INTERIM REPORT

12-week period ended December 19, 2015

1st Quarter 2016

HIGHLIGHTS

- **Sales of $2,961.6 million, up 4.3%**
- **Same-store sales up 2.8%**
- **Net earnings of $139.8 million, up 24.3%**
- **Fully diluted net earnings per share of $0.56, up 30.2%**
- **Declared dividend of $0.14 per share, up 20.0%**

---

metro

REPORT TO SHAREHOLDERS

Dear Shareholders,

It is with pleasure that I present our interim report for the first quarter of fiscal 2016 ended December 19, 2015.

Sales in the first quarter of 2016 reached $2,961.6 million, up 4.3% compared to $2,840.5 million in the first quarter of 2015. Same-store sales increased by 2.8% (3.8% in the same quarter last year). Our aggregate food basket inflation was 2.8%, same as in the preceding quarter. The merchandising strategies of our different banners, combined with our continued investments in our retail stores, contributed to our sales growth in a very competitive market.

We realized net earnings of $139.8 million in the first quarter of 2016, an increase of 24.3% over $112.5 million for the corresponding quarter of 2015, and fully diluted net earnings per share of $0.56 versus $0.43 in 2015, an increase of 30.2%.

Our financial position at the end of the first quarter of 2016 remains very solid. We had an unused authorized revolving credit facility of $291.3 million and our debt ratio (non-current debt/total capital) was 34.1%.

On January 25, 2016, the Board of Directors declared a quarterly dividend of $0.14 per share, an increase of 20.0% over last year.

We are pleased with our sales momentum and net earnings growth which show that our strategies, coupled with solid execution, are meeting our customers' expectations. Despite a challenging economic backdrop, we are confident that we can continue[3] to grow in the coming quarters.

Eric R. La Flèche
President and Chief Executive Officer

January 26, 2016

[1] See section on "IFRS and non-IFRS Measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
[3] 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 19, 2015 and for the 12-week period 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 12-week period ended December 19, 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 2015 Annual Report. Unless otherwise stated, the interim report is based upon information as at January 15, 2016.

Additional information, including the Certification of Interim Filings letters for the quarter ended December 19, 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 first quarter of 2016 reached $2,961.6 million, up 4.3% compared to $2,840.5 million in the first quarter of 2015. Same-store sales increased by 2.8% (3.8% in the same quarter last year). Our aggregate food basket inflation was 2.8%, same as in the preceding quarter. The merchandising strategies of our different banners, combined with our continued investments in our retail stores, contributed to our sales growth in a very competitive market.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS[1]

Operating income before depreciation and amortization and associate's earnings[1] (Alimentation Couche-Tard) for the first quarter of 2016 totalled $210.3 million or 7.1% of sales versus $190.0 million or 6.7% of sales for the same quarter last year.

Gross margin on sales for the first quarter of 2016 was 19.4% versus 19.3% for the corresponding quarter of 2015. Operating expenses as a percentage of sales for the first quarter were 12.3% versus 12.6% for the corresponding quarter of 2015, leveraging our sales growth.

DEPRECIATION AND AMORTIZATION, NET FINANCIAL COSTS AND EARLY REDEMPTION FEES

Total depreciation and amortization expense for the first quarter of 2016 was $40.3 million versus $40.0 million for the corresponding quarter of 2015.

Net financial costs for the first quarter of 2016 totalled $14.4 million compared to $13.4 million for the corresponding quarter last year. In addition, early redemption fees of $5.9 million of Series A Notes were incurred in the first quarter of 2015.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $30.6 million for the first quarter of 2016 versus $17.9 million for the corresponding quarter of 2015.

INCOME TAXES

The 2016 first quarter income tax expense of $46.4 million represented an effective tax rate of 24.9% compared with the 2015 first quarter tax expense of $36.1 million for an effective tax rate of 24.3%.

NET EARNINGS

Net earnings for the first quarter of 2016 were $139.8 million, an increase of 24.3% over net earnings of $112.5 million for the same quarter of 2015. Fully diluted net earnings per share rose 30.2% to $0.56 from $0.43 last year.

