



INTERIM REPORT

12-week period ended December 18, 2010

1st quarter 2011

HIGHLIGHTS

- Net earnings of \$92.0 million, up 3.7% on an adjusted basis⁽¹⁾
- Fully diluted net earnings per share of \$0.88, up 7.3% on an adjusted basis⁽¹⁾
- Sales of \$2,631.9 million, down 0.5%
- Same store sales flat versus last year
- Declared dividend of \$0.1925 per share, up 13.2%

⁽¹⁾ See section on "Non-GAAP measurements"

REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the first quarter of fiscal 2011, ended December 18, 2010.

We grew adjusted net earnings⁽¹⁾ in the first quarter despite experiencing continued food deflation due mostly to increased competitive activity. The roll-out of our *Metro & Moi* loyalty program across Québec has met our objectives and we are confident that this program will allow⁽²⁾ us to differentiate ourselves in the years to come.

Sales in the first quarter of 2011 reached \$2,631.9 million versus \$2,645.0 million last year, a 0.5% decline. Same store sales were flat, an improvement over the previous quarters. Sales were impacted by continued food deflation due mostly to increased competitive activity, as well as lower drug pricing following the expiry of important drug patents and the new generic drug legislation in Ontario.

We realized net earnings of \$92.0 million in the first quarter of fiscal 2011, an increase of 3.7% over the adjusted net earnings⁽¹⁾ of \$88.7 million for the same quarter of 2010, and fully diluted net earnings per share of \$0.88, an increase of 7.3% over last year's adjusted fully diluted net earnings per share⁽¹⁾.

Our financial position at the end of the first quarter of 2011 was very solid. We had an unused authorized revolving line of credit in the amount of \$400.0 million, and a debt ratio (long-term debt/total capital) of 29.0%.

On January 24, 2011, the Board of Directors declared a quarterly dividend of \$0.1925 per share, an increase of 13.2% over last year.

At today's Annual General Meeting, the shareholders elected all the sitting members of the Board to a new term, with the exception of Mr. Bernard A. Roy who retired. A member of the Board since 1990, Mr. Roy sat on various Board committees over the past 20 years. I would like to thank Mr. Roy for his dedication and contribution which were greatly appreciated. We welcome Mr. John H. Tory, Q.C., who was elected to the Board of Directors. Mr. Tory has extensive experience in management, having held senior executive positions at a number of major Canadian companies and was Leader of the Official Opposition in the Ontario Legislature.



Eric R. La Flèche
President and Chief Executive Officer

January 25, 2011

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on December 18, 2010. It should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes in this interim report with the consolidated financial statements for the fiscal year ended September 25, 2010 and related notes and MD&A presented in the Company's 2010 Annual Report. This interim report is based upon information as at January 14, 2011 unless otherwise stated. Additional information, including the Certification of Interim Filings letters for the quarter ended December 18, 2010 signed by the President and Chief Executive Officer and the Senior Vice-President, Chief Financial Officer and Treasurer, is also available on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

We realized net earnings of \$92.0 million in the first quarter of fiscal 2011, an increase of 3.7% over the adjusted net earnings⁽¹⁾ of \$88.7 million for the same quarter of 2010, and fully diluted net earnings per share of \$0.88, an increase of 7.3% over last year's adjusted fully diluted net earnings per share⁽¹⁾ of \$0.82.

SALES

Sales in the first quarter of 2011 reached \$2,631.9 million versus \$2,645.0 million last year, a 0.5% decline. Same store sales were flat, an improvement over the previous quarters. Sales were impacted by continued food deflation due mostly to increased competitive activity, as well as lower drug pricing following the expiry of important drug patents and the new generic drug legislation in Ontario.

EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)⁽¹⁾

EBITDA⁽¹⁾ for the first quarter of 2011 was \$181.0 million, down 0.6% from \$182.1 million for the same quarter last year. First-quarter EBITDA⁽¹⁾ represented 6.9% of sales, the same as last year. Excluding non-recurring costs of \$0.9 million before taxes to convert our Ontario supermarkets to the Metro banner recorded in the first quarter of 2010, adjusted EBITDA⁽¹⁾ represented 6.9% of sales in 2010.

Gross margin as percentage of sales in the first quarter of 2011 was equivalent to the corresponding quarter last year.

Our share of earnings from our investment in Alimentation Couche-Tard for the first quarter of 2011 was \$12.2 million compared to \$10.8 million in 2010. Excluding non-recurring items as well as our share of earnings from our investment in Alimentation Couche-Tard, our adjusted EBITDA⁽¹⁾ for the first quarter of 2011 was \$168.8 million or 6.4% of sales versus \$172.2 million or 6.5% of sales for the first quarter of 2010.

EBITDA⁽¹⁾ adjustments

	12 weeks / Fiscal Year					
	2011			2010		
<i>(Millions of dollars, unless otherwise indicated)</i>	EBITDA	Sales	EBITDA/ Sales (%)	EBITDA	Sales	EBITDA/ Sales (%)
EBITDA	181.0	2,631.9	6.9	182.1	2,645.0	6.9
Banner conversion costs	—	—		0.9	—	
Adjusted EBITDA	181.0	2,631.9	6.9	183.0	2,645.0	6.9
Share of earnings from our investment in Alimentation Couche-Tard	12.2	—		10.8	—	
Adjusted EBITDA excluding share of earnings	168.8	2,631.9	6.4	172.2	2,645.0	6.5

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"

DEPRECIATION AND AMORTIZATION AND FINANCIAL COSTS

Total amortization expense for the first quarter of fiscal 2011 amounted to \$44.4 million versus \$46.7 million in 2010. First quarter financial costs totalled \$10.1 million in 2011 and \$11.0 million last year. First quarter interest rates averaged 4.3% versus 4.0% in the first quarter of the last fiscal year.

INCOME TAXES

The income tax expense of \$34.5 million for the first quarter of 2011 represented an effective tax rate of 27.3% compared with tax expense of \$26.3 million and an effective tax rate of 21.1% in 2010. In the first quarter of 2010, we benefited from a \$10.0 million reduction in our net future income tax liabilities and our income tax expense following the Ontario Legislature's approval in November 2009 of successive future decreases in the corporate tax rate from 14% to 10% between July 1, 2010 and July 1, 2013. Excluding this non-recurring decrease in income tax expense, our effective tax rate for the first quarter of 2010 was 29.1%.

