars)	Incurred		Anticipated	Total
	12 weeks	24 weeks		
Stores and distribution centres	—	11.9	5.1	17.0
Common services	2.4	8.8	9.2	18.0
Implementation of information systems	0.2	0.2	19.8	20.0
Total	2.6	20.9	34.1	55.0

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)⁽¹⁾

Earnings before interest, taxes, depreciation and amortization for the second quarter were \$140.4 million, up 71.8% over the \$81.7 million for the same quarter last year. Second quarter EBITDA represented 5.8% of sales versus 5.9% last year. Without taking into account the \$2.6 million in integration and rationalization costs, EBITDA as a percentage of sales would be 5.9%. Following the acquisition of A&P Canada, we forecasted \$60 million in synergies, of which \$35 million would be realized in the first year. In the second quarter, we realized \$9.2 million in synergies, mainly resulting from lower costs of goods sold. Second quarter earnings from our investment in Alimentation Couche-Tard were \$6.6 million compared to \$4.8 million for the same quarter last year. Without taking into account integration and rationalization costs and earnings from our investment in Alimentation Couche-Tard, our 2006 second quarter EBITDA would represent 5.6% of sales, the same level as last year.

EBITDA for the 24-week period rose 61.3% to \$248.1 million or 5% of sales compared to \$153.8 million or 5.4% of sales for the same period last year. Without taking into account the \$20.9 million in integration and rationalization costs, EBITDA would be 5.4% of sales. We realized \$17.1 million in synergies over the 24-week period.

Earnings from our investment in Alimentation Couche-Tard were \$13.4 million for the 24-week period compared to \$10 million for the same period last year. Without taking into account integration and rationalization costs and earnings from our investment in Alimentation Couche-Tard, our EBITDA for the first 24 weeks of 2006 would be 5.2% of sales compared to 5.1% for the same period of fiscal 2005.

(1) 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.

INTEREST, DEPRECIATION AND AMORTIZATION

Total depreciation and amortization expense for the second quarter and first 24 weeks of fiscal 2006 rose to \$39.1 million and \$77.9 million respectively compared with \$17.3 million and \$34.3 million for the same periods last year. The increases result primarily from the acquisition of A&P Canada for \$20.8 million in the second quarter and \$41.5 million in the first 24 weeks of 2006. Second quarter interest expenses totalled \$16.3 million versus \$0.7 million last year, while interest expenses for the 24-week period totalled \$31.8 million versus \$1.3 million last year. This increase results primarily from the financing of the acquisition of A&P Canada. Interest rates for the 24-week period averaged 4.9% compared with 3.4% for the corresponding period of the previous fiscal year.

INCOME TAXES

The 2006 second quarter and 24-week income tax expenses of \$26.4 million and \$47.8 million represent respectively effective tax rates of 31.1% and 34.5%. 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. Not taking this additional expense into account, the effective tax rate for the 24-week period would have been 30.7%. The 1% statutory Québec tax rate increase effective January 1, 2006 represents a 0.7% tax impact on the effective tax rate for the second quarter and first 24 weeks of fiscal 2006.

NET EARNINGS

Second quarter net earnings reached \$57 million versus \$44.7 million for the same quarter last year, a 27.5% increase. Fully diluted net earnings per share were \$0.49 versus \$0.46 last year, a 6.5% increase. Without taking into account integration and rationalization costs of \$2.6 million, adjusted net earnings would be \$58.7 million, up 31.3% from the same quarter last year. This increase results mainly from the acquisition of A&P Canada. Adjusted fully diluted net earnings per share would have been \$0.50, up 8.7% from last year.

Net earnings for the first 24 weeks reached \$89 million versus \$83.3 million last year, a 6.8% increase. Not taking into account integration and rationalization costs of \$20.9 and the additional tax expense of \$5.3 million, adjusted net earnings for the 24-week period would have been \$108.3 million, up 30% over the corresponding period last year. Fully diluted net earnings per share would have been \$0.93, up 8.1% over last year.

QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, except earnings per share)</i>	2006	2005	2004	Change <i>(Percentage)</i>
Sales				
Q 2	2,415.5	1,376.6	—	75.5
Q 1	2,524.1	1,446.1	—	74.5
Q 4	—	1,958.9	1,406.2	39.3
Q 3	—	1,914.3	1,878.2	1.9
Net earnings				
Q 2	57.0	44.7	—	27.5
Q 1	32.0	38.6	—	(17.1)
Q 4	—	50.2	45.2	11.1
Q 3	—	56.9	50.4	12.9
Adjusted net earnings				
Q 2	58.7⁽²⁾	44.7	—	31.3
Q 1	49.6⁽²⁾	38.6	—	28.5
Q 4	—	50.2	45.2	11.1
Q 3	—	56.9	50.4	12.9
Fully diluted net earnings per share <i>(Dollars)</i>				
Q 2	0.49	0.46	—	6.5
Q 1	0.28	0.40	—	(30.0)
Q 4	—	0.48	0.47	2.1
Q 3	—	0.58	0.51	13.7
Adjusted fully diluted net earnings per share <i>(Dollars)</i>				
Q 2	0.50⁽²⁾	0.46	—	8.7
Q 1	0.43⁽²⁾	0.40	—	7.5
Q 4	—	0.48	0.47	2.1
Q 3	—	0.58	0.51	13.7

Fourth quarter of 2005 recorded weaker growth in net earnings than the third quarter due to A&P Canada's acquisition and due to our growth recorded in the fourth quarter of 2004 following the implementation of new merchandising strategies.

The growth registered in the first two quarters of fiscal 2006 was also affected by the acquisition of A&P Canada as well as by integration and rationalization costs and an additional tax expense. Net earnings adjusted for these items give a better picture of the growth over the first 24 weeks.

(2) 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.

	12 weeks		24 weeks	
	Millions of Dollars	Fully Diluted EPS Dollars	Millions of Dollars	Fully Diluted EPS Dollars
Adjusted net earnings	58.7	0.50	108.3	0.93
Integration and rationalization costs after taxes	1.7	0.01	14.0	0.11
Additional tax expense	—	—	5.3	0.05
Net earnings	57.0	0.49	89.0	0.77

CASH POSITION

Operating activities / Operating activities generated cash flows in the amount of \$181.3 million in the second quarter and \$128.3 million over the first 24 weeks of 2006 compared to \$85.7 million and \$33.8 million respectively in the corresponding periods of fiscal 2005. The increase in cash flows for the second quarter and first 24 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 \$32.8 million in the second quarter of 2006 and \$80.5 million over the first 24 weeks compared to \$31.2 million and \$64.6 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 24 weeks, the Company and the retailers invested \$133.8 million in our retail network for a gross expansion of 246,000 square feet or 1.3%. Major renovations and expansions of 18 stores were completed and 14 new stores were opened.

Financing activities / Financing activities required outflows of \$11.9 million in the second quarter of 2006 and generated cash flows of \$76.5 million over the first 24 weeks compared to outflows of \$45.7 million in the second quarter of fiscal 2005 and cash flows of \$14.4 million over the first 24 weeks. These variations between the different periods in 2006 and 2005 are due mainly to more significant increase in bank loans in 2005 and redemption of \$21 million worth of shares during the second quarter of 2005 and \$29.1 million over the first 24 weeks of 2005, whereas no shares were redeemed in 2006. During the first 24 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.

FINANCIAL POSITION

Our financial position is very solid at the end of the second quarter. We have \$218.1 million in cash and cash equivalents as well as \$3.3 million in bank loans from variable interest entities. We have not used our approved \$400 million line of credit. Our long-term debt corresponds to 45.2% of the combined total of long-term debt and shareholder equity.

In the second 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	650	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 second 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 second quarter, the equivalent of \$750 million of our long-term debt was at fixed rates varying from 4.6480% to 5.97% and \$500 million at variable rates that fluctuate with changes in banker's acceptance rates.

