INTERIM REPORT

16-week period ended July 4, 2015

3rd Quarter 2015

HIGHLIGHTS

- **Sales of $3,842.3 million, up 6.1%**
- **Same-store sales up 4.3%**
- **Net earnings of $163.5 million, up 13.1%**
- **Fully diluted net earnings per share of $0.64, up 18.5%**
- **Declared dividend of $0.117[1] per share, up 16.7%**

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metro

REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the third quarter of fiscal 2015 ended July 4, 2015.

Sales in the third quarter of 2015 totalled $3,842.3 million, up 6.1% compared to $3,622.1 million for the same quarter last year. Same-store sales were up 4.3% while our aggregate food basket experienced inflation of 3.5%. Our constant striving to stay on top of consumers' needs and our investments in our retail network allowed us to increase sales in a highly competitive market.

We realized net earnings of $163.5 million in the third quarter of 2015, an increase of 13.1% over $144.5 million for the corresponding period of 2014, and fully diluted net earnings per share of $0.64 versus $0.54 in 2014, an increase of 18.5%.

Our financial position at the end of the third quarter of 2015 remains very solid. We had an unused authorized revolving credit facility of $556.8 million and our debt ratio (non-current debt/total capital) was 28.7%.

On August 11, 2015, the Board of Directors declared a quarterly dividend of $0.117[(1)] per share, an increase of 16.7% compared to last year.

We are pleased with our third quarter performance, which was driven by continued strong sales growth, especially in fresh food products. Our teams executed well on their business plans across all banners to deliver a good shopping experience to our customers. We are confident that our merchandising strategies and investments in our store network will continue[(4)] to sustain our growth and create value for our shareholders.

Eric R. La Flèche
President and Chief Executive Officer

August 12, 2015

(1) Actual dividend is $0.1166667 per share
(2) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"
(3) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
(4) 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 July 4, 2015 and for the 16 and 40-week periods then ended. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes in this interim report.

The unaudited interim condensed consolidated financial statements for the 16 and 40-week periods ended July 4, 2015 have been prepared by management in accordance with IAS 34 “Interim Financial Reporting”. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes and the MD&A presented in the Corporation's 2014 Annual Report. Unless otherwise stated, the interim report is based upon information as at July 31, 2015.

Additional information, including the Certification of Interim Filings letters for the quarter ended July 4, 2015 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

SALES

Sales in the third quarter of 2015 totalled $3,842.3 million, up 6.1% compared to $3,622.1 million for the same quarter last year. Same-store sales were up 4.3% while our aggregate food basket experienced inflation of 3.5%. Our constant striving to stay on top of consumers’ needs and our investments in our retail network allowed us to increase sales in a highly competitive market.

Sales in the first 40 weeks of fiscal 2015 totalled $9,389.9 million versus $8,878.2 million for the corresponding period of fiscal 2014, an increase of 5.8%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS[2]

Operating income before depreciation and amortization and associate's earnings[2] (Alimentation Couche-Tard) for the third quarter of 2015 totalled $277.6 million or 7.2% of sales versus $253.3 million or 7.0% of sales for the same quarter last year.

For the first 40 weeks of fiscal 2015, operating income before depreciation and amortization and associate's earning[2] totalled $650.4 million or 6.9% of sales versus $593.1 million or 6.7% of sales for the same period last year (6.8% excluding the non-recurring produce warehouse closure costs of $6.4 million).

Operating income before depreciation and amortization and associate's earnings adjustments (OI)[2]

	40 weeks / Fiscal Year					
	2015			2014		
(Millions of dollars, unless otherwise indicated)	**OI**	**Sales**	**(%)**	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	**650.4**	**9,389.9**	**6.9**	593.1	8,878.2	6.7
Closure expenses	**—**			6.4		
Adjusted operating income before depreciation and amortization and associate's earnings[2]	**650.4**	**9,389.9**	**6.9**	599.5	8,878.2	6.8

[1] Actual dividend is $0.1166667 per share
[2] See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"
[3] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
[4] See section on "Forward-looking Information"

Gross margin on sales for the third quarter and the first 40 weeks of 2015 were 19.8% and 19.6% respectively versus 18.9% and 19.1% for the corresponding periods of 2014. The increase in the third quarter is attributable in part to the acquisition of Première Moisson (as for the first 40 weeks) and to higher sales of fresh products. Operating expenses as a percentage of sales for the third quarter and the first 40 weeks of 2015 were 12.5% and 12.7% respectively versus 12.0% and 12.3% for the corresponding periods of 2014. These changes are also attributable to the acquisition of Première Moisson in the fourth quarter of fiscal 2014.

DEPRECIATION AND AMORTIZATION, NET FINANCIAL COSTS AND EARLY REDEMPTION FEES

Total depreciation and amortization expenses for the third quarter and the first 40 weeks of 2015 were $54.3 million and $134.1 million respectively versus $54.2 million and $135.7 million for the corresponding periods of 2014.

Net financial costs for the third quarter of 2015 totalled $18.3 million compared to $15.3 million for the corresponding quarter last year. For the first 40 weeks of 2015, net financial costs totalled $45.3 million compared to $37.0 million in 2014.

Given the favourable market conditions for long-term financing, we refinanced our debt toward the end of the first quarter of 2015. We issued a private placement of $300.0 million aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% maturing December 1, 2021, and $300.0 million aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044, for a total of $600.0 million.

The proceeds were allocated to repayment of existing debt, working capital and other general corporate purposes. Paying down existing debt, we redeemed our $200.0 million aggregate principal amount of Series A notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015. Early redemption fees of $5.9 million were incurred in the first quarter of 2015.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $8.7 million for the third quarter of 2015 versus $9.1 million for the corresponding quarter of 2014. This decrease is the result of special items.

Our share of earnings in Alimentation Couche-Tard was $42.9 million for the first 40 weeks of 2015 versus $33.2 million in 2014.

