



PRESS RELEASE

**METRO INCREASED NET EARNINGS BY 57.2%  
IN THE FOURTH QUARTER  
AND ACHIEVED RECORD EARNINGS FOR FISCAL 2006**

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**FOURTH QUARTER 2006 HIGHLIGHTS**

- The Company realized net earnings of \$78.9 million compared to \$50.2 million, an increase of 57.2%. Fully diluted net earnings per share reached \$0.68, up 41.7% from \$0.48 last year.
- An investment disposal gain of \$10.5 million before taxes, integration and rationalization costs of \$3.2 million before taxes and a \$1.4 million tax expense reduction were recorded in the fourth quarter. Excluding these non-recurring items, adjusted net earnings would have been \$71 million, up 41.4% over the same quarter last year, and adjusted fully diluted net earnings per share would have been \$0.61, an increase of 27.1%.
- Sales increased 37% to \$2,673.5 million. Excluding the acquisition of A&P Canada, the impact of the 53<sup>rd</sup> week in 2006, decreased sales of tobacco products, and some abandoned clients, the sales increase would have been 1.9%.
- A total of \$18.7 million in synergies was recorded in the fourth quarter.

**FISCAL 2006 HIGHLIGHTS**

- The Company realized net earnings of \$253 million compared to \$190.4 million, an increase of 32.9%. Fully diluted net earnings per share reached \$2.18, up 13.5% from \$1.92 last year.
- An investment disposal gain of \$10.5 million before taxes, integration and rationalization costs of \$28 million before taxes and a \$5.5 million tax expense reduction were recorded over the fiscal year. Excluding these non-recurring items, adjusted net earnings would have been \$257.6 million, up 35.3% over the previous fiscal year, and adjusted fully diluted net earnings per share would have been \$2.22, an increase of 15.6%.
- Sales increased 64.7% to \$10,944 million. Excluding the acquisition of A&P Canada, the impact of the 53<sup>rd</sup> week in 2006, decreased sales of tobacco products, and some abandoned clients, the sales increase would have been 3.1%.
- With \$51.3 million in synergies achieved in fiscal 2006, we exceeded our initial first-year target of \$35 million.

**(Montréal, November 15, 2006)** – METRO INC. realized net earnings of \$78.9 million in the fourth quarter of 2006 compared with \$50.2 million for the corresponding quarter of the previous fiscal year, a 57.2% increase. Fully diluted net earnings per share reached \$0.68 versus \$0.48 last year, a 41.7% increase. An investment disposal gain of \$10.5 million before taxes, integration and rationalization costs of \$3.2 million before taxes and a \$1.4 million tax expense reduction were recorded in the fourth quarter. Excluding these non-recurring items, adjusted net earnings<sup>(1)</sup> for the fourth quarter of 2006 would have been \$71 million, up 41.4% over the corresponding quarter, and adjusted fully diluted net earnings per share would have been \$0.61 compared to \$0.48 last year, up 27.1%.

#### SALES

Sales for the fourth quarter grew 37% to \$2,673.5 million and those for fiscal 2006 rose 64.7% to \$10,944 million compared to \$1,951.8 million and \$6,646.5 million for the corresponding periods last year. Including A&P Canada stores, fourth quarter and fiscal 2006 same-store sales rose 1.4% and 1.2% respectively. Excluding the increased sales resulting from the acquisition of A&P Canada and the 53<sup>rd</sup> week in fiscal 2006, decreased sales of tobacco products as well as those due to the abandonment of some clients, the sales increase would have been 1.9% for the fourth quarter and 3.1% for fiscal 2006.

#### 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 fiscal 2006.

We finished converting our Ontario Super C discount stores to the Food Basics banner and 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. The SAP finance modules went into operation at A&P Canada at the end of the third quarter, while our SAP and EXE purchasing and distribution modules went into operation at our main Ontario warehouse in early fall of 2006.

Over fiscal 2006, we incurred \$28 million in costs, of which \$3.2 million in the fourth quarter, and anticipate another \$27 million in the next fiscal year for total anticipated costs of \$55 million.

#### Integration and Rationalization Costs

(Millions of dollars)

	4 <sup>th</sup> Quarter	Incurred Fiscal 2006	Anticipated	Total
Stores	-	11.9	2.1	14.0
Integration of operations	1.3	13.9	7.1	21.0
Implementation of information systems	1.9	2.2	17.8	20.0
<b>Total</b>	<b>3.2</b>	<b>28.0</b>	<b>27.0</b>	<b>55.0</b>

<sup>(1)</sup> 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.