Capital Stock and Stock Options	As at March 11, 2006	As at September 24, 2005
Number of Class A Subordinate Shares outstanding (<i>Thousands</i>)	113,604	113,504
Number of Class B Multiple Voting Shares outstanding (<i>Thousands</i>)	901	923
Stock options:		
Number outstanding (<i>Thousands</i>)	4,328	4,374
Exercise price	\$ 7.93 to \$33.87	\$ 7.93 to \$27.25
Weighted average exercise price	\$19.99	\$19.72

Dividends / On April 11, 2006, the Company's Board of Directors declared a quarterly dividend of \$0.105 per Class A Subordinate Share and Class B Share payable May 29, 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 24 weeks of fiscal 2006. During this period, a total of 20.8 million shares were traded on the Toronto Stock Exchange. The closing price on Friday, March 31, 2006 was \$29.75 compared with \$34.25 at the end of fiscal 2005, a decrease of 13.1%.

OUTLOOK

Over the next few quarters, we will complete our purchase price allocation for A&P Canada, and continue to work toward achieving combined annual synergies estimated at \$60 million, starting with \$35 million in 2006 and an additional \$25 million in 2007. We will also work on implementing our integration and rationalization plan, and our information systems to A&P Canada's operations.

Montréal, April 11, 2006

CONSOLIDATED STATEMENTS OF EARNINGS

Periods ended March 11, 2006 and March 12, 2005 (Unaudited) (Millions of dollars, except for earnings per share)	12 weeks Fiscal		24 weeks Fiscal	
	2006	2005	2006	2005
Sales	\$ 2,415.5	\$ 1,376.6	\$ 4,939.6	\$ 2,822.7
Cost of sales and operating expenses	2,272.5	1,294.9	4,670.6	2,668.9
Integration and rationalization costs (note 3)	2.6	—	20.9	—
Earnings before interest, taxes, depreciation and amortization	140.4	81.7	248.1	153.8
Depreciation and amortization	39.1	17.3	77.9	34.3
Operating income	101.3	64.4	170.2	119.5
Interest				
Short term	(0.1)	0.5	0.1	0.8
Long term	16.4	0.2	31.7	0.5
	16.3	0.7	31.8	1.3
Earnings before income taxes	85.0	63.7	138.4	118.2
Income taxes (note 6)	26.4	19.0	47.8	34.9
Earnings before minority interest	58.6	44.7	90.6	83.3
Minority interest	(1.6)	—	(1.6)	—
Net earnings	\$ 57.0	\$ 44.7	\$ 89.0	\$ 83.3
Earnings per share (note 7)				
Basic	\$ 0.50	\$ 0.46	\$ 0.78	\$ 0.86
Fully diluted	\$ 0.49	\$ 0.46	\$ 0.77	\$ 0.86

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

24-week periods ended March 11, 2006 and March 12, 2005 (Unaudited) (Millions of dollars)	Fiscal	
	2006	2005
Balance – beginning of period	\$ 807.7	\$ 690.6
Net earnings	89.0	83.3
Dividends	(23.4)	(17.8)
Share redemption premium	—	(27.1)
Balance – end of period	\$ 873.3	\$ 729.0

See accompanying notes

CONSOLIDATED BALANCE SHEETS

(Unaudited) (Millions of dollars)

	As at March 11, 2006	As at September 24, 2005
ASSETS		
Current assets		
Cash and cash equivalents	\$ 218.1	\$ 93.8
Accounts receivable	275.8	287.7
Inventories	553.1	551.9
Prepaid expenses	10.1	15.1
Future income taxes	12.0	12.4
	1,069.1	960.9
Investments and other assets	113.1	100.6
Fixed assets	1,101.3	1,106.4
Intangible assets	195.7	194.8
Goodwill	1,543.7	1,543.7
Accrued benefit assets	20.6	20.9
	\$ 4,043.5	\$ 3,927.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	\$ 3.3	\$ 0.3
Accounts payable	983.7	1,032.2
Income taxes payable	13.9	13.8
Current portion of long-term debt	7.1	7.7
	1,008.0	1,054.0
Long-term debt (note 4)	1,302.8	1,205.0
Accrued benefit obligations	56.7	66.6
Future income taxes	87.8	82.1
Minority interest	7.9	6.3
	2,463.2	2,414.0
Shareholders' equity		
Capital stock (note 8)	704.8	703.8
Contributed surplus	2.2	1.8
Retained earnings	873.3	807.7
	1,580.3	1,513.3
	\$ 4,043.5	\$ 3,927.3