[1] See section on "IFRS and non-IFRS Measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
[3] See section on "Forward-looking Information"

ADJUSTED NET EARNINGS[2]

Excluding after-tax Series A Notes early redemption fees of $4.3 million in first quarter 2015, adjusted net earnings[2] and adjusted fully diluted net earnings per share[2] of first quarter 2016 were up 19.7% and 24.4% over those for 2015.

Net earnings adjustments

	12 weeks / Fiscal Year					
	2016		2015		Change *(%)*	
	(Millions of dollars)	**Fully diluted EPS** ***(Dollars)***	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	**139.8**	**0.56**	112.5	0.43	24.3	30.2
Early redemption fees after taxes	**—**	**—**	4.3	0.02		
Adjusted net earnings[2]	**139.8**	**0.56**	116.8	0.45	19.7	24.4

[1] See section on "IFRS and non-IFRS Measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
[3] See section on "Forward-looking Information"

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2016**	2015	2014	Change *(%)*
Sales				
Q1[4]	**2,961.6**	2,840.5		4.3
Q4[4]		2,833.9	2,712.2	4.5
Q3[5]		3,842.3	3,622.1	6.1
Q2[4]		2,707.1	2,554.8	6.0
Net earnings				
Q1[4]	**139.8**	112.5		24.3
Q4[4]		131.7	115.6	13.9
Q3[5]		163.5	144.5	13.1
Q2[4]		111.6	96.9	15.2
Adjusted net earnings[2]				
Q1[4]	**139.8**	116.8		19.7
Q4[4]		131.7	115.6	13.9
Q3[5]		163.5	144.5	13.1
Q2[4]		111.6	96.9	15.2
Fully diluted net earnings per share ***(Dollars)***				
Q1[4]	**0.56**	0.43		30.2
Q4[4]		0.52	0.44	18.2
Q3[5]		0.64	0.54	18.5
Q2[4]		0.43	0.36	19.4
Adjusted fully diluted net earnings per share[2] ***(Dollars)***				
Q1[4]	**0.56**	0.45		24.4
Q4[4]		0.52	0.44	18.2
Q3[5]		0.64	0.54	18.5
Q2[4]		0.43	0.36	19.4

[4] 12 weeks
[5] 16 weeks

Sales in the first quarter of 2016 reached $2,961.6 million, up 4.3% compared to $2,840.5 million in the first quarter of 2015. Same-store sales increased by 2.8% (3.8% in the same quarter last year). Our aggregate food basket inflation was 2.8%, same as in the preceding quarter. The merchandising strategies of our different banners, combined with our continued investments in our retail stores, contributed to our sales growth in a very competitive market.

Sales in the fourth quarter of 2015 totalled $2,833.9 million, up 4.5% compared to $2,712.2 million for the same quarter of 2014. Same-store sales were up 3.4% (3.1% in the fourth quarter of 2014) while our aggregate food basket experienced inflation of 2.8%, lower than the third quarter of 2015. Our customer-first strategies and our investments in our retail network drove our higher sales in a very competitive market.

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 of 2014. 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 of 2014. 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.

[1] See section on "IFRS and non-IFRS Measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
[3] See section on "Forward-looking Information"

Net earnings for the first quarter of 2016 were $139.8 million, an increase of 24.3% over net earnings of $112.5 million for the same quarter of 2015. Fully diluted net earnings per share rose 30.2% to $0.56 from $0.43 last year. Excluding after-tax Series A Notes early redemption fees of $4.3 million in the first quarter of 2015, adjusted net earnings[2] and adjusted fully diluted net earnings per share[2] of the first quarter of 2016 were up 19.7% and 24.4% over those for 2015.

Net earnings for the fourth quarter of 2015 were $131.7 million, an increase of 13.9% over net earnings of $115.6 million for the same quarter of 2014. Fully diluted net earnings per share rose 18.2% to $0.52 from $0.44 in 2014.

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 in 2014.

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 in 2014.