INCOME TAXES

The 2015 third quarter income tax expense of $50.2 million represented an effective tax rate of 23.5% compared with the 2014 third quarter tax expense of $48.4 million for an effective tax rate of 25.1%.

The 40-week period income tax expense of $120.4 million for 2015 and $113.0 million for 2014 represented effective tax rates of 23.7% and 24.9% respectively.

NET EARNINGS

Net earnings for the third quarter of 2015 were $163.5 million, an increase of 13.1% over net earnings of $144.5 million for the same quarter of 2014. Fully diluted net earnings per share rose 18.5% to $0.64 from $0.54 last year.

Net earnings for the first 40 weeks of 2015 were $387.6 million, an increase of 13.8% over net earnings of $340.6 million for the same period of 2014. Fully diluted net earnings per share rose 20.0% to $1.50 from $1.25 last year.

(1) Actual dividend is $0.1166667 per share
(2) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"
(3) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
(4) See section on "Forward-looking Information"

ADJUSTED NET EARNINGS[3]

Excluding after-tax Series A notes early redemption fees of $4.3 million in the first 40 weeks of 2015 and after-tax produce warehouse closure costs of $4.7 million in the first 40 weeks of 2014, adjusted net earnings[3] and adjusted fully diluted net earnings per share[3] of the first 40 weeks of 2015 were up 13.5% and 19.7% respectively over those for 2014.

Net earnings adjustments

	40 weeks / Fiscal Year					
	2015		2014		Change *(%)*	
	(Millions of dollars)	**Fully diluted EPS *(Dollars)***	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	**387.6**	**1.50**	340.6	1.25	13.8	20.0
Closure expenses after taxes	**—**	**—**	4.7	0.02		
Early redemption fees after taxes	**4.3**	**0.02**	—	—		
Adjusted net earnings[3]	**391.9**	**1.52**	345.3	1.27	13.5	19.7

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(2) See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"
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QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2015**	2014	2013	Change *(%)*
Sales				
Q3[6]	**3,842.3**	3,622.1		6.1
Q2[5]	**2,707.1**	2,554.8		6.0
Q1[5]	**2,840.5**	2,701.3		5.2
Q4[5]		2,712.2	2,611.0	3.9
Net earnings				
Q3[6]	**163.5**	144.5		13.1
Q2[5]	**111.6**	96.9		15.2
Q1[5]	**112.5**	99.2		13.4
Q4[5]		115.6	79.5	45.4
Adjusted net earnings[3]				
Q3[6]	**163.5**	144.5		13.1
Q2[5]	**111.6**	96.9		15.2
Q1[5]	**116.8**	103.9		12.4
Q4[5]		115.6	108.9	6.2
Fully diluted net earnings per share ***(Dollars)***				
Q3[6]	**0.64**	0.54		18.5
Q2[5]	**0.43**	0.36		19.4
Q1[5]	**0.43**	0.35		22.9
Q4[5]		0.44	0.28	57.1
Adjusted fully diluted net earnings per share[3] ***(Dollars)***				
Q3[6]	**0.64**	0.54		18.5
Q2[5]	**0.43**	0.36		19.4
Q1[5]	**0.45**	0.37		21.6
Q4[5]		0.44	0.38	15.8

[5] 12 weeks
[6] 16 weeks

Sales in the third quarter of 2015 totalled $3,842.3 million, up 6.1% compared to $3,622.1 million for the same quarter last year. Same-store sales were up 4.3% while our aggregate food basket experienced inflation of 3.5%. Our constant striving to stay on top of consumers' needs and our investments in our retail network allowed us to increase sales in a highly competitive market.

Sales in the second quarter of 2015 totalled $2,707.1 million, up 6.0% compared to $2,554.8 million for the same quarter last year. Same-store sales were up 4.5% and our aggregate food basket experienced inflation of 4.0%. In a market that remains very competitive, our merchandising strategies and investments in our store network supported our sales increase.

Sales in the first quarter of 2015 totalled $2,840.5 million, up 5.2% compared to $2,701.3 million for the same quarter last year. Same-store sales were up 3.8%, the highest increase since the third quarter of 2009, and our aggregate food basket experienced inflation of 3.0%. In a market that remains intensely competitive, our merchandising strategies and investments in our store network enabled us to increase sales.

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Sales in the fourth quarter of 2014 totalled $2,712.2 million, up 3.9% compared to $2,611.0 million for the same quarter of 2013. Same-store sales were up 3.1%. Our aggregate food basket experienced inflation of 2.5%. In a market that remains intensely competitive, our merchandising strategies and investments as well as the reorganization of our Ontario store network enabled us to increase sales. The fourth quarter acquisition of Première Moisson accounted for 0.5% of our sales increase.

Net earnings for the third quarter of 2015 were $163.5 million, an increase of 13.1% over net earnings of $144.5 million for the same quarter of 2014. Fully diluted net earnings per share rose 18.5% to $0.64 from $0.54 last year.

Net earnings for the second quarter of 2015 were $111.6 million, an increase of 15.2% over net earnings of $96.9 million for the same quarter of 2014. Fully diluted net earnings per share rose 19.4% to $0.43 from $0.36 last year.

Net earnings for the first quarter of 2015 were $112.5 million, an increase of 13.4% over net earnings of $99.2 million for the same quarter of 2014. Fully diluted net earnings per share rose 22.9% to $0.43 from $0.35 last year. Excluding after-tax Series A notes early redemption fees of $4.3 million in the first quarter of 2015 and after-tax Québec City produce warehouse closure costs of $4.7 million in the first quarter of 2014, 2015 first quarter adjusted net earnings[3] and adjusted fully diluted net earnings per share[3] were up 12.4% and 21.6% respectively over those for 2014.

