REPORT TO SHAREHOLDERS

40-week period ended July 1, 2006

3rd quarter

HIGHLIGHTS

- 75.8% sales growth to $3,336.7 million
- Net earnings increase of 49.6% to $85.1 million
- Adjusted net earnings increase of 37.6% to $78.3 million
- Adjusted fully diluted net earnings per share increase of 17.2% to $0.68

REPORT TO SHAREHOLDERS

I am pleased to report on our third quarter of fiscal 2006 ended July 1, 2006.

For the third quarter, we realized net earnings of $85.1 million as compared to $56.9 million for the same quarter last year, an increase of 49.6% and fully diluted net earnings per share of $0.73 versus $0.58 last year. Excluding integration and rationalization costs of $3.9 million and an income tax gain of $9.4 million, our adjusted net earnings stand at $78.3 million, up 37.6% from last year. Adjusted fully diluted net earnings per share rose to $0.68 compared to $0.58 for the same quarter last year, a 17.2% increase.

Our net earnings for the 40-week period rose to $174.1 million compared to $140.2 million for the same period last year, a 24.2% increase. Fully diluted net earnings per share were $1.50 compared to $1.44 last year. Excluding the integration and rationalization costs of $24.8 million and a net income tax gain of $4.1 million resulting from future variations in the different tax authorities' rates, our adjusted net earnings reached $186.6 million, up 33.1% over last year's. Fully diluted net earnings per share rose 11.8% to $1.61 from $1.44 last year.

We continue to carry out our plan for integrating and rationalizing our operations and retail network. As well, we have established new organizational structures and completed a major phase in the deployment of our information systems at A&P with the implementation of the SAP financial modules. We also continue to work on realizing synergies which have reached $32.6 million after 40 weeks.

Our third quarter sales increased 75.8% reaching $3,336.7 million compared to $1,898.2 million last year.

Our financial position remains solid with long-term debt corresponding to 42.4% of the combined total of long-term debt and shareholders' equity at the end of the third quarter.

On August 10, 2006, the Board of Directors declared a quarterly dividend of $0.105 per share. Annualized, this dividend represents 25% of 2005 net earnings.

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.

PIERRE H. LESSARD, FCA
President and Chief Executive Officer
August 10, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis sets out the financial position and results of METRO INC. on July 1, 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 of July 28, 2006 unless otherwise stated. Additional information, including the Certification of Interim Filings letters for the quarter ended July 1, 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 $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.

(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

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.

Integration and Rationalization Costs *(Millions of dollars)*	Incurred 16 weeks	Incurred 40 weeks	Anticipated	Total
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.

[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.

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.

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 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 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.

QUARTERLY HIGHLIGHTS

(Millions of dollars, except earnings per share)	**2006**	2005	2004	Change *(Percentage)*
Sales — (Restated — EIC-156)				
Q 3	**3,336.7**	1,898.2	—	75.8
Q 2	**2,412.1**	1,363.7	—	76.9
Q 1	**2,521.7**	1,432.8	—	76.0
Q 4	**—**	1,951.8	1,394.9	39.9
Net earnings				
Q 3	**85.1**	56.9	—	49.6
Q 2	**57.0**	44.7	—	27.5
Q 1	**32.0**	38.6	—	(17.1)
Q 4	**—**	50.2	45.2	11.1
Adjusted net earnings				
Q 3	**78.3** [3]	56.9	—	37.6
Q 2	**58.7** [3]	44.7	—	31.3
Q 1	**49.6** [3]	38.6	—	28.5
Q 4	**—**	50.2	45.2	11.1
Fully diluted net earnings per share *(Dollars)*				
Q 3	**0.73**	0.58	—	25.9
Q 2	**0.49**	0.46	—	6.5
Q 1	**0.28**	0.40	—	(30.0)
Q 4	**—**	0.48	0.47	2.1
Adjusted fully diluted net earnings per share *(Dollars)*				
Q 3	**0.68** [3]	0.58	—	17.2
Q 2	**0.50** [3]	0.46	—	8.7
Q 1	**0.43** [3]	0.40	—	7.5
Q 4	**—**	0.48	0.47	2.1

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.

(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

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.

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			
	Q1 12 weeks	**Q2 12 weeks**	**Total 24 weeks**	Q1 12 weeks	Q2 12 weeks	Q3 16 weeks	Total 40 weeks
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.