### **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA) <sup>(2)</sup>**

Earnings before interest, taxes, depreciation and amortization for the fourth quarter were \$170.1 million, up 61.8% over \$105.1 million for the same quarter last year. Fourth quarter EBITDA represented 6.4% of sales versus 5.4% last year. In the fourth quarter, we realized a gain of \$10.5 million on the disposal of our 14% share in Achille de la Chevrotière Limitée, a grocery distributor located in Northwestern Québec. Excluding this gain and the \$3.2 million in integration and rationalization costs, EBITDA as a percentage of sales would be 6.1%. In the fourth quarter, we realized \$18.7 million in synergies. Fourth quarter earnings from our investment in Alimentation Couche-Tard Inc. were \$5.2 million compared to \$6.5 million for the same quarter last year.

EBITDA for fiscal 2006 rose 67.3% to \$610.5 million or 5.6% of sales compared to \$365 million or 5.5% of sales for fiscal 2005. Excluding the \$10.5 million investment disposal gain and the \$28 million in integration and rationalization costs, EBITDA would be 5.7% of sales. We realized \$51.3 million in synergies over the fiscal year, exceeding our initial first-year target of \$35 million. Earnings from our investment in Alimentation Couche-Tard were \$22.3 million for fiscal 2006 compared to \$20.6 million for the previous year.

### **INTEREST, DEPRECIATION AND AMORTIZATION**

Total depreciation and amortization expense for the fourth quarter and fiscal 2006 rose to \$42.7 million and \$177.9 million respectively compared with \$29.1 million and \$87.2 million for the same periods last year. The increases result primarily from the acquisition of A&P Canada, with an increase of \$14.8 million of amortization in the fourth quarter and \$80.7 million in fiscal 2006. Fourth quarter interest expenses totalled \$15.7 million versus \$5.4 million last year, while interest expenses for the fiscal year totalled \$68.7 million versus \$7.4 million for fiscal 2005. This increase results primarily from the financing of the acquisition of A&P Canada. Interest rates and indebtedness for fiscal 2006 averaged 5% and \$1,228.5 million compared with 3.3% and \$195.4 million for the previous fiscal year.

### **INCOME TAXES**

The income tax expenses were \$32.7 million for the fourth quarter and \$107 million for fiscal 2006 which represents tax rates of 29.3% and 29.4%. During the fiscal year, approval milestones were met with regard to the Québec and federal governments' respective budgets providing, among other things, for increases of the Quebec large business tax rate from 8.9% to 11.9% planned between January 1, 2006 and January 1, 2009, and for decreases in the federal tax rate from 22.12% to 19% planned between January 1, 2008 and January 1, 2010. These rate changes reduced our future tax liabilities as well as our income tax expenses by \$1.4 million for the fourth quarter and \$5.5 million for fiscal 2006. Excluding these tax expense changes, the effective tax rates would have been 30.5% for the fourth quarter and 30.9% for fiscal 2006.

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<sup>(2)</sup> 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

Fourth quarter net earnings reached \$78.9 million versus \$50.2 million for the same quarter last year, a 57.2% increase. Fully diluted net earnings per share were \$0.68 versus \$0.48 last year, a 41.7% increase. Excluding the investment disposal gain of \$10.5 million before taxes, integration and rationalization costs of \$3.2 million before taxes, and the income tax gain of \$1.4 million, adjusted net earnings<sup>(3)</sup> for the fourth quarter would be \$71 million, up 41.4% from the same quarter last year. Adjusted fully diluted net earnings per share would have been \$0.61, up 27.1% from last year.

Net earnings for fiscal 2006 reached \$253 million versus \$190.4 million last year, a 32.9% increase. Fully diluted net earnings per share were \$2.18 versus \$1.92, a 13.5% increase. Excluding the investment disposal gain of \$10.5 million before taxes, integration and rationalization costs of \$28 million before taxes and the net income tax decrease of \$5.5 million, adjusted net earnings<sup>(3)</sup> for fiscal 2006 would have been \$257.6 million, up 35.3% over the net earnings for last year. Fully diluted net earnings per share would have been \$2.22, up 15.6% over last year.

These increases in net earnings stem from the acquisition of A&P Canada, the synergies and the effect of the 53<sup>rd</sup> week.