NET EARNINGS

Net earnings for the first quarter of 2011 were \$92.0 million, down 6.2% from \$98.1 million last year. Fully diluted net earnings per share were \$0.88, down 3.3% from \$0.91 for the corresponding quarter of 2010. Excluding the income tax expense decrease of \$10.0 million and pre-tax banner conversion costs of \$0.9 million recorded in the first quarter of 2010, adjusted net earnings⁽¹⁾ for the first quarter of 2010 were \$88.7 million and the adjusted fully diluted net earnings per share⁽¹⁾ were \$0.82. On an adjusted basis, 2011 first quarter net earnings and fully diluted net earnings per share were up 3.7% and 7.3% respectively over those for the corresponding quarter of 2010.

Net earnings adjustments

	2011		12 weeks / Fiscal Year		2010		Change (%)	
	<i>(Millions of dollars)</i>	Fully diluted	<i>(Millions of dollars)</i>	Fully diluted	Net earnings	Fully diluted EPS	Net earnings	Fully diluted EPS
		EPS		EPS				
	<i>(Dollars)</i>	<i>(Dollars)</i>	<i>(Dollars)</i>	<i>(Dollars)</i>				
Net earnings	92.0	0.88	98.1	0.91	(6.2)	(3.3)		
Banner conversion costs after taxes	—	—	0.6	—				
Decrease in tax expense	—	—	(10.0)	(0.09)				
Adjusted net earnings ⁽¹⁾	92.0	0.88	88.7	0.82	3.7	7.3		

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)

	2011	2010	2009	Change (%)
Sales				
Q1 ⁽³⁾	2,631.9	2,645.0	—	(0.5)
Q2 ⁽³⁾	—	2,576.7	2,549.7	1.1
Q3 ⁽⁴⁾	—	3,561.3	3,513.3	1.4
Q4 ⁽³⁾	—	2,559.9	2,532.5	1.1
Net earnings				
Q1 ⁽³⁾	92.0	98.1	—	(6.2)
Q2 ⁽³⁾	—	80.3	76.3	5.2
Q3 ⁽⁴⁾	—	120.0	112.6	6.6
Q4 ⁽³⁾	—	93.4	84.4	10.7
Adjusted net earnings⁽¹⁾				
Q1 ⁽³⁾	92.0	88.7	—	3.7
Q2 ⁽³⁾	—	80.3	77.2	4.0
Q3 ⁽⁴⁾	—	120.0	111.8	7.3
Q4 ⁽³⁾	—	93.4	85.9	8.7
Fully diluted net earnings per share (Dollars)				
Q1 ⁽³⁾	0.88	0.91	—	(3.3)
Q2 ⁽³⁾	—	0.74	0.68	8.8
Q3 ⁽⁴⁾	—	1.12	1.01	10.9
Q4 ⁽³⁾	—	0.88	0.77	14.3
Adjusted fully diluted net earnings per share⁽¹⁾				
<i>(Dollars)</i>				
Q1 ⁽³⁾	0.88	0.82	—	7.3
Q2 ⁽³⁾	—	0.74	0.68	8.8
Q3 ⁽⁴⁾	—	1.12	1.01	10.9
Q4 ⁽³⁾	—	0.88	0.78	12.8

⁽³⁾ 12 weeks

⁽⁴⁾ 16 weeks

Sales in the first quarter of 2011 reached \$2,631.9 million versus \$2,645.0 million last year, a 0.5% decline. Same store sales were flat, an improvement over the previous quarters. Sales were impacted by continued food deflation due mostly to increased competitive activity, as well as lower drug pricing following the expiry of important drug patents and the new generic drug legislation in Ontario.

Second, third and fourth quarter sales for 2010 were up 1.1%, 1.4% and 1.1% respectively over those in fiscal 2009. These increases were achieved despite persistent deflation in certain product categories in 2010, whereas in 2009, high food price inflation and the temporary closing of several stores of a competitor due to a labour conflict had a positive impact on our sales for the corresponding quarters.

Net earnings for the first quarter of 2011 were \$92.0 million, down 6.2% from \$98.1 million last year. Fully diluted net earnings per share were \$0.88 compared to \$0.91 in 2010, down 3.3%. Excluding banner conversion costs of \$0.9 million before taxes and the income tax expense decreases of \$10.0 million recorded in the first quarter of 2010, 2011 first quarter net earnings and fully diluted net earnings per share were up 3.7% and 7.3% respectively.

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"



Second quarter net earnings and fully diluted net earnings per share for 2010 were up 5.2% and 8.8% respectively from those in 2009.

Third quarter net earnings and fully diluted net earnings per share in 2010 were up 6.6% and 10.9% respectively from 2009. Excluding non-recurring items recorded in the third quarter of 2009, namely \$2.9 million before taxes to convert our Ontario supermarkets to the Metro banner as well as an income tax expense decrease of \$2.7 million, net earnings and fully diluted net earnings per share for the third quarter of 2010 were up 7.3% and 10.9%, compared to adjusted net earnings⁽¹⁾ and adjusted fully diluted net earnings per share⁽¹⁾ for the third quarter of 2009.

Fourth quarter net earnings and fully diluted net earnings per share in 2010 were up 10.7% and 14.3% over those for 2009. Excluding 2009 fourth quarter banner conversion costs of \$2.3 million before taxes, net earnings and fully diluted net earnings per share for the fourth quarter of 2010 were up 8.7% and 12.8% over adjusted net earnings⁽¹⁾ and adjusted fully diluted net earnings per share⁽¹⁾ for the fourth quarter of 2009.