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended	12 weeks		24 weeks	
March 11, 2006 and March 12, 2005	Fiscal		Fiscal	
(Unaudited) (Millions of dollars)	2006	2005	2006	2005
Operating activities				
Net earnings	\$ 57.0	\$ 44.7	\$ 89.0	\$ 83.3
Non-cash items				
Integration and rationalization costs (note 3)	1.5	—	19.5	—
Share of earnings in a public company subject to significant influence	(6.6)	(4.8)	(13.4)	(10.0)
Depreciation and amortization	39.1	17.3	77.9	34.3
Amortization of deferred financing costs	0.6	—	1.2	—
Loss on disposal and write-off of fixed and intangible assets	—	—	0.4	—
Future income taxes	2.8	1.7	6.1	3.9
Stock-based compensation cost	0.3	0.1	0.5	0.3
Loss (excess) of amounts paid for employee future benefits over current period cost	1.8	0.2	(9.6)	0.3
Minority interest	1.6	—	1.6	—
	98.1	59.2	173.2	112.1
Net change in non-cash working capital related to operations	83.2	26.5	(44.9)	(78.3)
	181.3	85.7	128.3	33.8
Investing activities				
Net change in investments	(1.9)	(5.2)	(1.6)	(4.6)
Dividend of a public company subject to significant influence	0.5	—	0.5	—
Acquisition of fixed assets	(29.4)	(23.7)	(71.7)	(59.2)
Disposal of fixed assets	2.2	0.5	6.5	8.2
Acquisition of intangible assets	(4.2)	(2.8)	(14.2)	(9.0)
	(32.8)	(31.2)	(80.5)	(64.6)
Financing activities				
Net change in bank loans	0.9	(20.2)	3.0	53.5
Issue of shares	0.9	6.1	0.9	6.7
Redemption of shares	—	(21.0)	—	(29.1)
Disposal of treasury shares	—	—	—	2.0
Increase of long-term debt	0.4	0.3	601.2	1.3
Repayment of long-term debt	(2.1)	(1.3)	(505.2)	(2.2)
Dividends paid	(12.0)	(9.6)	(23.4)	(17.8)
	(11.9)	(45.7)	76.5	14.4
Net change in cash and cash equivalents	136.6	8.8	124.3	(16.4)
Cash and cash equivalents – beginning of period	81.5	17.8	93.8	43.0
Cash and cash equivalents – end of period	\$ 218.1	\$ 26.6	\$ 218.1	\$ 26.6
Other information				
Interest paid	\$ 4.8	\$ 0.6	\$ 14.5	\$ 1.2
Income taxes paid	\$ 21.2	\$ 10.9	\$ 41.6	\$ 64.5

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended March 11, 2006
and March 12, 2005

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

1. STATEMENT PRESENTATION

The unaudited interim consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. The accounting policies and procedures used in assembling these interim consolidated financial statements are the same as those used in preparing the audited annual consolidated financial statements for the year ended September 24, 2005. The unaudited interim consolidated financial statements should be read along with the audited annual consolidated financial statements and notes to the statements in the Company's 2005 Annual Report. The operating results for the interim period covered do not necessarily reflect overall results for the fiscal year. Certain comparative figures have been reclassified to conform to the presentation being used in the current fiscal year.

2. BUSINESS ACQUISITION

A description of the acquisition and the preliminary purchase price allocation are presented in note 4 of the 2005 Annual Report.

Management is currently carrying out a more specific analysis and changes will be made to the allocation of the excess of consideration paid over net assets acquired as the information becomes available. For example, since the measurement of the fair value of fixed assets had not yet been completed at the time of the preliminary allocation, fixed assets have been presented at cost. The measurement of indefinite and finite-lived intangible assets is also under way. As a result, the actual amount allocated to each of the identifiable assets, assumed liabilities and related operating results will vary from initial recorded amounts and differences could be significant. The integration and rationalization plan presented in note 3 will also impact the measurement of A&P Canada's assets and liabilities and will be taken into consideration in the purchase price allocation when the Company will be able to complete a better evaluation.