## Cash Position

### OPERATING ACTIVITIES

Operating activities generated cash flows of \$72.5 million in the fourth quarter compared to \$150.6 million for the same quarter last year, and cash flows of \$392 million for fiscal 2006 compared to \$281.9 million for fiscal 2005. The decrease in generated cash flows from operating activities for the fourth quarter of 2006 compared to the fourth quarter of 2005 is due mainly to the greater increase in accounts payable out of A&P Canada in the fourth quarter of 2005. The increase in generated cash flows for fiscal 2006 compared to fiscal 2005 is due mainly to increased cash flows generated by A&P Canada.

### INVESTMENT ACTIVITIES

Investing activities required outflows of \$53.2 million in the fourth quarter of 2006 and \$181.9 million over fiscal 2006 compared to \$1,219.8 million for the fourth quarter of fiscal 2005 and \$1,319.6 million over last year. These variations are due primarily to the fiscal 2005 fourth quarter acquisition of A&P Canada through a net use of funds of \$1,162.8 million. We also acquired additional fixed assets in fourth quarter of 2006 and over the 2006 fiscal year compared to the fourth quarter of fiscal 2005 and the 2005 fiscal year. The acquisition of A&P Canada fixed assets required additional outflows in 2006.

Over the fiscal year, the Company and the retailers invested \$312.6 million in our retail network for an expansion of 493,500 square feet or 2.7%. Major renovations and expansions of 49 stores were completed and 20 new stores were opened. The fourth quarter disposal of our 14% share in Achille de la Chevrotière Limitée, a grocery distributor located in Northwestern Québec, reduced our retail network by 386,400 square feet. With this disposal, our retail network expanded by 0.6% in fiscal 2006.

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<sup>(3)</sup> 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.

	4 <sup>th</sup> quarter of 2006		Fiscal 2006	
	Millions of Dollars	Fully Diluted EPS Dollars	Millions of Dollars	Fully Diluted EPS Dollars
Adjusted net earnings	71.0	0.61	257.6	2.22
Investment disposal gain after taxes	8.6	0.07	8.6	0.07
Integration and rationalization costs after taxes	(2.1)	(0.01)	(18.7)	(0.16)
Reduction in tax expense	1.4	0.01	5.5	0.05
Net earnings	<u>78.9</u>	<u>0.68</u>	<u>253.0</u>	<u>2.18</u>

## FINANCING ACTIVITIES

Financing activities required outflows of \$112 million in the fourth quarter and \$138.2 million over fiscal 2006 compared to inflows of \$1,140.2 million in the fourth quarter of fiscal 2005 and \$1,088.5 million over fiscal 2005. These variations between the different periods in 2006 and 2005 are due mainly to the \$1,150 million increase in long-term debt to finance the acquisition of A&P Canada, and redemption of \$37 million worth of Class A Subordinate shares in fiscal 2005, whereas no shares were redeemed in 2006. In fiscal 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 offerings were used to repay the balance of Credit Facility B and \$100 million of the \$750 million Credit Facility A.

The Credit Facility A was paid down by \$100 million in the fourth quarter and by \$180 million over fiscal 2006.

In fiscal 2006, the Company changed its long-term incentive 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 treasury shares reducing capital stock. At the close of fiscal 2006, 72,000 shares had been purchased at an average price of \$29.95 per share.

## Financial Position

Our financial position is very solid. At the end of fiscal 2006, we have \$165.7 million in cash and cash equivalents. Our approved \$400 million line of credit remained unused. Our long-term debt corresponds to 39.3% of the combined total of long-term debt and shareholder equity (long-term debt/total capital).

In the fourth quarter, the main elements of our long-term debt were as follows:

	Interest Rate	Balance (Millions of dollars)	Maturity
Credit Facility A	Variable rates which fluctuate with changes in banker's acceptance rates	470	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 fiscal year, 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 fiscal year, the equivalent of \$750 million of our long-term debt was at fixed rates varying from 4.6480% to 5.97% and \$320 million at variable rates that fluctuate with changes in banker's acceptance rates.

## FINANCIAL RATIOS

	As at September 30, 2006	As at September 24, 2005
<b>Capital structure</b>		
Long-term debt (millions)	1,116.6	1,205.0
Shareholders' equity (millions)	1,723.8	1,513.3
Long-term debt/total capital (%)	39.3	44.3
	<b>Fiscal 2006</b>	<b>Fiscal 2005</b>
<b>Earnings</b>		
EBITDA/Interest (times)	8.9	N.M.