	2011	2010				2009		
<i>(Millions of dollars)</i>	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Net earnings	92.0	98.1	80.3	120.0	93.4	76.3	112.6	84.4
Banner conversion cost after taxes	—	0.6	—	—	—	0.9	1.9	1.5
Decrease in tax expense	—	(10.0)	—	—	—	—	(2.7)	—
Adjusted net earnings ⁽¹⁾	92.0	88.7	80.3	120.0	93.4	77.2	111.8	85.9

	2011	2010				2009		
<i>(Dollars and per share)</i>	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Fully diluted net earnings	0.88	0.91	0.74	1.12	0.88	0.68	1.01	0.77
Banner conversion cost after taxes	—	—	—	—	—	—	0.02	0.01
Decrease in tax expense	—	(0.09)	—	—	—	—	(0.02)	—
Adjusted fully diluted net earnings ⁽¹⁾	0.88	0.82	0.74	1.12	0.88	0.68	1.01	0.78

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of \$24.5 million in the first quarter of 2011 versus \$9.5 million in the corresponding quarter of 2010. This variation is due primarily to a lower use of non-cash working capital.

INVESTING ACTIVITIES

Investing activities required outflows of \$43.0 million in the first quarter of 2011 compared to \$208.2 million for the first quarter of 2010. This decrease is due primarily to the 2010 first quarter acquisition of 18 stores for a cash consideration of \$136.7 million. Over the quarter, the Company and its retailers invested \$84.0 million in our retail network for a net expansion of 144,300 square feet or 0.7%. Major renovations and expansions of eight stores were completed and five new stores were opened.

FINANCING ACTIVITIES

Financing activities required outflows of \$77.4 million for the first quarter of fiscal 2011 versus \$42.7 million in fiscal 2010. The variation in outflows is largely attributable to the greater redemption of shares in 2011 in the amount of \$61.0 million versus redemption in the amount of \$33.0 million in 2010.

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"

FINANCIAL POSITION

We do not anticipate⁽²⁾ any liquidity risk and consider our financial position at the end of the first quarter of fiscal 2011 as very solid. We had an unused authorized revolving line of credit of \$400.0 million. Our long-term debt corresponded to 29.0% of the combined total of long-term debt and shareholders' equity (long-term debt/total capital).

At the end of the first quarter of 2011, the main elements of our long-term debt were as follows:

	Interest Rate	Balance (Millions of dollars)	Maturity
Credit A Facility	Rates fluctuate with changes in bankers' acceptance rates	369.3	August 15, 2012
Series A Notes	4.98% fixed rate	200.0	October 15, 2015
Series B Notes	5.97% fixed rate	400.0	October 15, 2035

At the end of the first quarter, we had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future foreign-denominated purchases of goods and services. The fair value of these short-term foreign exchange forward contracts was insignificant.

Our main financial ratios were as follows:

	As at December 18, 2010	As at September 25, 2010
Financial structure		
Long-term debt (Millions of dollars)	1,004.2	1,004.3
Shareholders' equity (Millions of dollars)	2,458.0	2,442.8
Long-term debt/total capital (%)	29.0	29.1
	Fiscal 2011 (12 weeks)	Fiscal 2010 (12 weeks)
Results		
EBITDA ⁽¹⁾ /Financial costs (Times)	17.9	16.6

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at December 18, 2010	As at September 25, 2010
Number of Class A Subordinate Shares outstanding (Thousands)	103,080	104,438
Number of Class B Shares outstanding (Thousands)	631	631
Stock options:		
Number outstanding (Thousands)	1,763	1,777
Exercise prices (Dollars)	20.20 to 44.19	20.20 to 44.19
Weighted average exercise price (Dollars)	32.32	32.29
Performance share units:		
Number outstanding (Thousands)	309	309
Weighted average maturity (Months)	14	16

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program, the Company may repurchase up to 6,000,000 of its Class A Subordinate Shares between September 8, 2010 and September 7, 2011. Between September 8, 2010 and January 14, 2011, the Company has repurchased 1,910,700 Class A Subordinate Shares at an average price of \$44.09 for a total of \$84.2 million. This program offers us an additional option for using excess funds. Thus, we can decide, in the shareholders' best interest, to reimburse debt or to repurchase Company shares.

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"

DIVIDENDS

On January 24, 2011, the Company's Board of Directors declared a quarterly dividend of \$0.1925 per Class A Subordinate Share and Class B Share payable March 8, 2011, an increase of 13.2% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents 20.3% of 2010 net earnings.

SHARE TRADING

The value of METRO shares remained in the \$43.50 to \$47.47 range over the first quarter of fiscal 2011. During this period, a total of 18.6 million shares traded on the Toronto Stock Exchange. The closing price on Friday, January 14, 2011 was \$45.15, the same as at the end of fiscal 2010.

NEW ACCOUNTING POLICY RECENTLY PUBLISHED**International Financial Reporting Standards**

On February 13, 2008, the Accounting Standards Board confirmed the date of the changeover from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS). Canadian enterprises with public disclosure obligations must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's IFRS changeover date will be the first day of fiscal 2012, namely September 25, 2011.

We set up a project structure to achieve the changeover of our consolidated financial statements to IFRS. A multidisciplinary working group analyzes, recommends accounting policy choices and implements each IFRS standard. A steering committee made up of senior executives approves accounting policy choices and makes sure that information technology, internal control, contractual and any other adjustments are made. The external auditors are notified of our choices and consulted on them. The Company's Audit Committee ensures that management fulfills its responsibilities and successfully accomplishes the changeover to IFRS.

We developed a work plan whose phases are outlined in the following tables, with actions, timetable and progress.

Phase 1: Preliminary Study and Diagnostic

Actions	<p>Identification of the IFRS standards that will require changes with regard to measurement in consolidated financial statements and disclosure.</p> <p>Ranking of standards based on their anticipated impact on our consolidated financial statements and the effort their implementation requires.</p>
Timetable	End of our 2008 fiscal year.
Progress	Completed.