Net earnings for the fourth quarter of 2014 were $115.6 million, up 45.4% from net earnings of $79.5 million for the same quarter of 2013. Fully diluted net earnings per share were up 57.1% to $0.44 from $0.28 in 2013. Excluding after-tax restructuring costs of $29.4 million for the reorganization of our Ontario store network, 2013 fourth quarter adjusted net earnings[3] were $108.9 million as opposed to 2014 fourth quarter net earnings of $115.6 million which were up 6.2%. Fourth quarter fully diluted net earnings per share in 2014 were up 15.8% compared to the corresponding adjusted quarter of 2013.

	2015			2014				2013
(Millions of dollars)	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Net earnings	**163.5**	**111.6**	**112.5**	115.6	144.5	96.9	99.2	79.5
Closure expenses and restructuring charges after taxes	**—**	**—**	**—**	—	—	—	4.7	29.4
Early redemption fees after taxes	**—**	**—**	**4.3**	—	—	—	—	—
Adjusted net earnings[3]	**163.5**	**111.6**	**116.8**	115.6	144.5	96.9	103.9	108.9

	2015			2014				2013
(Dollars and per share)	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1	Q4
Fully diluted net earnings	**0.64**	**0.43**	**0.43**	0.44	0.54	0.36	0.35	0.28
Closure expenses and restructuring charges after taxes	**—**	**—**	**—**	—	—	—	0.02	0.10
Early redemption fees after taxes	**—**	**—**	**0.02**	—	—	—	—	—
Adjusted fully diluted net earnings[3]	**0.64**	**0.43**	**0.45**	0.44	0.54	0.36	0.37	0.38

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CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of $201.9 million in the third quarter and $430.3 million over the first 40 weeks of fiscal 2015 compared to $186.0 million and $304.4 million for the corresponding periods of 2014. The third quarter increase is attributable to the $20.8 million increase in pre-tax earnings and the variance between the net change in non-cash working capital items in 2015 and that in 2014, while the increase for the 40-week period is due mainly to the $54.4 million increase in pre-tax earnings and to lower taxes paid in 2015 versus 2014, when tax balances were paid on the 2013 gain on disposal of a portion of our investment in Alimentation Couche-Tard.

INVESTING ACTIVITIES

Investing activities required outflows of $72.1 million in the third quarter and $138.0 million over the first 40 weeks of fiscal 2015 versus $56.1 million and $137.7 million for the corresponding periods of 2014. The increase in funds utilized in the third quarter of 2015 compared with the same period of 2014 is largely attributable to increased asset acquisitions in 2015 versus 2014.

During the first 40 weeks of fiscal 2015, we and our retailers opened 6 new stores and carried out major expansions and renovations of 17 stores for a gross expansion of 302,500 square feet without a significant net increase of our retail network.

FINANCING ACTIVITIES

In the third quarter of 2015, financing activities required outflows of $191.4 million versus $104.5 million in the same quarter of 2014. This increase is attributable to the greater redemption of shares in the third quarter of 2015, in the amount of $203.0 million versus $147.2 million for the same quarter of 2014, and to a smaller net debt increase of $39.3 million in the third quarter of 2015 versus one of $67.4 million in the same quarter of 2014.

In the first 40 weeks of 2015, we utilized $323.2 million in funds versus $213.2 million for the corresponding period of 2014. This change is attributable to a net debt increase of $37.0 million in 2015 versus a net debt increase of $257.7 million in 2014 offset by a lower redemption of shares in 2015, in the amount of $274.9 million versus $391.7 million in 2014.

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FINANCIAL POSITION

We do not anticipate[4] any liquidity risk and consider our financial position at the end of the third quarter of fiscal 2015 as very solid. We had an unused authorized revolving credit facility of $556.8 million. Our non-current debt corresponded to 28.7% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of the third quarter of fiscal 2015, the main elements of our non-current debt were as follows:

	Interest Rate	Maturity	Balance *(Millions of dollars)*
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	November 3, 2019	43.2
Series C Notes	3.20% fixed rate	December 1, 2021	300.0
Series B Notes	5.97% fixed rate	October 15, 2035	400.0
Series D Notes	5.03% fixed rate	December 1, 2044	300.0

Our main financial ratios were as follows:

	As at July 4, 2015	As at September 27, 2014
Financial structure		
Non-current debt *(Millions of dollars)*	**1,091.8**	1,044.7
Equity *(Millions of dollars)*	**2,707.7**	2,684.1
Non-current debt/total capital *(%)*	**28.7**	28.0

	40 weeks / Fiscal Year	
	2015	2014
Results		
Operating income before depreciation and amortization and associate's earnings[2]/Financial costs *(Times)*	**14.4**	16.0

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CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

To increase the number of shares outstanding and enhance affordability to investors, during the second quarter of 2015, the Corporation carried out a 3-for-1 stock split of its Common Shares. All information pertaining to shares have been retroactively restated to reflect the effect of the stock split.

	As at July 4, 2015	As at September 27, 2014
Number of Common Shares outstanding *(Thousands)*	**245,545**	253,470
Stock options:		
Number outstanding *(Thousands)*	**3,924**	4,125
Exercise prices *(Dollars)*	**8.80 to 35.42**	8.24 to 24.69
Weighted average exercise price *(Dollars)*	**20.23**	16.97
Performance share units:		
Number outstanding *(Thousands)*	**743**	803

NORMAL COURSE ISSUER BID PROGRAM

Under its normal course issuer bid program, the Corporation may repurchase up to 17,100,000 of its Common Shares between September 10, 2014 and September 9, 2015. As at July 31, 2015, the Corporation has repurchased 10,383,700 Common Shares at an average price of $31.48 for a total of $326.8 million. The Corporation intends to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On August 11, 2015, the Corporation's Board of Directors declared a quarterly dividend of $0.117[(1)] per Common Share payable September 21, 2015, an increase of 16.7% over the dividend declared for the same quarter last year. This dividend of $0.117[(1)] equals the dividend declared in the first quarter of 2015. On an annualized basis, this dividend represents approximately 25% of 2014 adjusted net earnings[(3)], compared to the percentages of the previous two fiscal years which were 22% and 20%, in accordance with the new payout target communicated to shareholders in January 2014.