Montréal, August 10, 2006

CONSOLIDATED STATEMENTS OF EARNINGS

Periods ended July 1, 2006 and July 2, 2005 *(Unaudited) (Millions of dollars, except for earnings per share)*	16 weeks Fiscal 2006	16 weeks Fiscal 2005 (Restated – note 2)	40 weeks Fiscal 2006	40 weeks Fiscal 2005 (Restated – note 2)
Sales	**$ 3,336.7**	$ 1,898.2	**$ 8,270.5**	$ 4,694.7
Cost of sales and operating expenses	**3,140.5**	1,792.1	**7,805.3**	4,434.8
Integration and rationalization costs *(note 4)*	**3.9**	—	**24.8**	—
Earnings before interest, taxes, depreciation and amortization	**192.3**	106.1	**440.4**	259.9
Depreciation and amortization	**57.3**	23.8	**135.2**	58.1
Operating income	**135.0**	82.3	**305.2**	201.8
Interest				
Short term	**(1.3)**	0.4	**(1.2)**	1.2
Long term	**22.5**	0.3	**54.2**	0.8
	21.2	0.7	**53.0**	2.0
Earnings before income taxes	**113.8**	81.6	**252.2**	199.8
Income taxes *(note 8)*	**26.5**	24.7	**74.3**	59.6
Earnings before minority interest	**87.3**	56.9	**177.9**	140.2
Minority interest	**2.2**	—	**3.8**	—
Net earnings	**$ 85.1**	$ 56.9	**$ 174.1**	$ 140.2
Earnings per share *(note 9)*				
Basic	**$ 0.74**	$ 0.60	**$ 1.52**	$ 1.46
Fully diluted	**$ 0.73**	$ 0.58	**$ 1.50**	$ 1.44

See accompanying notes

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

40-week periods ended July 1, 2006 and July 2, 2005 *(Unaudited) (Millions of dollars)*	Fiscal 2006	Fiscal 2005
Balance — beginning of period	**$ 807.7**	$ 690.6
Net earnings	**174.1**	140.2
Dividends	**(35.5)**	(27.4)
Share redemption premium	**—**	(34.4)
Balance — end of period	**$ 946.3**	$ 769.0

See accompanying notes

CONSOLIDATED BALANCE SHEETS

(Unaudited) (Millions of dollars)	**As at July 1, 2006**	As at September 24, 2005
ASSETS		
Current assets		
Cash and cash equivalents	**$ 258.4**	$ 93.8
Accounts receivable	**302.1**	287.7
Inventories	**549.1**	551.9
Prepaid expenses	**20.3**	15.1
Future income taxes	**11.6**	12.4
	1,141.5	960.9
Investments and other assets	**118.3**	100.6
Fixed assets	**1,110.5**	1,106.4
Intangible assets	**276.1**	194.8
Goodwill	**1,521.6**	1,543.7
Accrued benefit assets	**20.6**	20.9
	$ 4,188.6	$ 3,927.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	**$ 0.1**	$ 0.3
Accounts payable	**1,069.8**	1,022.0
Income taxes payable	**21.2**	13.8
Current portion of long-term debt	**6.3**	7.7
	1,097.4	1,043.8
Long-term debt *(note 5)*	**1,220.8**	1,205.0
Accrued benefit obligations	**58.8**	66.6
Future income taxes	**96.3**	82.1
Other long-term liabilities *(note 6)*	**48.6**	10.2
Minority interest	**10.1**	6.3
	2,532.0	2,414.0
Shareholders' equity		
Capital stock *(note 10)*	**708.7**	703.8
Contributed surplus	**1.6**	1.8
Retained earnings	**946.3**	807.7
	1,656.6	1,513.3
	$ 4,188.6	$ 3,927.3