Phase 2: Standards Analysis

Actions	<p>Analysis of the differences between GAAP and IFRS.</p> <p>Selection of the accounting policies that the Company will apply on an ongoing basis.</p> <p>Company's selection of IFRS 1, "First-time Adoption of IFRS" exemptions at the date of transition.</p> <p>Calculation of the quantitative impact on the consolidated financial statements.</p> <p>Disclosure analysis.</p> <p>Identification of the collateral impacts in the following areas:</p> <ul style="list-style-type: none"> • information technology (IT); • internal control over financial reporting (ICFR); • disclosure controls and procedures (DC&P); • contracts; • compensation; • training.
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⁽¹⁾ See section on "Non-GAAP measurements"

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Timetable	We have prepared a detailed timetable that contemplates the bulk of the analysis that will be completed by the end of September 2010. We prioritized standards based on their ranking in the diagnostic, the time needed to complete the analysis and implementation as well as working group members' availability.
Progress	<p>Analysis of the IFRS standards and interpretations that could have an impact on our Company is completed.</p> <p>As for ICFR and DC&P, analysis of IFRS standards and interpretations shows that the impact will not be material. However, for the year of transition, we will have to implement further controls regarding comparatives and additional information that will be disclosed.</p> <p>The Company's Audit Committee, Steering Committee and key personnel have received ongoing training on the principal differences between GAAP and IFRS, the choices made with regard to accounting policies and IFRS 1 exemptions at the date of transition.</p> <p>Analysis of our contracts and compensation programs established that the impact will not be material.</p>

Phase 3: Implementation

Actions	<p>Preparation of the opening balance sheet at the date of transition.</p> <p>Compilation of the comparative financial data.</p> <p>Production of the interim consolidated financial statements and associated disclosure.</p> <p>Production of the annual consolidated financial statements and associated disclosure.</p> <p>Implementation of changes regarding collateral impacts.</p>
Timetable	<p>At the end of fiscal 2011, our opening balance sheet, comparative financial data under IFRS and changes regarding collateral impacts will be completed.</p> <p>In fiscal 2012, we will produce our interim and annual consolidated financial statements and disclosure in accordance with IFRS.</p>
Progress	<p>We have started the work on our opening balance sheet.</p> <p>We have identified and implemented an IT solution that will allow us to run parallel integrated GAAP and IFRS systems from the start of fiscal 2011 for the comparative financial statements.</p> <p>We have also prepared a preliminary version of our annual financial statements according to IFRS standards.</p>

We have noted the differences in accounting treatment and presentation between some IFRS standards and interpretations and our current accounting policies and have made choices, as warranted, with regard to these standards. The most significant differences and our main choices are set out in the following tables:

Differences in accounting treatment and choices made

Standards	Comparison between IFRS and GAAP	Preliminary Findings
Borrowing costs	<p>IFRS: We have to capitalize borrowing costs on qualifying assets, i.e. assets that require an extended period of preparation before they are usable or saleable.</p> <p>GAAP: These borrowing costs may be capitalized.</p>	We will not capitalize borrowing costs on qualifying assets, as they are deemed to be immaterial.
Fixed and intangible assets and investment property	<p>IFRS: After initial recognition, we can measure our fixed and intangible assets and investment property using the cost model or the revaluation model.</p> <p>GAAP: The revaluation model is not allowed.</p>	We will continue to use the cost model in order to avoid balance sheet variations in the fair value of fixed and intangible assets and investment property and the corresponding impact on P&L statements.

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"

Fixed assets	<p>IFRS: We have to amortize our fixed assets based on their components.</p> <p>GAAP: Component identification rules are less stringent.</p>	<p>The roof and HVAC system will be amortized separately from the building.</p> <p>The carrying value of these assets and corresponding depreciation expense will be different, but the impact should not be material.</p>
Impairment of assets	<p>IFRS: Impairment testing of our assets is conducted at the level of the cash generating unit (CGU) or group of CGUs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.</p> <p>GAAP: Impairment testing is conducted at the level of a group of assets or a reporting unit.</p>	<p>Our impairment testing will be conducted at the level of each store (CGU).</p> <p>Impairment testing of warehouses will be done at the level of a group of CGUs.</p> <p>Impairment testing of corporate assets will be conducted at the level of different groups of CGUs.</p> <p>Impairment testing of goodwill will be conducted at the level of our unique operating segment.</p> <p>Impairment testing results will be different, but their impact should not be material.</p>
Share-based payment	<p>IFRS: When stock option awards vest gradually, each tranche is to be considered as a separate award.</p> <p>GAAP: The gradually vested tranches may be considered as a single award.</p>	<p>The compensation expense will have to be recognized over the expected term of each vested tranche. It will be different, but the impact should not be material.</p>
Earnings per share	<p>IFRS: We have to independently determine, for the interim period and the year-to-date, the number of potentially dilutive shares to consider in calculating diluted earnings per share.</p> <p>GAAP: The number is independently determined for the interim period, but the year-to-date is a weighted average of the periods.</p>	<p>Diluted earnings per share will be different, but the impact should not be material.</p>
Customer loyalty programs	<p>IFRS: For the loyalty programs, we have to record the cost of points as a reduction in sales.</p> <p>GAAP: No standard exists, but the Canadian practice is to record the cost of points in the cost of sales and operating expenses.</p>	<p>Sales will be different, but the impact should not be material.</p> <p>There will be no impact on net earnings.</p>
Employee Benefits	<p>IFRS: We have the choice of deferring recognition of actuarial gains and losses using the corridor approach or of immediately recognizing actuarial gains and losses in full in P&L or in comprehensive income.</p> <p>GAAP: We have a similar choice of accounting policy without the possibility of immediate recognition to comprehensive income.</p>	<p>We will recognize full actuarial gains and losses immediately in comprehensive income, without impacting P&L.</p>
	<p>IFRS: We have to recognize past service cost for vested benefits immediately in P&L.</p> <p>GAAP: Past service cost has to be amortized in a straight line over the average remaining service period of active participants until the full eligibility date, regardless of vesting.</p>	<p>At the date of transition, we will recognize past service cost for vested benefits in retained earnings. After the changeover, past service cost for vested benefits will be recognized in P&L.</p>

⁽¹⁾ See section on "Non-GAAP measurements"

⁽²⁾ See section on "Forward-looking information"