## CAPITAL STOCK, STOCK OPTIONS AND SHARE UNITS

	As at September 30, 2006	As at September 24, 2005
Number of Class A Subordinate Shares outstanding (Thousands)	113,852	113,504
Number of Class B Multiple Voting Shares outstanding (Thousands)	880	923
Stock options:		
Number outstanding (Thousands)	4,148	4,374
Exercise price	\$8.73 to \$33.87	\$7.93 to \$27.25
Weighted average exercise price	\$20.67	\$19.72
Number of performance shares:		
Number outstanding (Thousands)	48	—
Weighted average maturity	30 months	—

## DIVIDENDS

On September 26, 2006, the Company's Board of Directors declared a quarterly dividend of \$0.105 per Class A Subordinate Share and Class B Share payable November 21, 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 INC. shares remained in the range of \$28.47 to \$36 in fiscal 2006. During this period, a total of 41.7 million shares were traded on the Toronto Stock Exchange. The closing price on Friday, November 3<sup>rd</sup>, 2006 was \$35.20 compared with \$34.25 at the end of fiscal 2005.

## PURCHASE PRICE ALLOCATION

At the end of fiscal 2006, we completed the purchase price allocation for A&P Canada.

## 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 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.	Q 4 12 wks.	Total 52 wks.
Reclassification from cost of sales and operating expenses to sales	2.4	3.4	5.8	13.3	12.9	16.1	7.1	49.4

## Outlook

*"We are pursuing our integration and rationalization plan. Store conversions, integration of our Québec and Ontario operations, and deployment of our information systems at A&P Canada are progressing well. We exceeded our revised target of \$45 million in synergies in the first year and are confident that we shall exceed the revised second-year target of \$70 million as well. 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.

## Notice of Appointment

METRO INC. announces the appointment of Mr. Michel Labonté as Director of the Company to occupy the vacant position within the Board of Directors of the Company. Mr. Labonté will act as Chair of the Audit Committee. Throughout his career, Mr. Labonté has occupied various positions in major companies, including Senior Vice-President, Finance, Technology and Corporate Affairs at the National Bank of Canada and Executive Vice-President, Finance and Administration at Hydro-Québec.

## **Conference Call**

Financial analysts and investors are invited to participate in a conference call at **10:30 a.m. EST on November 15, 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](http://www.metro.ca).

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METRO INC.'s corporate information and press releases are available on the Internet at the following address:  
[www.metro.ca](http://www.metro.ca)

## Consolidated Statements of Earnings

Periods ended September 30, 2006 and September 24, 2005  
(Unaudited) (Millions of dollars, except for earnings per share)

	Fiscal		Fiscal	
	2006 (13 weeks)	2005 (12 weeks) (Restated – note 2)	2006 (53 weeks)	2005 (52 weeks) (Restated – note 2)
<b>Sales</b>	<b>\$ 2,673.5</b>	\$ 1,951.8	<b>\$10,944.0</b>	\$ 6,646.5
Cost of sales and operating expenses	<b>2,500.2</b>	1,846.7	<b>10,305.5</b>	6,281.5
Integration and rationalization costs (note 4)	<b>3.2</b>	—	<b>28.0</b>	—
<b>Earnings before interest, taxes, depreciation and amortization</b>	<b>170.1</b>	105.1	<b>610.5</b>	365.0
Depreciation and amortization	<b>42.7</b>	29.1	<b>177.9</b>	87.2
<b>Operating income</b>	<b>127.4</b>	76.0	<b>432.6</b>	277.8
Interest				
Short term	<b>(0.7)</b>	0.1	<b>(1.9)</b>	1.3
Long term	<b>16.4</b>	5.3	<b>70.6</b>	6.1
	<b>15.7</b>	5.4	<b>68.7</b>	7.4
<b>Earnings before income taxes</b>	<b>111.7</b>	70.6	<b>363.9</b>	270.4
Income taxes (note 8)	<b>32.7</b>	21.4	<b>107.0</b>	81.0
<b>Earnings before minority interest</b>	<b>79.0</b>	49.2	<b>256.9</b>	189.4
Minority interest	<b>0.1</b>	(1.0)	<b>3.9</b>	(1.0)
<b>Net earnings</b>	<b>\$ 78.9</b>	\$ 50.2	<b>\$ 253.0</b>	\$ 190.4
<b>Earnings per share (note 9)</b>				
Basic	<b>\$ 0.69</b>	\$ 0.48	<b>\$ 2.21</b>	\$ 1.94
Fully diluted	<b>\$ 0.68</b>	\$ 0.48	<b>\$ 2.18</b>	\$ 1.92