3. INTEGRATION AND RATIONALIZATION COSTS

During the 24-week period ended March 11, 2006, the Company has continued the implementation of its integration and rationalization plan following the acquisition of A&P Canada. Three main lines have been identified, namely stores and distribution centres, common services, and implementing of information systems at A&P Canada. Regarding Ontario stores, the Company has initiated some discount stores conversions to different banners and closed a few others. Common services shared by Québec and Ontario operations and distribution centres operations will also be integrated and rationalized. In the coming quarters, the impact of the plan with regard to A&P Canada operations will be presented in the purchase price allocation once they are evaluated.

Total anticipated costs over the next two fiscal years are \$55 million, of which includes \$2.6 million were incurred in the second quarter and \$20.9 million in the first 24 weeks of fiscal 2006.

By Nature of Project

	Incurred		Anticipated	Total
	12 weeks	24 weeks		
Stores and distribution centres	\$ —	\$ 11.9	\$ 5.1	\$ 17.0
Common services	2.4	8.8	9.2	18.0
Implementation of information systems	0.2	0.2	19.8	20.0
Total	\$ 2.6	\$ 20.9	\$ 34.1	\$ 55.0

By Nature of Costs for the 12-week period

	Beginning Liability	Incurred	Paid	End Liability	Anticipated	Total
Retention bonuses and termination benefits	\$ 9.9	\$ 2.4	\$ 0.1	\$ 12.2	\$ 11.5	\$ 24.0
Training and IT implementation	—	0.2	0.2	—	19.8	20.0
Vacant premises	2.3	—	0.4	1.9	0.8	3.2
Others	0.5	—	0.4	0.1	0.9	1.4
	\$ 12.7	\$ 2.6	\$ 1.1	\$ 14.2	\$ 33.0	\$ 48.6
Assets write-off		—			1.1	6.4
Total		\$ 2.6			\$ 34.1	\$ 55.0

By Nature of Costs for the 24-week period

	Beginning Liability	Incurred	Paid	End Liability	Anticipated	Total
Retention bonuses and termination benefits	—	\$ 12.5	\$ 0.3	\$ 12.2	\$ 11.5	\$ 24.0
Training and IT implementation	—	0.2	0.2	—	19.8	20.0
Vacant premises	—	2.4	0.5	1.9	0.8	3.2
Others	—	0.5	0.4	0.1	0.9	1.4
	—	\$ 15.6	\$ 1.4	\$ 14.2	\$ 33.0	\$ 48.6
Assets write-off	—	5.3			1.1	6.4
Total		\$ 20.9			\$ 34.1	\$ 55.0

4. LONG-TERM DEBT

On December 22, 2005, the credit agreement was amended and restated from its original version signed on August 12, 2005 reflecting, in particular, the \$600 million Credit Facilities repayment made by the Company when \$600 million of medium-term notes were issued on October 12, 2005, and provided for the release of guarantees granted by the Company's main subsidiaries.

The above-mentioned instrument released the guarantees related to the medium-term notes granted by the main subsidiaries of METRO INC. under the deed of trust dated September 30, 2005.

5. EMPLOYEE FUTURE BENEFITS

The Company offers several defined benefit and defined contribution plans that provide most participants with pension, other retirement and other post-employment benefits. The Company's defined benefit and defined contribution plan expenses are as follows:

	12 weeks Fiscal				24 weeks Fiscal			
	2006		2005		2006		2005	
	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans	\$ 2.1	\$ 0.1	\$ 1.7	\$ —	\$ 4.2	\$ 0.2	\$ 3.4	\$ 0.1
Defined benefit plans								
Current service cost	\$ 4.8	\$ 0.2	\$ 1.2	\$ 0.2	\$ 9.6	\$ 0.5	\$ 2.3	\$ 0.3
Interest cost	5.6	0.5	1.4	—	11.2	1.0	2.8	0.1
Projected return on plan assets	(7.7)	—	(1.4)	—	(15.4)	—	(2.8)	—
Amortization of actuarial losses and past service cost	0.2	—	—	—	0.4	—	0.1	—
	2.9	0.7	1.2	0.2	5.8	1.5	2.4	0.4
Total	\$ 5.0	\$ 0.8	\$ 2.9	\$ 0.2	\$ 10.0	\$ 1.7	\$ 5.8	\$ 0.5