<p>Employee Benefits (cont'd)</p>	<p>IFRS: Recognition of defined benefit assets is limited to the availability of future contribution reductions based on future obligations calculated on an accounting, going concern and solvency basis.</p> <p>GAAP: Recognition of defined benefit assets is limited to the availability of future contribution reductions based on future obligations calculated solely on an accounting basis.</p>	<p>Valuation of future obligations calculated on a going concern and solvency basis should decrease the availability of future contribution reductions and increase our defined benefit obligations. We will recognize differences at the date of transition in retained earnings, and future variations in comprehensive income.</p>
	<p>IFRS: A multi-employer plan with implicit obligations shall be accounted for as a defined benefit plan. However, when sufficient information is not available, it shall be accounted for as if it were a defined contribution plan. Additional information shall be added to the financial statements. Furthermore, if there is a contractual commitment, it shall be recognized in P&L.</p> <p>GAAP: A multi-employer plan is generally accounted for as a defined contribution plan because information is usually not available. However, if sufficient information is available, it must be accounted for as a defined benefit plan. The employee future benefits standard doesn't specifically address the accounting treatment of a contractual agreement. However, other GAAP standards cover this type of commitment and the accounting treatment is the same as IFRS.</p>	<p>Our multi-employer plans are defined benefit plans; however they will be accounted for as if they were defined contribution plans since sufficient information is not available to accurately determine our obligations.</p> <p>Additional information regarding this situation will have to be disclosed.</p>
<p>Joint ventures</p>	<p>IFRS: We may account for our interests in joint ventures using proportionate consolidation or the equity method.</p> <p>GAAP: We have to account for them using proportionate consolidation.</p>	<p>We will use the equity method.</p> <p>There will be no material impact on the presentation of financial statements and no impact on net earnings.</p>
<p>Provisions</p>	<p>IFRS: We have to account for a provision when we have a present obligation resulting from a past event, it is more likely than not (interpreted as 50% and more) that an outflow of resources will be required to settle the obligation and its amount can be reliably estimated.</p> <p>Moreover, we have to disclose total provisions separately in the statement of financial position (GAAP: balance sheet).</p> <p>GAAP: The criteria are the same with the exception of the high probability (interpreted as approximately 75% and more) that an outflow of resources will be required.</p>	<p>The impact on our provisions should not be material.</p> <p>Some provisions might be presented separately in the statement of financial position.</p>

⁽¹⁾ See section on "Non-GAAP measurements"
⁽²⁾ See section on "Forward-looking information"

Business combinations	<p>IFRS: The fair value of issued stock is calculated at the date of acquisition.</p> <p>GAAP: It's calculated over a reasonable period before and after the date of the transaction's announcement.</p> <hr/> <p>IFRS: Acquisition-related costs are expensed when incurred.</p> <p>GAAP: They are considered in the purchase price allocation if they represent incremental costs.</p> <hr/> <p>IFRS: The provision for restructuring costs, considered in the purchase price allocation, excludes costs for a restructuring plan determined and developed by the acquirer.</p> <p>GAAP: These restructuring costs can be included in the purchase price allocation if they meet certain conditions.</p>	<p>There will be no impact on our past business combinations, since we chose to take advantage of the exemption from retrospective application (IFRS 1).</p>
Investments in associates	<p>IFRS: In applying the equity method, the difference between the associate's reporting date and the investor's cannot be greater than three months.</p> <p>GAAP: No time limit is mentioned.</p>	<p>It will have no impact on our investment in Alimentation Couche-Tard, since the difference between the two reporting dates is always less than three months.</p>
Income taxes	<p>IFRS: Deferred tax (GAAP: future income tax) is calculated on any temporary difference. However, there are two exemptions where no deferred tax is recognized:</p> <ul style="list-style-type: none"> • initially on goodwill; • on an asset acquired outside a business combination whose carrying amount and tax base differ. <p>GAAP: Future income tax is calculated on any temporary difference. However, no future income tax is initially recognized for goodwill and for intangible asset acquisition, deductible from the cumulative eligible capital amount at 75% of its book value, as its tax basis is adjusted with the result that it is deemed equal to the carrying amount.</p> <p>Moreover, when an asset is acquired outside a business combination and its tax base differs from its carrying amount, future income tax is recognized on the variance and the cost of the asset is adjusted in consideration.</p>	<p>At the date of transition, we will recognize a deferred tax adjustment for the assets concerned. The impact should not be material.</p> <p>Additional deferred taxes may be recognized for intangible assets that are deductible from the cumulative eligible capital acquired in a business combination through an assets acquisition.</p>
	<p>IFRS: Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted.</p> <p>GAAP: A tax rate has effect or substantive effect when a majority government bill is tabled for first reading or when a minority government bill is tabled for third reading.</p>	<p>At the date of transition, we will examine current bills, and adjust, if necessary, our deferred taxes.</p>

(1) See section on "Non-GAAP measurements"
(2) See section on "Forward-looking information"

Income taxes (cont'd)	<p>IFRS: Accounting for subsequent changes in deferred tax of a transaction is consistent with the accounting for the transaction itself, i.e. in P&L, equity or other comprehensive income.</p> <p>GAAP: When a subsequent event affects the amount of future income tax initially recognized, the adjustment of the amount must be recognized in P&L.</p>	<p>The impact of a change in rate or regulations will have to be recognized where the initial transaction was recognized.</p>
	<p>IFRS: Deferred tax should be recognized on transactions between entities of a consolidated group whose profits are not realized, at the tax rate of the corporation acquiring the assets.</p> <p>GAAP: No future income tax is recognized on transactions between entities of a consolidated group whose profits are not realized.</p>	<p>Deferred tax at the rate of the entity acquiring the assets will have to be recognized on intercompany transactions. The impact should not be material.</p>
Leases	<p>IFRS: A lease is classified as a finance lease (GAAP: capital lease) if substantially all risks and rewards incidental to ownership are transferred to the lessee. For example:</p> <ul style="list-style-type: none"> • the lease transfers ownership of the asset to the lessee at the end of the lease term; • there is a bargain purchase option for the lessee at the end of the lease term; • the lease term is for the major part of the economic life of the leased asset; • the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; • the leased asset is of such a specialized nature that only the lessee can use it. <p>If the lease does not transfer substantially all risks and rewards, then it is classified as an operating lease.</p> <p>GAAP: As well as these criteria, quantitative criteria are also used to determine whether substantially all risks and rewards have been transferred or not.</p>	<p>The majority of our leases will continue to be classified as operating leases and the impact should not be material.</p>