	2016	2015				2014		
(Millions of dollars)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net earnings	**139.8**	131.7	163.5	111.6	112.5	115.6	144.5	96.9
Early redemption fees after taxes	**—**	—	—	—	4.3	—	—	—
Adjusted net earnings[2]	**139.8**	131.7	163.5	111.6	116.8	115.6	144.5	96.9

	2016	2015				2014		
(Dollars and per share)	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Fully diluted net earnings	**0.56**	0.52	0.64	0.43	0.43	0.44	0.54	0.36
Early redemption fees after taxes	**—**	—	—	—	0.02	—	—	—
Adjusted fully diluted net earnings[2]	**0.56**	0.52	0.64	0.43	0.45	0.44	0.54	0.36

CASH POSITION

OPERATING ACTIVITIES

Operating activities required outflows of $6.8 million in the first quarter of 2016, whereas they had generated cash flows of $11.5 million in the corresponding period of 2015. This change is attributable in part to the variance between the net change in non-cash working capital items in 2016 and that in 2015 .

INVESTING ACTIVITIES

Investing activities required outflows of $95.6 million in the first quarter of 2016, versus $30.7 million for the corresponding period of 2015. This change is due mainly to $33.1 million in business acquisitions in the first quarter of 2016 and over $30.1 million more in fixed and intangible asset acquisitions in the first quarter of 2016 than those in the same quarter of 2015.

During the first quarter of 2016, we and our retailers opened 2 new stores and carried out major expansions and renovations of 10 stores for a gross expansion of 106,600 square feet and a net increase of 64,800 square feet or 0.3% of our retail network.

FINANCING ACTIVITIES

In the first quarter of 2016, financing activities generated cash flows of $80.9 million versus $179.0 million in the same quarter of 2015. This change is attributable to the greater redemption of shares in the first quarter of 2016, in the amount of $156.9 million versus $66.2 million for the same quarter of 2015, and to a smaller net debt increase of $209.7 million in the first quarter of 2016, versus one of $264.3 million in the same quarter of 2015.

(1) See section on "IFRS and non-IFRS Measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
(3) See section on "Forward-looking Information"

FINANCIAL POSITION

We do not anticipate[3] any liquidity risk and consider our financial position at the end of the first quarter of fiscal 2016 as very solid. We had an unused authorized revolving credit facility of $291.3 million. Our non-current debt corresponded to 34.1% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of the first quarter of fiscal 2016, 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, 2020	308.7
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 December 19, 2015	As at September 26, 2015
Financial structure		
Non-current debt *(Millions of dollars)*	**1,355.9**	1,145.1
Equity *(Millions of dollars)*	**2,616.0**	2,657.2
Non-current debt/total capital *(%)*	**34.1**	30.1

	12 weeks / Fiscal Year **2016**	2015
Results		
Operating income before depreciation and amortization and associate's earnings[1]/Financial costs *(Times)*	**14.6**	14.2

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at December 19, 2015	As at September 26, 2015
Number of Common Shares outstanding *(Thousands)*	**237,693**	241,542
Stock options:		
Number outstanding *(Thousands)*	**3,392**	3,838
Exercise prices *(Dollars)*	**11.66 to 35.94**	11.66 to 35.94
Weighted average exercise price *(Dollars)*	**21.25**	20.34
Performance share units:		
Number outstanding *(Thousands)*	**741**	741

(1) See section on "IFRS and non-IFRS Measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
(3) See section on "Forward-looking Information"

NORMAL COURSE ISSUER BID PROGRAM

Under its normal course issuer bid program, the Corporation may repurchase up to 18,000,000 of its Common Shares between September 10, 2015 and September 9, 2016. Between September 10, 2015 and January 15, 2016, the Corporation has repurchased 6,262,291 Common Shares at an average price of $36.18 for a total of $226.6 million.

DIVIDENDS

On January 25, 2016, the Corporation's Board of Directors declared a quarterly dividend of $0.14 per Common Share payable March 15, 2016, an increase of 20.0% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents approximately 25% of 2015 adjusted net earnings[(2)], compared to the percentages of the previous two fiscal years which were 24% and 22%, in accordance with the payout target communicated to shareholders in January 2014.

SHARE TRADING

The value of METRO shares remained in the $35.61 to $39.72 range over the first quarter of 2016. During this period, a total of 35.2 million shares traded on the Toronto Stock Exchange. The closing price on January 15, 2016 was $40.01 compared with $35.73 at the end of fiscal 2015.

NEW ACCOUNTING POLICIES

ADOPTED IN 2016

Presentation of financial statements

In the first quarter of fiscal 2016, the Corporation elected early adoption of the amendments to IAS 1 “Presentation of Financial Statements“. The amendments clarified materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the financial statements. In the first quarter condensed consolidated statements of financial position, the Corporation has aggregated the various equity items.