SHARE TRADING

The value of METRO shares remained in the $24.27 to $37.10 range over the first 40 weeks of 2015. During this period, a total of 145.3 million shares traded on the Toronto Stock Exchange. The closing price on July 31, 2015 was $35.59 compared with $24.62 at the end of fiscal 2014.

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NEW ACCOUNTING POLICIES

RECENTLY ISSUED

Financial instruments

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 “Financial Instruments”. This new standard replaces the various rules of IAS 39 “Financial Instruments: Recognition and Measurement” with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statement users to better understand an entity’s risk exposure and its risk management activities.

In July 2014, the IASB issued a new impairment model for financial assets based on expected credit losses. IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers” which is a replacement of IAS 18 “Revenue”, IAS 11 “Construction Contracts” and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements.

In July 2015, the IASB deferred the mandatory effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

Presentation of financial statements

In December 2014, the IASB issued amendments to IAS 1 “Presentation of Financial Statements” to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

FORWARD-LOOKING INFORMATION

We have used, throughout this 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 that does not constitute a historical fact may be deemed a forward-looking statement. Expressions such as “continue”, “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 2015 action plan.

These forward-looking statements do not provide any guarantees as to the future performance of the Corporation and are subject to potential risks, known and unknown, as well as uncertainties that could cause the outcome to differ significantly. The arrival of a new competitor is an example described under the “Risk Management” section of the 2014 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 report and represent our expectations. The Corporation does not intend to update any forward-looking statement contained herein, except as required by applicable law.

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IFRS AND NON-IFRS MEASUREMENTS

We have included certain IFRS and non-IFRS earnings measurements. These measurements are presented for information purposes only. They do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measurements presented by other public companies.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

Operating income before depreciation and amortization and associate's earnings is a measurement of earnings before financial costs, taxes, depreciation and amortization **(EBITDA)**, early redemption fees and associate's earnings. It is an IFRS measurement and it is presented separately in the condensed consolidated statements of income. We believe that this measurement helps readers of financial statements to better evaluate the Corporation's operational cash-generating capacity.

ADJUSTED OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS, ADJUSTED NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

Adjusted operating income before depreciation and amortization and associate's earnings, adjusted net earnings and adjusted fully diluted net earnings per share are earnings measurements that exclude non-recurring items. They are non-IFRS measurements. 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 Corporation's performance and judge its future outlook.

OUTLOOK

We are pleased with our third quarter performance, which was driven by continued strong sales growth, especially in fresh food products. Our teams executed well on their business plans across all banners to deliver a good shopping experience to our customers. We are confident that our merchandising strategies and investments in our store network will continue[4] to sustain our growth and create value for our shareholders.

Montréal, August 12, 2015

[1] Actual dividend is $0.1166667 per share
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Interim Condensed Consolidated Financial Statements

METRO INC.

July 4, 2015

metro

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Condensed consolidated statements of income

Periods ended July 4, 2015 and July 5, 2014

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

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2015	2014	**2015**	2014
Sales	**3,842.3**	3,622.1	**9,389.9**	8,878.2
Cost of sales and operating expenses *(note 4)*	**(3,564.7)**	(3,368.8)	**(8,739.5)**	(8,278.7)
Closure expenses *(note 4)*	**—**	—	**—**	(6.4)
Operating income before depreciation and amortization and associate's earnings	**277.6**	253.3	**650.4**	593.1
Depreciation and amortization *(note 4)*	**(54.3)**	(54.2)	**(134.1)**	(135.7)
Financial costs, net *(note 4)*	**(18.3)**	(15.3)	**(45.3)**	(37.0)
Early redemption fees *(notes 4 and 7)*	**—**	—	**(5.9)**	—
Share of an associate's earnings *(note 4)*	**8.7**	9.1	**42.9**	33.2
Earnings before income taxes	**213.7**	192.9	**508.0**	453.6
Income taxes *(note 5)*	**(50.2)**	(48.4)	**(120.4)**	(113.0)
Net earnings	**163.5**	144.5	**387.6**	340.6
Attributable to:				
Equity holders of the parent	**159.1**	141.5	**378.3**	333.9
Non-controlling interests	**4.4**	3.0	**9.3**	6.7
	163.5	144.5	**387.6**	340.6
Net earnings per share *(Dollars) (notes 6 and 8)*				
Basic	**0.64**	0.55	**1.51**	1.26
Fully diluted	**0.64**	0.54	**1.50**	1.25

See accompanying notes

metro

Condensed consolidated statements of comprehensive income

Periods ended July 4, 2015 and July 5, 2014

(Unaudited) (Millions of dollars)

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2015	2014	**2015**	2014
Net earnings	**163.5**	144.5	**387.6**	340.6
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (losses)	**30.0**	(19.6)	**(7.3)**	(15.8)
Asset ceiling effect	**(0.6)**	4.3	**0.7**	1.1
Minimum funding requirement	**—**	12.6	**—**	6.6
Share of an associate's other comprehensive income	**0.5**	(0.1)	**(1.7)**	—
Corresponding income taxes	**(7.8)**	0.6	**2.0**	2.1
	22.1	(2.2)	**(6.3)**	(6.0)
Items that will be reclassified later to net earnings				
Share of an associate's other comprehensive income	**(0.1)**	0.1	**5.7**	0.1
Corresponding income taxes	**—**	—	**(0.8)**	—
	(0.1)	0.1	**4.9**	0.1
	22.0	(2.1)	**(1.4)**	(5.9)
Comprehensive income	**185.5**	142.4	**386.2**	334.7
Attributable to:				
Equity holders of the parent	**181.1**	139.4	**376.9**	328.0
Non-controlling interests	**4.4**	3.0	**9.3**	6.7
	185.5	142.4	**386.2**	334.7