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Periods ended July 1, 2006 and July 2, 2005 *(Unaudited) (Millions of dollars)*	16 weeks Fiscal		40 weeks Fiscal	
	2006	2005	**2006**	2005
Operating activities				
Net earnings	**$ 85.1**	$ 56.9	**$ 174.1**	$ 140.2
Non-cash items				
Integration and rationalization costs *(note 4)*	**(0.6)**	—	**18.9**	—
Share of earnings in a public company subject to significant influence	**(3.7)**	(4.1)	**(17.1)**	(14.1)
Depreciation and amortization	**57.3**	23.8	**135.2**	58.1
Amortization of deferred financing costs	**0.7**	—	**1.9**	—
Loss on disposal and write-off of fixed and intangible assets	**8.1**	—	**8.5**	—
Future income taxes	**(6.1)**	2.7	**—**	6.6
Stock-based compensation cost	**0.7**	0.4	**1.2**	0.7
Loss (excess) of amounts paid for employee future benefits over current period cost	**—**	—	**(9.6)**	0.3
Minority interest	**2.2**	—	**3.8**	—
	143.7	79.7	**316.9**	191.8
Net change in non-cash working capital related to operations	**47.5**	17.8	**2.6**	(60.5)
	191.2	97.5	**319.5**	131.3
Investing activities				
Net change in investments	**(2.0)**	0.2	**(3.6)**	(4.4)
Dividend of a public company subject to significant influence	**0.5**	—	**1.0**	—
Acquisition of fixed assets	**(35.2)**	(27.0)	**(106.9)**	(86.2)
Disposal of fixed assets	**0.7**	0.1	**7.2**	8.3
Acquisition of intangible assets	**(12.2)**	(8.5)	**(26.4)**	(17.5)
	(48.2)	(35.2)	**(128.7)**	(99.8)
Financing activities				
Net change in bank loans	**(3.2)**	(54.3)	**(0.2)**	(0.8)
Issue of shares	**4.1**	6.7	**5.0**	13.4
Redemption of shares	**—**	(7.9)	**—**	(37.0)
Acquisition of treasury shares *(note 10)*	**(1.5)**	—	**(1.5)**	—
Disposal of treasury shares	**—**	—	**—**	2.0
Increase of long-term debt	**0.3**	0.2	**601.5**	1.5
Repayment of long-term debt	**(83.4)**	(1.2)	**(588.6)**	(3.4)
Net change in other long-term liabilities	**(6.9)**	—	**(6.9)**	—
Dividends paid	**(12.1)**	(9.6)	**(35.5)**	(27.4)
	(102.7)	(66.1)	**(26.2)**	(51.7)
Net change in cash and cash equivalents	**40.3**	(3.8)	**164.6**	(20.2)
Cash and cash equivalents — beginning of period	**218.1**	26.6	**93.8**	43.0
Cash and cash equivalents — end of period	**$ 258.4**	$ 22.8	**$ 258.4**	$ 22.8
Other information				
Interest paid	**$ 30.5**	$ 0.7	**$ 45.0**	$ 1.9
Income taxes paid	**$ 25.3**	$ 24.5	**$ 66.9**	$ 89.0

See accompanying notes

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Periods ended July 1, 2006
and July 2, 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	Total 40 weeks
Reclassification from cost of sales and operating expenses to sales	**$2.4**	**$3.4**	**$5.8**	$13.3	$12.9	$16.1	$42.3

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 5 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 will finalize the purchase price allocation in the fourth quarter. The preliminary allocation is as follows:

Cash	$ 49.3
Other current assets	297.1
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
Others	3.8
Goodwill	1,330.9
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 liabilities	(16.0)
Minority interest	(6.9)
Net assets acquired	$ 1,745.5
Cash	$ 1,200.0
Shares	526.8
Working capital adjustment	4.2
Acquisition costs	14.5
Consideration and acquisition costs	$ 1,745.5

4. INTEGRATION AND RATIONALIZATION COSTS

During the 40-week period ended July 1, 2006, the Company has 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 third quarter.

The Company 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 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.

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 $3.9 were incurred in the third quarter and $24.8 in the first 40 weeks of fiscal 2006.

By Nature of Project

	Incurred 16 weeks	Incurred 40 weeks	Anticipated	Total
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

By Nature of Costs for the 16-week period

	Beginning liability	Incurred	Paid	Ending liability	Antici-pated	Total
Retention bonuses and termination benefits	$12.2	$ 3.8	$ 4.2	$11.8	$ 7.7	$ 24.0
Training and IT implementation	—	0.1	0.1	—	19.7	20.0
Vacant premises	1.9	—	0.1	1.8	0.8	3.2
Others	0.1	—	0.1	—	0.9	1.4
	$14.2	$ 3.9	$ 4.5	$13.6	$29.1	$ 48.6
Assets write-off		—			1.1	6.4
Total		$ 3.9			$30.2	$ 55.0

By Nature of Costs for the 40-week period

	Beginning liability	Incurred	Paid	Ending liability	Antici-pated	Total
Retention bonuses and termination benefits	—	$16.3	$ 4.5	$11.8	$ 7.7	$ 24.0
Training and IT implementation	—	0.3	0.3	—	19.7	20.0
Vacant premises	—	2.4	0.6	1.8	0.8	3.2
Others	—	0.5	0.5	—	0.9	1.4
	—	$19.5	$ 5.9	$13.6	$29.1	$ 48.6
Assets write-off		5.3			1.1	6.4
Total		$24.8			$30.2	$ 55.0