6. INCOME TAXES

The effective income tax rates were as follows:

	12 weeks Fiscal		24 weeks Fiscal	
	2006 %	2005 %	2006 %	2005 %
Combined statutory income tax rate	31.8	31.2	31.8	31.2
Changes:				
Impact of the 3% increase in Québec's income tax rate on future taxes (\$5.3 in 2006)	—	—	3.8	—
Share of earnings of a public company subject to significant influence	(1.0)	(0.9)	(1.2)	(1.0)
Other	0.3	(0.5)	0.1	(0.7)
	31.1	29.8	34.5	29.5

7. EARNINGS PER SHARE

Basic earnings per share and fully diluted earnings per share were calculated based on the following number of shares:

(Millions)	12 weeks Fiscal		24 weeks Fiscal	
	2006	2005	2006	2005
Weighted average number of shares outstanding				
Basic	114.5	96.1	114.5	96.4
Dilutive effect of stock option plan	1.2	1.3	1.4	0.9
Weighted average number of shares outstanding Fully diluted	115.7	97.4	115.9	97.3

8. CAPITAL STOCK

Issued and Outstanding for Fiscal 2006

	Class A Subordinates Shares		Class B Shares		Total
	Number		Number		
	(Thousands)		(Thousands)		
Balance as at					
September 24, 2005	113,504	\$ 701.9	923	\$ 1.9	\$ 703.8
Issue of shares	78	0.9	—	—	0.9
Transfer from contributed surplus - options exercise	—	0.1	—	—	0.1
Conversion of shares	22	0.1	(22)	(0.1)	—
Balance as at					
March 11, 2006	113,604	\$ 703.0	901	\$ 1.8	\$ 704.8

Stock Option Plan / As at March 11, 2006, 4,327,620 stock options had been granted to certain employees at exercise prices varying from \$7.93 to \$33.87, with expiry dates up to 2013. Of these stock options, 2,776,240 could be exercised for an average weighted exercise price of \$19.95.

	12 weeks Fiscal		24 weeks Fiscal	
	2006	2005	2006	2005
Granted stock options during the period	15,000	—	45,000	58,900
Weighted average exercise price	\$ 30.02	\$ —	\$ 31.81	\$ 22.81
Weighted average fair value	\$ 9.40	\$ —	\$ 9.90	\$ 7.01

During the 24-week period of 2006, the weighted average fair value of stock options was established at the time of grant using the Black & Scholes model and based on the following weighted average assumptions: risk-free interest rate of 4% (2005 – 3.8%), expected six-year term (2005 – six-year term), anticipated volatility of 30% (2005 – 30%) and an anticipated 1.5% dividend yield (2005 – 1.5%).

The compensation cost for these stock options amounted to \$0.5 for the 24-week period of 2006 (2005 – \$0.3) and to \$0.3 for the second quarter of 2006 (2005 – \$0.1).

9. FINANCIAL INSTRUMENTS

During the first quarter of 2006, interest rate swaps were contracted for a total notional amount of \$150 million of the Credit Facility A. Those financial instruments are used as hedges. Unrealized fair market gains or losses are not recognized. The fair market value of interest rate swap contracts amounted to \$1.5 million favourable as at March 11, 2006. These contracts enable us to change our variable rate interest payments with fixed rate interest payments under the following conditions:

Objective	Fixed Rate	Notional amount (Millions of dollars)	Maturity
Fixing debt cost	4.6480%	50	November 23, 2008
Fixing debt cost	4.6820%	50	December 16, 2009
Fixing debt cost	4.7425%	50	December 16, 2010

INFORMATION

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