ISSUED BUT NOT YET EFFECTIVE

Leases

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16 “Leases” which replaces IAS 17 “Leases” and related interpretations. Under this new standard, which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 shall be applied to fiscal years beginning on or after January 1, 2019. Earlier application is permitted under certain conditions. The Corporation will assess, in due course, the impact of this new standard 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 2016 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 2015 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.

(1) See section on "IFRS and non-IFRS Measurements"
(2) See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
(3) See section on "Forward-looking Information"

IFRS AND NON-IFRS MEASUREMENTS

We have included certain International Financial Reporting Standards (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 NET EARNINGS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE

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 prior year's period's earnings, thus enabling them to better evaluate the Corporation's performance and judge its future outlook.

OUTLOOK

We are pleased with our sales momentum and net earnings growth which show that our strategies, coupled with solid execution, are meeting our customers' expectations. Despite a challenging economic backdrop, we are confident that we can continue[3] to grow in the coming quarters.

Montréal, January 26, 2016

[1] See section on "IFRS and non-IFRS Measurements"
[2] See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"
[3] See section on "Forward-looking Information"

This page intentionally left blank

Interim Condensed Consolidated Financial Statements

METRO INC.

December 19, 2015

metro

Table of contents

metro

Condensed consolidated statements of income

Periods ended December 19, 2015 and December 20, 2014

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

	12 weeks Fiscal Year	
	2016	2015
Sales	**2,961.6**	2,840.5
Cost of sales and operating expenses *(note 4)*	**(2,751.3)**	(2,650.5)
Operating income before depreciation and amortization and associate's earnings	**210.3**	190.0
Depreciation and amortization *(note 4)*	**(40.3)**	(40.0)
Financial costs, net *(note 4)*	**(14.4)**	(13.4)
Early redemption fees *(note 4)*	**—**	(5.9)
Share of an associate's earnings *(note 4)*	**30.6**	17.9
Earnings before income taxes	**186.2**	148.6
Income taxes *(note 5)*	**(46.4)**	(36.1)
Net earnings	**139.8**	112.5
Attributable to:		
Equity holders of the parent	**136.6**	109.8
Non-controlling interests	**3.2**	2.7
	139.8	112.5
Net earnings per share *(Dollars) (note 6)*		
Basic	**0.57**	0.44
Fully diluted	**0.56**	0.43

See accompanying notes

metro

Condensed consolidated statements of comprehensive income

Periods ended December 19, 2015 and December 20, 2014

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year **2016**	2015
Net earnings	**139.8**	112.5
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial losses	**(0.5)**	(20.0)
Asset ceiling effect	**(2.7)**	0.8
Minimum funding requirement	**1.3**	—
Share of an associate's other comprehensive income	**(0.4)**	(0.9)
Corresponding income taxes	**0.6**	5.2
	(1.7)	(14.9)
Item that will be reclassified later to net earnings		
Share of an associate's other comprehensive income	**—**	0.1
	(1.7)	(14.8)
Comprehensive income	**138.1**	97.7
Attributable to:		
Equity holders of the parent	**134.9**	95.0
Non-controlling interests	**3.2**	2.7
	138.1	97.7

See accompanying notes

metro

Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at December 19, 2015	As at September 26, 2015
ASSETS		
Current assets		
Cash and cash equivalents	**—**	21.5
Accounts receivable	**345.5**	290.6
Inventories	**939.9**	824.2
Prepaid expenses	**20.8**	18.9
Current taxes	**14.2**	13.1
	1,320.4	1,168.3
Assets held for sale	**4.6**	4.6
	1,325.0	1,172.9
Non-current assets		
Investment in an associate	**344.1**	315.3
Other financial assets	**33.9**	32.7
Fixed assets	**1,503.0**	1,473.2
Investment properties	**25.7**	25.7
Intangible assets	**380.7**	379.2
Goodwill *(note 3)*	**1,954.8**	1,931.5
Deferred taxes	**30.0**	30.7
Defined benefit assets	**27.1**	25.9
	5,624.3	5,387.1
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	**50.0**	0.9
Accounts payable	**1,018.1**	999.4
Current taxes	**37.1**	43.3
Provisions	**3.5**	3.7
Current portion of debt	**15.7**	16.5
	1,124.4	1,063.8
Non-current liabilities		
Debt	**1,355.9**	1,145.1
Defined benefit liabilities	**97.0**	97.9
Provisions	**3.9**	4.3
Deferred taxes	**192.1**	187.4
Other liabilities	**11.0**	10.1
Non-controlling interests *(note 8)*	**224.0**	221.3
	3,008.3	2,729.9
Equity		
Attributable to equity holders of the parent	**2,602.9**	2,643.4
Attributable to non-controlling interests	**13.1**	13.8
	2,616.0	2,657.2
	5,624.3	5,387.1