See accompanying notes

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Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at July 4, 2015	As at September 27, 2014
ASSETS		
Current assets		
Cash and cash equivalents	**5.1**	36.0
Accounts receivable	**300.3**	310.1
Inventories	**796.5**	820.7
Prepaid expenses	**35.5**	15.8
Current taxes	**14.4**	8.5
	1,151.8	1,191.1
Assets held for sale	**5.2**	5.2
	1,157.0	1,196.3
Non-current assets		
Investment in an associate	**293.7**	251.4
Other financial assets	**30.7**	29.5
Fixed assets	**1,417.1**	1,405.8
Investment properties	**25.8**	27.0
Intangible assets	**371.5**	346.2
Goodwill *(note 3)*	**1,916.9**	1,946.6
Deferred taxes	**42.3**	58.1
Defined benefit assets	**21.4**	18.6
	5,276.4	5,279.5
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	**0.5**	1.5
Accounts payable	**906.2**	982.7
Current taxes	**61.2**	66.6
Provisions	**2.5**	13.7
Current portion of debt *(note 7)*	**8.6**	12.4
	979.0	1,076.9
Non-current liabilities		
Debt *(note 7)*	**1,091.8**	1,044.7
Defined benefit liabilities	**112.3**	101.8
Provisions	**3.6**	7.0
Deferred taxes	**171.9**	162.2
Other liabilities	**10.1**	10.6
Non-controlling interests *(note 9)*	**200.0**	192.2
	2,568.7	2,595.4
Equity		
Capital stock *(note 8)*	**587.3**	599.2
Treasury shares *(note 8)*	**(18.5)**	(15.2)
Contributed surplus	**16.4**	15.8
Retained earnings	**2,103.7**	2,068.6
Accumulated other comprehensive income	**5.1**	0.2
Equity attributable to equity holders of the parent	**2,694.0**	2,668.6
Non-controlling interests	**13.7**	15.5
	2,707.7	2,684.1
	5,276.4	5,279.5

See accompanying notes

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Condensed consolidated statements of changes in equity

Periods ended July 4, 2015 and July 5, 2014

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 8)*	Treasury shares *(note 8)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 27, 2014	**599.2**	**(15.2)**	**15.8**	**2,068.6**	**0.2**	**2,668.6**	**15.5**	**2,684.1**
Net earnings	**—**	**—**	**—**	**378.3**	**—**	**378.3**	**9.3**	**387.6**
Other comprehensive income	**—**	**—**	**—**	**(6.3)**	**4.9**	**(1.4)**	**—**	**(1.4)**
Comprehensive income	**—**	**—**	**—**	**372.0**	**4.9**	**376.9**	**9.3**	**386.2**
Stock options exercised	**8.5**	**—**	**(1.6)**	**—**	**—**	**6.9**	**—**	**6.9**
Shares redeemed	**(20.4)**	**—**	**—**	**—**	**—**	**(20.4)**	**—**	**(20.4)**
Share redemption premium	**—**	**—**	**—**	**(254.5)**	**—**	**(254.5)**	**—**	**(254.5)**
Acquisition of treasury shares	**—**	**(7.0)**	**—**	**—**	**—**	**(7.0)**	**—**	**(7.0)**
Share-based compensation cost	**—**	**—**	**6.0**	**—**	**—**	**6.0**	**—**	**6.0**
Performance share units settlement	**—**	**3.7**	**(3.8)**	**(0.2)**	**—**	**(0.3)**	**—**	**(0.3)**
Dividends	**—**	**—**	**—**	**(83.4)**	**—**	**(83.4)**	**(1.4)**	**(84.8)**
Change in fair value of non-controlling interests liability *(note 9)*	**—**	**—**	**—**	**—**	**—**	**—**	**(7.8)**	**(7.8)**
Repurchase of shares in joint ventures	**—**	**—**	**—**	**1.2**	**—**	**1.2**	**(1.9)**	**(0.7)**
	(11.9)	**(3.3)**	**0.6**	**(336.9)**	**—**	**(351.5)**	**(11.1)**	**(362.6)**
Balance as at July 4, 2015	**587.3**	**(18.5)**	**16.4**	**2,103.7**	**5.1**	**2,694.0**	**13.7**	**2,707.7**

	Attributable to the equity holders of the parent							
	Capital stock	Treasury shares	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 28, 2013	640.4	(14.4)	14.6	2,157.8	0.1	2,798.5	1.3	2,799.8
Net earnings	—	—	—	333.9	—	333.9	6.7	340.6
Other comprehensive income	—	—	—	(6.0)	0.1	(5.9)	—	(5.9)
Comprehensive income	—	—	—	327.9	0.1	328.0	6.7	334.7
Stock options exercised	6.9	—	(1.3)	—	—	5.6	—	5.6
Shares redeemed	(42.9)	—	—	—	—	(42.9)	—	(42.9)
Share redemption premium	—	—	—	(348.8)	—	(348.8)	—	(348.8)
Acquisition of treasury shares	—	(4.6)	—	—	—	(4.6)	—	(4.6)
Share-based compensation cost	—	—	5.0	—	—	5.0	—	5.0
Performance share units settlement	—	3.8	(3.8)	(0.3)	—	(0.3)	—	(0.3)
Dividends	—	—	—	(75.1)	—	(75.1)	(2.9)	(78.0)
Change in fair value of non-controlling interests liability	—	—	—	—	—	—	(4.4)	(4.4)
	(36.0)	(0.8)	(0.1)	(424.2)	—	(461.1)	(7.3)	(468.4)
Balance as at July 5, 2014	604.4	(15.2)	14.5	2,061.5	0.2	2,665.4	0.7	2,666.1