IFRS 1 provides exemptions from retrospective application of some of the above standards, from which we have made the choices set out in the following table:

Optional Exemptions	Preliminary Findings
Borrowing costs	<p>This exemption allows us not to capitalize borrowing costs on our qualifying assets before the IFRS transition date.</p> <p>Given that we will not capitalize these borrowing costs, we will not use the exemption.</p>
Deemed cost	<p>On the IFRS transition date, we can recognize each fixed and intangible asset and investment property at its deemed cost, which shall be its fair value.</p> <p>We have decided not to avail ourselves of this exemption.</p>

⁽¹⁾ See section on "Non-GAAP measurements"
⁽²⁾ See section on "Forward-looking information"

Share-based payment	This exemption would relieve us from applying the standard to equity instruments acquired before the IFRS transition date. We have decided not to avail ourselves of this exemption.
Employee benefits	The exemption allows us to recognize all actuarial gains or losses at the date of transition to IFRS in retained earnings, regardless of the subsequent accounting treatment chosen. We have chosen to take advantage of this exemption.
Business combinations	The exemption allows us to not apply the standard to business combinations occurred before the date of transition to IFRS. We have chosen to take advantage of this exemption for business combinations concluded before September 26, 2010.

Differences in presentation and choices made

Standards	Comparison between IFRS and GAAP / choices made as warranted
Statement of financial position	<p>IFRS: A statement of financial position as at the beginning of the comparative period has to be presented when:</p> <ul style="list-style-type: none"> • an accounting policy is applied retrospectively; • items in financial statements are retrospectively restated or reclassified. <p>GAAP: This third balance sheet column is not required.</p> <hr/> <p>IFRS: Deferred tax assets (liabilities) are classified as non-current items (GAAP: long-term).</p> <p>GAAP: The short-term and long-term future income tax assets (liabilities) are presented separately.</p>
Statement of comprehensive income	<p>IFRS: All items of income and expense recognized in a period are to be presented:</p> <ul style="list-style-type: none"> • in a single statement of comprehensive income; or • in two statements: a separate income statement and a second statement beginning with net income and displaying components of other comprehensive income. <p>GAAP: All comprehensive income items may be presented:</p> <ul style="list-style-type: none"> • immediately under total net income; or • in a separate statement beginning with net income. <p>Choice: We will continue to present two separate statements.</p> <hr/> <p>IFRS: Expenses are classified based on their nature or their function.</p> <p>GAAP: This classification of expenses is not required.</p> <p>Choice: We will keep the existing income statement and will disclose, through a note to the financial statements, expenses by nature or by function.</p>
Statement of changes in equity	<p>IFRS: A statement of changes in equity must show reconciliation between the carrying amounts at the beginning and the end of the period for each component of equity.</p> <p>GAAP: Only a statement of retained earnings has to be presented.</p>

⁽¹⁾ See section on "Non-GAAP measurements"
⁽²⁾ See section on "Forward-looking information"

<p>Statement of cash flows</p>	<p>IFRS: In the statement of cash flows, interest and dividends may be classified as follows:</p> <ul style="list-style-type: none"> • interest and dividends paid: operating cash flows or financing cash flows; • interest and dividends received: operating cash flows or investing cash flows. <p>GAAP: They may be classified as follows in the cash flow statement:</p> <ul style="list-style-type: none"> • interest paid and received: operating cash flows; • dividends paid: financing cash flows; • dividends received and included in net income: operating cash flows. <p>Choice: We will keep the existing classification of interest and dividends in the statement of cash flows.</p>
	<p>IFRS: Interim reports must present a statement of cash flows cumulatively for the current financial year-to-date and for the comparable period of the preceding financial year.</p> <p>GAAP: Besides a cash flow statement cumulatively for the current financial year-to-date and for the comparable period, interim reports must present a cash flow statement for the interim period and one for the comparable period.</p>
<p>Notes to financial statements</p>	<p>IFRS: Reconciliations of the carrying amounts at the beginning and end of the period are presented in the notes to financial statements.</p> <p>GAAP: Reconciliations are limited to certain balance sheet components.</p> <hr/> <p>IFRS: The total amount of key management personnel compensation must be disclosed, by large categories, in the notes to financial statements.</p> <p>GAAP: This information is not required in financial statements.</p> <p>However, Canadian Securities Administrators National Instrument 51-102 demands disclosure of similar information in the proxy circular.</p>

Amendments to IFRS standards by the International Accounting Standards Board, new information or other external factors that may come to our attention throughout the changeover process to IFRS could change our preliminary findings.

NON-GAAP MEASUREMENTS

In addition to the GAAP earnings measurements provided, we have included certain non-GAAP earnings measurements. These measurements are presented for information purposes only. They do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measurements presented by other public companies.

EARNINGS BEFORE FINANCIAL COSTS, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

EBITDA is a measurement of earnings that excludes financial costs, taxes, depreciation and amortization. We believe that EBITDA is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial expenses.

ADJUSTED EBITDA, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted EBITDA, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude non-recurring items. We believe that presenting earnings without non-recurring items leaves readers of financial statements better informed as to the current period and corresponding period's earnings, thus enabling them to better evaluate the Company's performance and judge its future outlook.

⁽¹⁾ See section on "Non-GAAP measurements"
⁽²⁾ See section on "Forward-looking information"

FORWARD-LOOKING INFORMATION

We have used, throughout this interim report, different statements that could, within the context of regulations issued by the Canadian Securities Administrators, be construed as being forward-looking information. In general, any statement contained herein, which does not constitute a historical fact, may be deemed a forward-looking statement. Expressions such as “will allow”, “anticipate” and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2011 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Company and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. An economic slowdown or recession, or the arrival of a new competitor, are examples described under the “Risk Management” section of the 2010 Annual Report which could have an impact on these statements. We believe these statements to be reasonable and pertinent as at the date of publication of this interim report and represent our expectations. The Company does not intend to update any forward-looking statement contained herein, except as required by applicable law.