See accompanying notes

metro

Condensed consolidated statements of changes in equity

Periods ended December 19, 2015 and December 20, 2014

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 7)*	Treasury shares *(note 7)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 26, 2015	**579.0**	**(18.5)**	**18.0**	**2,059.7**	**5.2**	**2,643.4**	**13.8**	**2,657.2**
Net earnings	**—**	**—**	**—**	**136.6**	**—**	**136.6**	**3.2**	**139.8**
Other comprehensive income	**—**	**—**	**—**	**(1.7)**	**—**	**(1.7)**	**—**	**(1.7)**
Comprehensive income	**—**	**—**	**—**	**134.9**	**—**	**134.9**	**3.2**	**138.1**
Stock options exercised	**7.3**	**—**	**(1.3)**	**—**	**—**	**6.0**	**—**	**6.0**
Shares redeemed	**(10.3)**	**—**	**—**	**—**	**—**	**(10.3)**	**—**	**(10.3)**
Share redemption premium	**—**	**—**	**—**	**(146.6)**	**—**	**(146.6)**	**—**	**(146.6)**
Share-based compensation cost	**—**	**—**	**1.9**	**—**	**—**	**1.9**	**—**	**1.9**
Dividends	**—**	**—**	**—**	**(27.9)**	**—**	**(27.9)**	**(0.4)**	**(28.3)**
Share of an associate's equity	**—**	**—**	**0.1**	**0.6**	**—**	**0.7**	**—**	**0.7**
Change in fair value of non-controlling interests liability *(note 8)*	**—**	**—**	**—**	**—**	**—**	**—**	**(2.7)**	**(2.7)**
Sale of shares in joint ventures	**—**	**—**	**—**	**—**	**—**	**—**	**0.3**	**0.3**
Repurchase of shares in joint ventures	**—**	**—**	**—**	**0.8**	**—**	**0.8**	**(1.1)**	**(0.3)**
	(3.0)	**—**	**0.7**	**(173.1)**	**—**	**(175.4)**	**(3.9)**	**(179.3)**
Balance as at December 19, 2015	**576.0**	**(18.5)**	**18.7**	**2,021.5**	**5.2**	**2,602.9**	**13.1**	**2,616.0**

	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 27, 2014	599.2	(15.2)	15.8	2,068.6	0.2	2,668.6	15.5	2,684.1
Net earnings	—	—	—	109.8	—	109.8	2.7	112.5
Other comprehensive income	—	—	—	(14.9)	0.1	(14.8)	—	(14.8)
Comprehensive income	—	—	—	94.9	0.1	95.0	2.7	97.7
Stock options exercised	4.5	—	(0.8)	—	—	3.7	—	3.7
Shares redeemed	(5.7)	—	—	—	—	(5.7)	—	(5.7)
Share redemption premium	—	—	—	(60.5)	—	(60.5)	—	(60.5)
Share-based compensation cost	—	—	1.7	—	—	1.7	—	1.7
Dividends	—	—	—	(25.2)	—	(25.2)	(0.5)	(25.7)
Change in fair value of non-controlling interests liability	—	—	—	—	—	—	(2.2)	(2.2)
	(1.2)	—	0.9	(85.7)	—	(86.0)	(2.7)	(88.7)
Balance as at December 20, 2014	598.0	(15.2)	16.7	2,077.8	0.3	2,677.6	15.5	2,693.1