See accompanying notes

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Condensed consolidated statements of cash flows

Periods ended July 4, 2015 and July 5, 2014

(Unaudited) (Millions of dollars)

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2015	2014	**2015**	2014
Operating activities				
Earnings before income taxes	**213.7**	192.9	**508.0**	453.6
Non-cash items				
Share of an associate's earnings	**(8.7)**	(9.1)	**(42.9)**	(33.2)
Closure expenses *(note 4)*	**—**	—	**—**	6.4
Depreciation and amortization	**54.3**	54.2	**134.1**	135.7
Loss on disposal and write-offs of fixed and intangible assets and investment properties	**0.1**	—	**0.5**	0.4
Impairment losses on fixed and intangible assets	**6.7**	1.4	**9.2**	4.3
Impairment loss reversals on fixed and intangible assets	**(0.7)**	—	**(3.6)**	(1.0)
Share-based compensation cost	**2.4**	1.7	**6.0**	5.0
Difference between amounts paid for employee benefits and current period cost	**(4.2)**	(1.9)	**(2.2)**	(7.4)
Early redemption fees *(note 7)*	**—**	—	**5.9**	—
Financial costs, net	**18.3**	15.3	**45.3**	37.0
	281.9	254.5	**660.3**	600.8
Net change in non-cash working capital items	**(9.9)**	2.6	**(67.6)**	(70.1)
Interest paid	**(26.8)**	(22.2)	**(56.8)**	(43.1)
Income taxes paid	**(43.3)**	(48.9)	**(105.6)**	(183.2)
	201.9	186.0	**430.3**	304.4
Investing activities				
Repurchase of shares in joint ventures	**(0.7)**	—	**(0.7)**	—
Proceeds on disposal of assets held for sale	**—**	—	**—**	0.9
Net change in other financial assets	**(1.4)**	(1.9)	**(1.2)**	(2.7)
Dividends from an associate	**1.7**	1.3	**4.6**	3.4
Additions to fixed assets	**(65.4)**	(51.9)	**(126.3)**	(127.9)
Proceeds on disposal of fixed assets	**1.4**	0.6	**1.6**	1.1
Proceeds on disposal of investment properties	**—**	—	**1.5**	—
Additions to intangible assets	**(7.7)**	(4.2)	**(17.5)**	(12.5)
	(72.1)	(56.1)	**(138.0)**	(137.7)
Financing activities				
Net change in bank loans	**0.2**	0.2	**(1.0)**	(1.5)
Shares issued *(note 8)*	**1.8**	3.0	**6.9**	5.6
Shares redeemed *(note 8)*	**(203.0)**	(147.2)	**(274.9)**	(391.7)
Acquisition of treasury shares *(note 8)*	**—**	—	**(7.0)**	(4.6)
Performance share units cash settlement	**—**	—	**(0.3)**	(0.3)
Increase in debt	**44.3**	70.3	**647.2**	266.8
Repayment of debt	**(5.0)**	(2.9)	**(610.2)**	(9.1)
Net change in other liabilities	**(0.9)**	(2.0)	**(0.5)**	(3.3)
Dividends	**(28.8)**	(25.9)	**(83.4)**	(75.1)
	(191.4)	(104.5)	**(323.2)**	(213.2)
Net change in cash and cash equivalents	**(61.6)**	25.4	**(30.9)**	(46.5)
Cash and cash equivalents — beginning of period	**66.7**	8.9	**36.0**	80.8
Cash and cash equivalents — end of period	**5.1**	34.3	**5.1**	34.3

See accompanying notes

1. STATEMENT PRESENTATION

METRO INC. (the Corporation) is a company incorporated under the laws of Québec. The Corporation is one of Canada's leading food retailers and distributors and operates a network of supermarkets, discount stores and drugstores. Its head office is located at 11011 Maurice-Duplessis Blvd., Montréal, Québec, Canada, H1C 1V6. Its various components constitute a single operating segment.

The unaudited interim condensed consolidated financial statements for the 16 and 40-week periods ended July 4, 2015 have been prepared by management in accordance with IAS 34 "Interim Financial Reporting" and using the same accounting policies as those used in preparing the audited annual consolidated financial statements for the year ended September 27, 2014. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2014 Annual Report.

2. NEW ACCOUNTING POLICIES

RECENTLY ISSUED

Financial instruments

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 "Financial Instruments". This new standard replaces the various rules of IAS 39 "Financial Instruments: Recognition and Measurement" with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statement users to better understand an entity's risk exposure and its risk management activities.

In July 2014, the IASB issued a new impairment model for financial assets based on expected credit losses. IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" which is a replacement of IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements.

In July 2015, the IASB deferred the mandatory effective date of IFRS 15 to fiscal years beginning on or after January 1, 2018. Earlier application is permitted.

The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

Presentation of financial statements

In December 2014, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

In the fourth quarter of 2014, the Corporation acquired 75% of the net assets of Première Moisson, which has 23 stores and three production centres in Québec, and 100% of the net assets including real estate of two food stores from a competitor in Ontario. The purchase price of these interests totalled $101.6. The acquisitions were accounted for using the purchase method. The Corporation controls the acquired businesses and consolidated their earnings as of their respective acquisition dates. The final total purchase price allocation was as follows:

Net assets acquired at their fair value	
Cash	1.3
Accounts receivable	5.8
Inventories	5.5
Prepaid expenses	0.4
Fixed assets	55.9
Investment property	0.7
Intangible assets	
Finite useful life	9.0
Indefinite useful life	23.0
Goodwill	53.9
Accounts payable	(7.5)
Debt	(4.4)
Deferred tax liabilities	(5.5)
Non-controlling interests	(22.0)
	116.1

Cash consideration	101.6
Non-controlling interests - Joint ventures	14.5
	116.1

The goodwill from the acquisitions correspond, on the one hand, to the possibility for the Corporation to further differentiate itself by offering customers a broader range of premium bakery products made by Première Moisson and, on the other hand, to an increase in customers buying from new food stores. In the goodwill's tax treatment, 75% of the goodwill is treated as eligible assets with related tax deductions and 25% as non-deductible.