See accompanying notes

## Consolidated Statements of Retained Earnings

Periods ended September 30, 2006 and September 24, 2005  
(Unaudited) (Millions of dollars)

	Fiscal	
	2006 (53 weeks)	2005 (52 weeks)
<b>Balance – beginning of year</b>	<b>\$ 807.7</b>	\$ 690.6
Net earnings	<b>253.0</b>	190.4
Dividends	<b>(47.5)</b>	(38.9)
Share redemption premium	<b>—</b>	(34.4)
<b>Balance – end of year</b>	<b>\$ 1,013.2</b>	\$ 807.7

See accompanying notes

## Consolidated Balance Sheets

(Unaudited) (Millions of dollars)

	As at September 30, 2006	As at September 24, 2005
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 165.7	\$ 93.8
Accounts receivable	302.1	287.7
Inventories	565.5	551.9
Prepaid expenses	11.3	15.1
Future income taxes	16.7	12.4
	<b>1,061.3</b>	960.9
Investments and other assets	117.9	100.6
Fixed assets	1,129.9	1,106.4
Intangible assets	331.7	194.8
Goodwill	1,490.1	1,543.7
Accrued benefit assets	33.0	20.9
	<b>\$ 4,163.9</b>	<b>\$ 3,927.3</b>
<b>Liabilities and Shareholders' equity</b>		
Current liabilities		
Bank loans	\$ 0.3	\$ 0.3
Accounts payable	1,049.5	1,022.0
Income taxes payable	36.8	13.8
Current portion of long-term debt	7.3	7.7
	<b>1,093.9</b>	1,043.8
Long-term debt (note 5)	1,116.6	1,205.0
Accrued benefit obligations	60.6	66.6
Future income taxes	115.0	82.1
Other long-term liabilities (note 6)	44.2	10.2
Minority interest	9.8	6.3
	<b>2,440.1</b>	2,414.0
<b>Shareholders' equity</b>		
Capital stock (note 10)	709.0	703.8
Contributed surplus	1.6	1.8
Retained earnings	1,013.2	807.7
	<b>1,723.8</b>	1,513.3
	<b>\$ 4,163.9</b>	<b>\$ 3,927.3</b>
<i>See accompanying notes</i>		

## Consolidated Statements of Cash Flows

Periods ended September 30, 2006 and September 24, 2005  
(Unaudited) (Millions of dollars)

	Fiscal		Fiscal	
	2006 (13 weeks)	2005 (12 weeks)	2006 (53 weeks)	2005 (52 weeks)
<b>Operating activities</b>				
Net earnings	\$ 78.9	\$ 50.2	\$ 253.0	\$ 190.4
Non-cash items				
Integration and rationalization costs (note 4)	(10.0)	—	8.9	—
Share of earnings in a public company subject to significant influence	(5.2)	(6.5)	(22.3)	(20.6)
Depreciation and amortization	42.7	29.1	177.9	87.2
Amortization of deferred financing costs	0.9	—	2.8	—
Loss on disposal and write-off of fixed and intangible assets	3.5	3.2	12.0	3.2
Gain on disposal of investment	(10.5)	—	(10.5)	—
Future income taxes	(4.6)	6.3	(4.6)	12.9
Stock-based compensation cost	0.5	0.3	1.7	1.0
Excess of amounts paid for employee future benefits over current period cost	(10.6)	(0.8)	(20.2)	(0.5)
Minority interest	0.1	(1.0)	3.9	(1.0)
	85.7	80.8	402.6	272.6
Net change in non-cash working capital related to operations	(13.2)	69.8	(10.6)	9.3
	72.5	150.6	392.0	281.9
<b>Investing activities</b>				
Business acquisition (note 3)	—	(1,162.8)	—	(1,162.8)
Net change in investments	18.1	(0.5)	14.5	(4.9)
Dividend of a public company subject to significant influence	1.1	—	2.1	—
Acquisition of fixed assets	(63.8)	(39.6)	(170.7)	(125.8)
Disposal of fixed assets	5.6	1.3	12.8	9.6
Acquisition of intangible assets	(14.2)	(18.2)	(40.6)	(35.7)
	(53.2)	(1,219.8)	(181.9)	(1,319.6)
<b>Financing activities</b>				
Net change in bank loans	0.2	(0.4)	—	(1.2)
Issue of shares	0.4	3.5	5.4	16.9
Redemption of shares	—	—	—	(37.0)
Acquisition of treasury shares (note 10)	(0.6)	—	(2.1)	—
Disposal of treasury shares	—	—	—	2.0
Increase of long-term debt	—	1,250.0	601.5	1,251.5
Repayment of long-term debt	(103.4)	(101.4)	(692.0)	(104.8)
Net change in other long-term liabilities	3.8	—	(3.1)	—
Dividends paid	(12.0)	(11.5)	(47.5)	(38.9)
Draw of minority interest	(0.4)	—	(0.4)	—
	(112.0)	1,140.2	(138.2)	1,088.5
<b>Net change in cash and cash equivalents</b>	(92.7)	71.0	71.9	50.8
Cash and cash equivalents – beginning of period	258.4	22.8	93.8	43.0
Cash and cash equivalents – end of period	\$ 165.7	\$ 93.8	\$ 165.7	\$ 93.8
<b>Other information</b>				
Interest paid	\$ 7.8	\$ 2.2	\$ 52.8	\$ 4.1
Income taxes paid	\$ 21.7	\$ 21.3	\$ 88.6	\$ 110.3