OUTLOOK

We grew adjusted net earnings⁽¹⁾ in the first quarter despite experiencing continued food deflation due mostly to increased competitive activity. The roll-out of our *Metro & Moi* loyalty program across Québec has met our objectives and we are confident that this program will allow⁽²⁾ us to differentiate ourselves in the years to come.

Montréal, January 25, 2011

⁽¹⁾ See section on “Non-GAAP measurements”

⁽²⁾ See section on “Forward-looking information”



Consolidated statements of earnings

12-week periods ended December 18, 2010 and December 19, 2009

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

	Fiscal Year	
	2011	2010
Sales	\$ 2,631.9	\$ 2,645.0
Cost of sales and operating expenses <i>(note 8)</i>	(2,463.1)	(2,472.8)
Share of earnings in a public company subject to significant influence	12.2	10.8
Banner conversion costs <i>(note 3)</i>	—	(0.9)
Earnings before financial costs, taxes, depreciation and amortization	181.0	182.1
Depreciation and amortization	(44.4)	(46.7)
Operating income	136.6	135.4
Financial costs, net <i>(note 5)</i>	(10.1)	(11.0)
Earnings before income taxes	126.5	124.4
Income taxes <i>(note 6)</i>	(34.5)	(26.3)
Net earnings	\$ 92.0	\$ 98.1
Net earnings per share <i>(Dollars) (note 7)</i>		
Basic	0.88	0.91
Fully diluted	0.88	0.91

See accompanying notes



Consolidated balance sheets

(Unaudited) (Millions of dollars)

	As at December 18, 2010	As at September 25, 2010
ASSETS		
Current assets		
Cash and cash equivalents	\$ 118.8	\$ 214.7
Accounts receivable	359.1	311.3
Inventories (note 8)	787.9	699.3
Prepaid expenses	14.0	9.7
Income taxes receivable	3.9	1.7
Future income taxes	17.8	12.3
	1,301.5	1,249.0
Investments and other assets	246.9	235.3
Fixed assets	1,322.2	1,319.1
Intangible assets	311.6	315.7
Goodwill	1,603.7	1,603.7
Future income taxes	27.7	26.0
Accrued benefit asset	75.1	72.8
	\$ 4,888.7	\$ 4,821.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loans	\$ 3.4	\$ 1.0
Accounts payable	1,122.5	1,073.3
Income taxes payable	41.5	50.8
Future income taxes	12.6	12.8
Current portion of long-term debt	3.7	4.7
	1,183.7	1,142.6
Long-term debt	1,004.2	1,004.3
Accrued benefit liability	48.2	48.5
Future income taxes	173.5	162.2
Other long-term liabilities	21.1	21.2
	2,430.7	2,378.8
Shareholders' equity		
Capital stock (note 9)	693.4	702.1
Contributed surplus (note 10)	7.3	6.1
Retained earnings	1,757.3	1,734.9
Accumulated other comprehensive income (note 11)	—	(0.3)
	2,458.0	2,442.8
	\$ 4,888.7	\$ 4,821.6

See accompanying notes



Consolidated statements of retained earnings
12-week periods ended December 18, 2010 and December 19, 2009
(Unaudited) (Millions of dollars)

	Fiscal Year	
	2011	2010
Balance – beginning of period	\$ 1,734.9	\$ 1,545.7
Net earnings	92.0	98.1
Dividends	(17.8)	(14.8)
Share redemption premium <i>(note 9)</i>	(51.8)	(26.7)
Balance – end of period	\$ 1,757.3	\$ 1,602.3

See accompanying notes

Consolidated statements of comprehensive income
12-week periods ended December 18, 2010 and December 19, 2009
(Unaudited) (Millions of dollars)

	Fiscal Year	
	2011	2010
Net earnings	\$ 92.0	\$ 98.1
Other comprehensive income <i>(note 11)</i>		
Change in fair value of derivative designated as cash flow hedge	0.4	1.0
Corresponding income taxes	(0.1)	(0.3)
Comprehensive income	\$ 92.3	\$ 98.8

See accompanying notes



Consolidated statements of cash flows

12-week periods ended December 18, 2010 and December 19, 2009

(Unaudited) (Millions of dollars)

	Fiscal Year	
	2011	2010
Operating activities		
Net earnings	\$ 92.0	\$ 98.1
Non-cash items		
Share of earnings in a public company subject to significant influence	(12.2)	(10.8)
Depreciation and amortization	44.4	46.7
Amortization of deferred financing costs	0.1	0.5
Loss on disposal and write-off of fixed assets	—	0.1
Future income taxes	4.5	(3.4)
Stock-based compensation cost	1.3	1.2
Difference between amounts paid for employee future benefits and current period cost	(2.6)	0.3
	127.5	132.7
Net change in non-cash working capital items related to operations	(103.0)	(123.2)
	24.5	9.5
Investing activities		
Business acquisition (note 2)	—	(136.7)
Net change in investments and other assets	(0.7)	(2.8)
Dividends from public company subject to significant influence	1.0	0.7
Additions to fixed assets	(39.4)	(66.0)
Proceeds on disposal of fixed assets	0.2	2.4
Additions to intangible assets	(4.1)	(5.8)
	(43.0)	(208.2)
Financing activities		
Net change in bank loans	2.4	7.2
Issuance of shares (note 9)	0.4	2.2
Redemption of shares (note 9)	(61.0)	(33.0)
Increase in long-term debt	1.9	1.8
Repayment of long-term debt	(3.2)	(3.9)
Net change in other long-term liabilities	(0.1)	(2.2)
Dividends paid	(17.8)	(14.8)
	(77.4)	(42.7)
Net change in cash and cash equivalents	(95.9)	(241.4)
Cash and cash equivalents – beginning of period	214.7	241.4
Cash and cash equivalents – end of period	\$ 118.8	\$ —
Supplementary information		
Interest paid	20.1	20.0
Income taxes paid	42.7	22.7

See accompanying notes



Notes to interim consolidated financial statements
12-week periods ended December 18, 2010 and December 19, 2009
(Unaudited) (Millions of dollars, unless otherwise indicated)

1- STATEMENT PRESENTATION

The unaudited interim consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The accounting policies and procedures used in preparing these interim consolidated financial statements are the same as those used in preparing the audited annual consolidated financial statements for the year ended September 25, 2010. 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 2010 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

In the first quarter of 2010, the Company acquired 18 affiliated stores which it already supplied. The total purchase price was \$152.2 representing \$136.7 in cash and a balance to be paid of \$15.5 as at December 19, 2009.