Between their acquisition dates and September 27, 2014, the acquired businesses have increased Corporation sales and net earnings by $16.1 and $1.4 respectively. If their acquisitions had taken place at the beginning of fiscal 2014, the acquired businesses would have increased Corporation sales and net earnings by an additional amount of $124.9 and $10.7 respectively.

In fiscal 2014, acquired-related costs of $1.2 were recorded in operating expenses.

4. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	16 weeks Fiscal Year		40 weeks Fiscal Year	
	2015	2014	**2015**	2014
Sales	**3,842.3**	3,622.1	**9,389.9**	8,878.2
Cost of sales and operating expenses				
Cost of sales	**(3,083.2)**	(2,935.9)	**(7,545.3)**	(7,186.1)
Wages and fringe benefits	**(213.5)**	(199.3)	**(532.1)**	(497.2)
Employee benefit expense	**(20.9)**	(20.4)	**(52.3)**	(48.2)
Rents, taxes and common costs	**(84.2)**	(81.7)	**(211.2)**	(203.1)
Electricity and natural gas	**(40.1)**	(34.9)	**(101.7)**	(94.1)
Impairment losses on fixed and intangible assets	**(6.7)**	(1.4)	**(9.2)**	(4.3)
Impairment loss reversals on fixed and intangible assets	**0.7**	—	**3.6**	1.0
Other expenses	**(116.8)**	(95.2)	**(291.3)**	(246.7)
	(3,564.7)	(3,368.8)	**(8,739.5)**	(8,278.7)
Closure expenses	**—**	—	**—**	(6.4)
Operating income before depreciation and amortization and associate's earnings	**277.6**	253.3	**650.4**	593.1
Depreciation and amortization				
Fixed assets	**(46.1)**	(44.1)	**(113.6)**	(110.5)
Intangible assets	**(8.2)**	(10.1)	**(20.5)**	(25.2)
	(54.3)	(54.2)	**(134.1)**	(135.7)
Financing costs, net				
Current interest	**(1.3)**	(1.2)	**(3.4)**	(3.0)
Non-current interest	**(16.0)**	(13.2)	**(39.3)**	(31.8)
Interest on defined benefit obligations net of plan assets	**(1.3)**	(1.2)	**(3.3)**	(2.9)
Amortization of deferred financing costs	**(0.3)**	(0.2)	**(0.8)**	(0.6)
Interest income	**0.6**	0.5	**1.8**	1.5
Passage of time	**—**	—	**(0.3)**	(0.2)
	(18.3)	(15.3)	**(45.3)**	(37.0)
Early redemption fees *(note 7)*	**—**	—	**(5.9)**	—
Share of an associate's earnings	**8.7**	9.1	**42.9**	33.2
Earnings before income taxes	**213.7**	192.9	**508.0**	453.6

Impairment losses and impairment loss reversals were on food stores assets where cash flows decreased or increased due to local competition.

On November 28, 2013, the Corporation announced the spring 2014 closure of its Québec City produce distribution centre. In the first quarter of fiscal 2014, non-recurring closure costs of $6.4 before taxes were recorded for severances, write-offs and others.

5. INCOME TAXES

The effective income tax rates were as follows:

	16 weeks Fiscal Year		40 weeks Fiscal Year	
(Percentage)	**2015**	2014	**2015**	2014
Combined statutory income tax rate	**26.9**	26.9	**26.9**	26.9
Changes				
Share of an associate's earnings	**(0.7)**	(0.8)	**(1.3)**	(1.2)
Others	**(2.7)**	(1.0)	**(1.9)**	(0.8)
	23.5	25.1	**23.7**	24.9

6. NET EARNINGS PER SHARE

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

	16 weeks Fiscal Year		40 weeks Fiscal Year	
(Millions)	**2015**	2014	**2015**	2014
Weighted average number of shares outstanding – Basic	**247.8**	258.9	**250.3**	264.9
Dilutive effect under:				
Stock option plan	**1.6**	0.9	**1.5**	1.0
Performance share unit plan	**0.7**	0.8	**0.7**	0.8
Weighted average number of shares outstanding – Fully diluted	**250.1**	260.6	**252.5**	266.7

7. DEBT

	As at July 4, 2015	As at September 27, 2014
Revolving Credit Facility, bearing interest at a weighted average rate of 2.52% for 2015 and 2.50% for fiscal 2014, repayable on November 3, 2019 or earlier	**43.2**	391.7
Series A Notes, bearing interest at a fixed nominal rate of 4.98%, redeemed on December 31, 2014	**—**	200.0
Series C Notes, bearing interest at a fixed nominal rate of 3.20%, maturing on December 1, 2021 and redeemable at the issuer's option at fair value at any time prior to maturity	**300.0**	—
Series B Notes, bearing interest at a fixed nominal rate of 5.97%, maturing on October 15, 2035 and redeemable at the issuer's option at fair value at any time prior to maturity	**400.0**	400.0
Series D Notes, bearing interest at a fixed nominal rate of 5.03%, maturing on December 1, 2044 and redeemable at the issuer's option at fair value at any time prior to maturity	**300.0**	—
Loans, maturing on various dates through 2027, bearing interest at an average rate of 2.74% for 2015 (3.08% for fiscal 2014)	**30.4**	32.4
Obligations under finance leases, bearing interest at an effective rate of 8.1% for 2015 (8.5% for fiscal 2014)	**34.0**	36.9
Deferred financing costs	**(7.2)**	(3.9)
	1,100.4	1,057.1
Current portion	**8.6**	12.4
	1,091.8	1,044.7

On December 1, 2014, the Corporation issued a private placement of $300.0 aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% and maturing December 1, 2021, and $300.0 aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044. The Corporation decided to allocate the proceeds to repayment of existing debt, working capital and other general corporate purposes. On December 5, 2014, the Corporation paid off its $335,0 unsecured renewable revolving credit facility which had a weighted average rate of 2.39%. The Corporation also redeemed, on December 31, 2014, its $200.0 aggregate principal amount of Series A notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015. Early redemption fees of $5.9 were recorded in the first quarter of 2015.