See accompanying notes

## Notes to Interim Consolidated Financial Statements

Periods ended September 30, 2006 and September 24, 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, except for the change in accounting policy described in note 2. 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. Change in Accounting Policy

#### Accounting by a Vendor for Consideration Given to a Customer (Including a Reseller of the Vendor Products)

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.

	2006			2005				
	Q1 12 weeks	Q2 12 weeks	Total 24 weeks	Q1 12 weeks	Q2 12 weeks	Q3 16 weeks	Q4 12 weeks	Total 52 weeks
Reclassification from cost of sales and operating expenses to sales	\$ 2.4	\$ 3.4	\$ 5.8	\$ 13.3	\$ 12.9	\$ 16.1	\$ 7.1	\$ 49.4

### 3. Business Acquisition

On August 13, 2005, the Company acquired all of the issued and outstanding shares of The Great Atlantic and Pacific Tea Company, previously known as The Great Atlantic and Pacific Tea Company, Limited (A&P Canada), an indirect subsidiary of The Great Atlantic & Pacific Tea Company, Inc. (A&P US). A&P Canada is a food retailer operating, at the date of acquisition, 234 retail stores in Ontario. Within its stores, A&P Canada corporately operated 74 full-service pharmacies. A&P Canada also managed five distribution centres. The acquisition was accounted for using the purchase method. The results of A&P Canada have been consolidated as of the acquisition date. The Company has finalized the purchase price allocation in the fourth quarter, and is as follows:

Cash	\$ 49.3
Other current assets	286.7
Fixed assets	589.6
Intangible assets	
Favourable leases (amortized over the term of the lease)	15.4
Private labels and agreements (not amortized)	55.2
Prescription files (amortized over 10 years)	7.4
Banners (not amortized)	53.3
Goodwill	1,299.3
Current liabilities	(429.5)
Leases liabilities	(25.9)
Long-term debt	(46.6)
Integration and rationalization plan-related liabilities	(30.1)
Assets and liabilities for employee future benefits	(48.2)
Future tax assets and liabilities	(23.5)
Minority interest	(6.9)
<b>Net assets acquired</b>	<b>\$ 1,745.5</b>
Cash	\$ 1,200.0
Class A Subordinate Shares	526.8
Working capital adjustment	4.2
Acquisition costs	14.5
<b>Consideration and acquisition costs</b>	<b>\$ 1,745.5</b>

### 4. Integration and Rationalization Costs

During fiscal year ended September 30, 2006, the Company continued the implementation of its integration and rationalization plan following the acquisition of A&P Canada. The plan, centred on three key areas—namely stores, operations, and implementation of our information systems at A&P, progressed significantly in the fourth quarter.

The Company has finished converting our Ontario Super C discount stores to the Food Basics banner and established new organizational structures, such as a national purchasing pool to provide the various banners with the best products at the best possible prices, that optimize Ontario divisions operations as well as the Quebec divisions. Lastly, the Company completed a major phase in its information systems' implementation in the third quarter when the SAP finance modules went into operation at A&P Canada, and implemented in early fall of 2006 its SAP and EXE purchasing and distribution modules at its main Ontario warehouse.

Plan costs stemming from A&P Canada operations are included in the purchase price allocation and costs stemming from the acquiring entity's operations are recorded in the earnings statement at the time they are incurred.