3- BANNER CONVERSION COSTS

In the first quarter of 2010, the Company completed the conversion of its 159 stores of its five Ontario banners to the Metro banner begun in the summer of 2008. For fiscal 2010, conversion costs totalled \$0.9.

4- EMPLOYEE FUTURE BENEFITS

The Company maintains several defined benefit and defined contribution plans which provide most participants with pension and other retirement benefits and other post-employment benefits. The Company's defined contribution plans and defined benefit plans expense was as follows:

	Fiscal Year			
	2011		2010	
	Pension plans	Other plans	Pension plans	Other plans
Defined contribution plans	\$ 7.2	\$ 0.1	\$ 7.1	\$ 0.1
Defined benefit plans				
Current service costs	5.7	0.5	5.4	0.3
Interest cost	8.4	0.4	8.1	0.4
Projected return on plan assets	(10.1)	—	(9.6)	—
Amortization of actuarial losses (gains) and past service costs	0.7	(0.1)	0.4	—
	4.7	0.8	4.3	0.7
	\$ 11.9	\$ 0.9	\$ 11.4	\$ 0.8

5- FINANCIAL COSTS, NET

	Fiscal Year	
	2011	2010
Short-term interest	\$ 0.3	\$ 0.5
Long-term interest	10.2	10.3
Amortization of deferred financing costs	0.1	0.5
Interest income	(0.5)	(0.3)
	\$ 10.1	\$ 11.0



Notes to interim consolidated financial statements
12-week periods ended December 18, 2010 and December 19, 2009
(Unaudited) (Millions of dollars, unless otherwise indicated)

6- INCOME TAXES

The effective income tax rates were as follows:

<i>(Percentage)</i>	Fiscal Year	
	2011	2010
Combined statutory income tax rate	28.8	30.4
Changes		
Impact on future taxes of 4.0% total future decreases in Ontario tax rate (\$10.0 in 2010)	—	(8.0)
Share of earnings in a public company subject to significant influence	(1.5)	(1.5)
Others	—	0.2
	27.3	21.1

7- NET EARNINGS PER SHARE

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

<i>(Millions)</i>	Fiscal Year	
	2011	2010
Weighted average number of shares outstanding – Basic	104.5	107.8
Dilutive effect under stock option and performance share units plans	0.6	0.5
Weighted average number of shares outstanding – Diluted	105.1	108.3

8- INVENTORIES

Inventories were detailed as follows:

	As at December 18, 2010	As at September 25, 2010
Warehouse inventories	\$ 335.6	\$ 296.3
Retail inventories	452.3	403.0
	\$ 787.9	\$ 699.3

The cost of inventories expensed for the 12-week period ended December 18, 2010 totalled \$2,149.2 (2010 – \$2,160.1).



Notes to interim consolidated financial statements
12-week periods ended December 18, 2010 and December 19, 2009
(Unaudited) (Millions of dollars, unless otherwise indicated)

9- CAPITAL STOCK

OUTSTANDING

	Class A Subordinate Shares		Class B Shares		Total
	Number (Thousands)		Number (Thousands)		
Balance as at September 25, 2010	104,438	\$ 700.8	631	\$ 1.3	\$ 702.1
Shares redeemed for cash, excluding premium of \$51.8	(1,372)	(9.2)	—	—	(9.2)
Stock options exercised	14	0.5	—	—	0.5
Balance as at December 18, 2010	103,080	\$ 692.1	631	\$ 1.3	\$ 693.4

STOCK OPTION PLAN

The outstanding options and the changes during the 12-week period ended December 18, 2010 were summarized as follows:

	Number (Thousands)	Weighted average exercise price (Dollars)
Balance as at September 25, 2010	1,777	32.29
Exercised	(14)	28.35
Balance as at December 18, 2010	1,763	32.32

The exercise prices of the outstanding options ranged from \$20.20 to \$44.19 as of December 18, 2010 with expiration dates up to 2017. 470,430 of those options could be exercised at a weighted average exercise price of \$28.01.

Compensation expense for these options amounted to \$0.5 for the 12-week period ended December 18, 2010 (2010 – \$0.5).

PERFORMANCE SHARE UNIT PLAN

As at December 18, 2010, 308,904 performance share units (PSUs) were outstanding. During the first quarter of 2011, no changes occurred in PSUs outstanding (2010 – nil).

Class A Subordinate Shares of the Company are held in trust for participants until the PSUs vest or are cancelled. The trust, considered a variable interest entity, is consolidated in the Company's financial statements with the cost of the acquired shares recorded as treasury shares in reduction of capital stock.

As at December 18, 2010, 203,548 shares were held in trust for participants until the PSUs shall have vested or been cancelled (as at September 25, 2010 – 203,548 shares).

The compensation expense comprising all of these PSUs amounted to \$0.8 for the 12-week period ended December 18, 2010 (2010 – \$0.7).



Notes to interim consolidated financial statements
12-week periods ended December 18, 2010 and December 19, 2009
(Unaudited) (Millions of dollars, unless otherwise indicated)

10- CONTRIBUTED SURPLUS

Balance as at September 25, 2010	\$ 6.1
Stock-based compensation cost	1.3
Stock options exercised	(0.1)
Balance as at December 18, 2010	\$ 7.3

11- ACCUMULATED OTHER COMPREHENSIVE INCOME

The derivative designated as a cash flow hedge was the sole component of Accumulated Other Comprehensive Income. The changes during the 12-week periods ended December 18, 2010 and December 19, 2009 were as follows:

	Fiscal Year	
	2011	2010
Balance – beginning of period	\$ (0.3)	\$ (2.0)
Change in fair value of designated derivative net of income taxes of \$0.1 (2010 – \$0.3)	0.3	0.7
Balance – end of period	\$ —	\$ (1.3)

INFORMATION

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