8. CAPITAL STOCK

During the second quarter of 2015, the Corporation carried out a 3-for-1 stock split of its Common Shares. All information pertaining to shares have been retroactively restated to reflect the effect of the stock split.

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number *(Thousands)*	
Balance as at September 28, 2013	274,944	640.4
Shares redeemed for cash, excluding premium of $409.9	(21,278)	(49.8)
Stock options exercised	565	8.6
Balance as at September 27, 2014	**254,231**	**599.2**
Shares redeemed for cash, excluding premium of $254.5	**(8,591)**	**(20.4)**
Stock options exercised	**648**	**8.5**
Balance as at July 4, 2015	**246,288**	**587.3**

TREASURY SHARES

The treasury shares were summarized as follows:

	Number *(Thousands)*	
Balance as at September 28, 2013	787	(14.4)
Acquisition	225	(4.6)
Release	(251)	3.8
Balance as at September 27, 2014	**761**	**(15.2)**
Acquisition	**200**	**(7.0)**
Release	**(218)**	**3.7**
Balance as at July 4, 2015	**743**	**(18.5)**

The treasury shares are held in trust for the performance share unit plan (PSU). They are released into circulation when the PSUs settle.

Excluding the treasury shares from the Common Shares issued, the Corporation had 245,545,000 outstanding Common Shares issued as at July 4, 2015 (253,470,000 as at September 27, 2014).

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number	Weighted average exercise price
	(Thousands)	*(Dollars)*
Balance as at September 28, 2013	4,054	15.37
Granted	742	22.03
Exercised	(565)	12.33
Cancelled	(106)	16.16
Balance as at September 27, 2014	**4,125**	**16.97**
Granted	**482**	**35.42**
Exercised	**(648)**	**10.66**
Cancelled	**(35)**	**23.01**
Balance as at July 4, 2015	**3,924**	**20.23**

The exercise prices of the outstanding options ranged from $8.80 to $35.42 as at July 4, 2015 with expiration dates up to 2022. 1,270,440 of those options could be exercised at a weighted average exercise price of $15.53.

The compensation expense for these options amounted to $0.7 and $1.8 respectively for the 16-week and 40-week periods ended July 4, 2015 ($0.5 and $1.7 in 2014).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number
	(Thousands)
Balance as at September 28, 2013	771
Granted	334
Settled	(265)
Cancelled	(37)
Balance as at September 27, 2014	**803**
Granted	**175**
Settled	**(229)**
Cancelled	**(6)**
Balance as at July 4, 2015	**743**

The compensation expense for the PSU plan amounted to $1.7 and $4.2 respectively for the 16-week and 40-week periods ended July 4, 2015 ($1.2 and $3.3 in 2014).

9. FINANCIAL INSTRUMENTS

The non-current financial instruments' book and fair values were as follows:

	As at July 4, 2015		As at September 27, 2014	
	Book value	**Fair value**	Book value	Fair value
Other financial assets				
Loans and receivables				
Loans to certain customers	**28.3**	**28.3**	29.2	29.2
Non-controlling interests				
Financial liability held for trading	**200.0**	**200.0**	192.2	192.2
Debt *(note 7)*				
Other financial liabilities				
Revolving Credit Facility	**43.2**	**43.2**	391.7	391.7
Series A Notes	**—**	**—**	200.0	206.6
Series C Notes	**300.0**	**310.4**	—	—
Series B Notes	**400.0**	**452.3**	400.0	454.1
Series D Notes	**300.0**	**304.1**	—	—
Loans	**30.4**	**30.4**	32.4	32.4
Obligations under finance leases	**34.0**	**38.9**	36.9	40.8
	1,107.6	**1,179.3**	1,061.0	1,125.6

The foreign exchange forward contracts, classified as "Financial assets or liabilities at fair value through net earnings", are not shown in the above table, as they are insignificant in value.

The fair value of loans to certain customers, revolving credit facility and loans payable is equivalent to their carrying value since their interest rates are comparable to market rates. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs.

The fair value of notes represents the obligations that the Corporation would have to meet in the event of the negotiation of similar notes under current market conditions. The Corporation categorized the fair value measurement in Level 2, as it is derived from observable market inputs.

The fair value of the non-controlling interest-related liability is equivalent to the estimated price to be paid which is based mainly on the discounted value of the projected future earnings of Adonis, Phoenicia and Première Moisson at the date the options will become exercisable. The Corporation categorized the fair value measurement in Level 3, as it is derived from data that is not observable. The projected future earnings of these entities are measured again at each period using a strategic development plan with a weighted annual growth rate of 9.6% as at July 4, 2015. A 1% increase in these earnings would result in a $2.1 increase in the fair value of the non-controlling interest-related liability.

The changes of the non-controlling interest-related liability were as follows:

	Total
Balance as at September 28, 2013	160.5
Issuance through business combinations *(note 3)*	22.0
Change in fair value	9.7
Balance as at September 27, 2014	**192.2**
Change in fair value	**7.8**
Balance as at July 4, 2015	**200.0**

10. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 16 and 40-week periods ended July 4, 2015 (including comparative figures) were approved for issue by the Board of Directors on August 11, 2015.

INFORMATION

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METRO INC.'s corporate information and press releases
are available on the Internet at the following address: www.metro.ca

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