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	**$ 31.6**	$ 10.2
Integration and rationalization plan-related liabilities	**17.0**	—
	$ 48.6	$ 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:

	16 weeks Fiscal				40 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	**$ 6.9**	**$ 0.1**	$ 2.4	$ 0.1	**$ 17.0**	**$ 0.3**	$ 5.8	$ 0.2
Defined benefit plans								
Current service cost	**$ 6.6**	**$ 0.3**	$ 1.7	$ 0.2	**$ 16.2**	**$ 0.8**	$ 4.0	$ 0.5
Interest cost	**7.3**	**0.6**	1.8	0.1	**18.5**	**1.6**	4.6	0.2
Projected return on plan assets	**(10.5)**	**—**	(1.8)	—	**(25.9)**	**—**	(4.6)	—
Amortization of actuarial losses and past service cost	**0.2**	**—**	0.2	—	**0.6**	**—**	0.3	—
	3.6	**0.9**	1.9	0.3	**9.4**	**2.4**	4.3	0.7
Total	**$ 10.5**	**$ 1.0**	$ 4.3	$ 0.4	**$ 26.4**	**$ 2.7**	$ 10.1	$ 0.9

8. INCOME TAXES

The effective income tax rates were as follows:

	16 weeks Fiscal		40 weeks Fiscal	
	2006 %	2005 %	**2006 %**	2005 %
Combined statutory income tax rate	**31.8**	31.2	**31.8**	31.2
Changes:				
Impact of the 3.12% decrease in Canada's income tax rate on future taxes ($9.4 in 2006)	**(8.2)**	—	**(3.7)**	—
Impact of the 3% increase in Québec's income tax rate on future taxes ($5.3 in 2006)	**—**	—	**2.1**	—
Share of earnings of a public company subject to significant influence	**(0.4)**	(0.6)	**(0.9)**	(0.8)
Other	**0.1**	(0.3)	**0.2**	(0.6)
	23.3	30.3	**29.5**	29.8

9. EARNINGS PER SHARE

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

	16 weeks Fiscal		40 weeks Fiscal	
(Millions)	**2006**	2005	**2006**	2005
Weighted average number of shares outstanding Basic	**114.7**	96.2	**114.5**	96.2
Dilutive effect of stock option plan and performance share units	**1.3**	1.3	**1.4**	1.1
Weighted average number of shares outstanding Fully diluted	**116.0**	97.5	**115.9**	97.3

10. CAPITAL STOCK

Issued and Outstanding for Fiscal 2006

	Class A Subordinates 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	346	5.0	—	—	5.0
Treasury shares	(50)	(0.3)	—	—	(0.3)
Transfer from contributed surplus - options exercise	—	0.2	—	—	0.2
Conversion of shares	43	0.2	(43)	(0.2)	—
Balance as at July 1, 2006	113,843	$ 707.0	880	$ 1.7	$ 708.7

Stock Option Plan / As at July 1, 2006, 4,178,940 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, 2,883,920 could be exercised for an average weighted exercise price of $19.70.

	16 weeks Fiscal		40 weeks Fiscal	
	2006	2005	**2006**	2005
Granted stock options during the period	**135,100**	394,000	**180,100**	452,900
Weighted average exercise price	**$ 30.16**	$ 27.25	**$ 30.57**	$ 26.67
Weighted average fair value	**$ 9.57**	$ 8.35	**$ 9.65**	$ 8.17

During the 40-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 for the 40-week period of 2006 (2005 — $0.7) and to $0.4 for the third quarter of 2006 (2005 — $0.4).

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 50,000 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 third quarter, the trustee purchased 50,000 Class A Subordinate Shares of the Company for a consideration of $1.5. 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 third 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 $3.7 favourable as at July 1, 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

12. SUBSEQUENT EVENTS

On August 8, 2006, a Canadian food distribution company announced the acquisition of wholesaler Achille de la Chevrotière Limitée (ADL) 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. The Company decided not to exercise its right, deeming the investment required to purchase and modernize the network seemed too high to earn an adequate return on capital. The Company has sales in the order of $125 a year with ADL. The Company foresees 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.

At the beginning of the fourth quarter, the Company paid down $50 of the Credit Facility A.

INFORMATION

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