Total anticipated costs over this fiscal year and next year are \$55, of which \$3.2 were incurred in the fourth quarter and \$28 in the 53 weeks of 2006.

## By Nature of Project

	Incurred		Anticipated	Total
	13 weeks	53 weeks		
Stores	\$ —	\$ 11.9	\$ 2.1	\$ 14.0
Integration of operations	1.3	13.9	7.1	21.0
Implementation of information systems	1.9	2.2	17.8	20.0
<b>Total</b>	<b>\$ 3.2</b>	<b>\$ 28.0</b>	<b>\$ 27.0</b>	<b>\$ 55.0</b>

## By Nature of Costs for the 13-week period

	Beginning liability	Incurred	Paid	Ending liability
Retention bonuses and termination benefits	\$ 11.8	\$ 1.3	\$ 11.0	\$ 2.1
Training and IT implementation	—	1.9	1.9	—
Vacant premises	1.8	—	0.3	1.5
Others	—	—	—	—
	\$ 13.6	\$ 3.2	\$ 13.2	\$ 3.6
Assets write-off		—		
<b>Total</b>		<b>\$ 3.2</b>		

## By Nature of Costs for the 53-week period

	Beginning liability	Incurred	Paid	Ending liability	Anticipated	Total
Retention bonuses and termination benefits	—	\$ 17.6	\$ 15.5	\$ 2.1	\$ 6.4	\$ 24.0
Training and IT implementation	—	2.2	2.2	—	17.8	20.0
Vacant premises	—	2.4	0.9	1.5	0.8	3.2
Others	—	0.5	0.5	—	0.9	1.4
	—	\$ 22.7	\$ 19.1	\$ 3.6	\$ 25.9	\$ 48.6
Assets write-off		5.3			1.1	6.4
<b>Total</b>		<b>\$ 28.0</b>			<b>\$ 27.0</b>	<b>\$ 55.0</b>

## 5. 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 Credit Facilities repayment made by the Company when \$600 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.

## 6. Other Long-Term Liabilities

	2006	2005
Leases liabilities	\$ 27.2	\$ 10.2
Integration and rationalization plan-related liabilities	17.0	—
	<b>\$ 44.2</b>	\$ 10.2

## 7. 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:

	Fiscal				Fiscal			
	2006 (13 weeks)		2005 (12 weeks)		2006 (53 weeks)		2005 (52 weeks)	
	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans	Pension plans	Other plans
<b>Defined contribution plans</b>	<b>\$ 5.1</b>	<b>\$ —</b>	\$ 2.1	\$ 0.1	<b>\$ 22.1</b>	<b>\$ 0.3</b>	\$ 8.7	\$ 0.3
<b>Defined benefit plans</b>								
Current service cost	<b>\$ 6.9</b>	<b>\$ 0.2</b>	\$ 2.3	\$ 0.2	<b>\$ 23.1</b>	<b>\$ 1.0</b>	\$ 6.3	\$ 0.7
Interest cost	<b>7.1</b>	<b>0.4</b>	2.9	0.2	<b>25.6</b>	<b>2.0</b>	7.5	0.4
Projected return on plan assets	<b>(8.8)</b>	—	(3.4)	—	<b>(34.7)</b>	—	(8.0)	—
Amortization of actuarial losses and past service cost	<b>0.6</b>	<b>0.2</b>	(0.2)	0.8	<b>1.2</b>	<b>0.2</b>	0.1	0.8
Plan modifications	<b>0.3</b>	—	0.3	—	<b>0.3</b>	—	0.3	—
	<b>6.1</b>	<b>0.8</b>	1.9	1.2	<b>15.5</b>	<b>3.2</b>	6.2	1.9
<b>Total</b>	<b>\$ 11.2</b>	<b>\$ 0.8</b>	\$ 4.0	\$ 1.3	<b>\$ 37.6</b>	<b>\$ 3.5</b>	\$ 14.9	\$ 2.2

## 8. Income Taxes

The effective income tax rates were as follows:

	Fiscal		Fiscal	
	<b>2006</b> (13 weeks) %	2005 (12 weeks) %	<b>2006</b> (53 weeks) %	2005 (52 weeks) %
Combined statutory income tax rate	<b>31.8</b>	31.2	<b>31.8</b>	31.2
Changes:				
Impact of the 3.12% decrease in Canada's income tax rate on future taxes (\$10,8 in 2006)	<b>(1.2)</b>	—	<b>(3.0)</b>	—
Impact of the 3% increase in Québec's income tax rate on future taxes (\$5.3 in 2006)	—	—	<b>1.5</b>	—
Share of earnings of a public company subject to significant influence	<b>(0.6)</b>	(1.1)	<b>(0.8)</b>	(1.0)
Gain on disposal of investment	<b>(1.3)</b>	—	<b>(0.4)</b>	—
Others	<b>0.6</b>	0.2	<b>0.3</b>	(0.2)
	<b>29.3</b>	30.3	<b>29.4</b>	30.0

## 9. Earnings per Share

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

	Fiscal		Fiscal	
	<b>2006</b> (13 weeks)	2005 (12 weeks)	<b>2006</b> (53 weeks)	2005 (52 weeks)
<i>(Millions)</i>				
Weighted average number of shares outstanding Basic	<b>114.7</b>	104.6	<b>114.6</b>	98.1
Dilutive effect of stock option plan and performance share units	<b>1.2</b>	1.5	<b>1.3</b>	1.3
Weighted average number of shares outstanding Fully diluted	<b>115.9</b>	106.1	<b>115.9</b>	99.4

## 10. Capital Stock

### Issued and Outstanding for Fiscal 2006

	Class A Subordinate Shares		Class B Shares		Total
	Number (Thousands)		Number (Thousands)		
Balance as at September 24, 2005	113,504	\$ 701.9	923	\$ 1.9	\$ 703.8
Share issue	377	5.4	–	–	5.4
Treasury shares	(72)	(0.4)	–	–	(0.4)
Transfer from contributed surplus – options exercise	–	0.2	–	–	0.2
Conversion of shares	43	0.2	(43)	(0.2)	–
<b>Balance as at September 30, 2006</b>	<b>113,852</b>	<b>\$ 707.3</b>	<b>880</b>	<b>\$ 1.7</b>	<b>\$ 709.0</b>

### Stock Option Plan

As at September 30, 2006, 4,148,440 stock options had been granted to certain employees at exercise prices varying from \$8.73 to \$33.87, with expiry dates up to 2013. Of these stock options, 2,882,200 could be exercised for an average weighted exercise price of \$19.74.

	Fiscal		Fiscal	
	2006 (13 weeks)	2005 (12 weeks)	2006 (53 weeks)	2005 (52 weeks)
Granted stock options during the period	–	–	<b>180,100</b>	452,900
Weighted average exercise price	\$ –	\$ –	<b>\$ 30.57</b>	\$ 26.67
Weighted average fair value	\$ –	\$ –	<b>\$ 9.65</b>	\$ 8.18

During the 53-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 4.23% (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 \$1.3 for the 53-week period of 2006 (2005 – \$1) and to \$0.3 for the fourth quarter of 2006 (2005 – \$0.3).

### Performance Share Unit Plan

During 2006 financial year, the Company's Board of Directors approved a new performance share unit (PSU) plan. Under this program, senior executives and other key employees (participants) periodically receive a given number of PSUs which may increase if the Company meets certain financial performance indicators. The PSUs entitle the participant to Class A Subordinate Shares of the Company, or at the latter's discretion, the cash equivalent. PSUs vest over a certain period.

Since the grants qualify as equity instruments, the Company establishes the value of this compensation based on the market value of the Company's Class A Subordinate Shares at the grant date. The compensation expense is recognized over the vesting period. The impact of any changes in the number of PSUs is recorded in the period where the estimate is revised.

In the third quarter, the Company awarded 50,032 PSUs to participants and, under a trust agreement, instructed a trustee to purchase Class A Subordinate Shares of the Company on the stock market. At the end of the fiscal year, the trustee had purchased 72,000 Class A Subordinate Shares of the Company for a consideration of \$2.1. These shares are held in trust for participants until the PSUs shall have vested or been cancelled. The trust, considered a variable interest entity, is consolidated in the Company's financial statements with the value of the acquired shares presented as treasury shares reducing capital stock.

A compensation expenditure of \$0.2 was recorded in the fourth quarter of 2006 for the PSU plan.

## 11. Financial Instruments

During the first quarter of 2006, interest rate swaps were contracted for a total notional amount of \$150 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 \$0.6 favourable as at September 30, 2006. These contracts enable the Company to change our variable rate interest payments with fixed rate interest payments under the following conditions:

Objective	Fixed Rate	Notional amount	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