See accompanying notes

metro

Condensed consolidated statements of cash flows

Periods ended December 19, 2015 and December 20, 2014

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year	
	2016	2015
Operating activities		
Earnings before income taxes	**186.2**	148.6
Non-cash items		
Share of an associate's earnings	**(30.6)**	(17.9)
Depreciation and amortization	**40.3**	40.0
Loss on disposal and write-offs of fixed and intangible assets and investment properties	**0.2**	0.5
Share-based compensation cost	**1.9**	1.7
Difference between amounts paid for employee benefits and current period cost	**(4.7)**	3.1
Early redemption fees *(note 4)*	**—**	5.9
Financial costs, net	**14.4**	13.4
	207.7	195.3
Net change in non-cash working capital items	**(139.3)**	(125.1)
Interest paid	**(27.2)**	(20.4)
Income taxes paid	**(48.0)**	(38.3)
	(6.8)	11.5
Investing activities		
Business acquisitions *(note 3)*	**(33.1)**	—
Net change in other financial assets	**(1.2)**	(0.2)
Dividends from an associate	**2.2**	1.5
Additions to fixed assets	**(55.2)**	(29.5)
Proceeds on disposal of fixed assets and investment properties	**0.1**	1.5
Additions to intangible assets	**(8.4)**	(4.0)
	(95.6)	(30.7)
Financing activities		
Net change in bank loans	**49.1**	2.8
Shares issued *(note 7)*	**6.0**	3.7
Shares redeemed *(note 7)*	**(156.9)**	(66.2)
Increase in debt	**212.9**	602.7
Repayment of debt	**(3.2)**	(338.4)
Net change in other liabilities	**0.9**	(0.4)
Dividends	**(27.9)**	(25.2)
	80.9	179.0
Net change in cash and cash equivalents	**(21.5)**	159.8
Cash and cash equivalents — beginning of period	**21.5**	36.0
Cash and cash equivalents — end of period	**—**	195.8

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 12-week period ended December 19, 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 26, 2015, except for the newly adopted accounting policy described in note 2. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2015 Annual Report.

2. NEW ACCOUNTING POLICIES

ADOPTED IN 2016

Presentation of financial statements

In the first quarter of fiscal 2016, the Corporation elected early adoption of the amendments to IAS 1 "Presentation of Financial Statements". The amendments clarified materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the financial statements. In the first quarter condensed consolidated statements of financial position, the Corporation has aggregated the various equity items.

ISSUED BUT NOT YET EFFECTIVE

Leases

In January 2016, the International Accounting Standards Board (IASB) issued IFRS 16 "Leases" which replaces IAS 17 "Leases" and related interpretations. Under this new standard, which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 shall be applied to fiscal years beginning on or after January 1, 2019. Earlier application is permitted under certain conditions. The Corporation will assess, in due course, the impact of this new standard on its consolidated financial statements.

3. BUSINESS ACQUISITIONS

In the first quarter of 2016, the Corporation acquired the assets of three affiliated stores in Québec which it already supplied, and of a food store from a competitor in Ontario. The total purchase price was $35.3, with a remaining balance of $2.2 to be paid as at December 19, 2015. The acquisition of these stores was accounted for using the purchase method. The stores' results have been consolidated as of their respective acquisition dates. The preliminary total purchase price allocation was as follows:

Net assets acquired at their fair value	
Inventories	3.0
Fixed assets	9.1
Goodwill	23.1
Deferred tax assets	0.1
	35.3
Cash consideration	33.1
Balance due	2.2
	35.3

Management is currently carrying out more detailed analysis and changes to the total purchase price allocation may be made to the value of net assets acquired in the current fiscal year.

Once the total purchase price allocation is finalized, the goodwill from the acquisitions will correspond, on the one hand, to the additional contribution expected from these three stores and, on the other hand, to an increase in customers buying from the new food store. In the goodwill's tax treatment, 75% of the goodwill will be treated as eligible assets with related tax deductions and 25% as non-deductible.

4. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks Fiscal Year	
	2016	2015
Sales	**2,961.6**	2,840.5
Cost of sales and operating expenses		
Cost of sales	**(2,385.6)**	(2,292.9)
Wages and fringe benefits	**(160.5)**	(157.9)
Employee benefit expense	**(18.0)**	(16.4)
Rents, taxes and common costs	**(62.3)**	(61.8)
Electricity and natural gas	**(31.3)**	(30.4)
Other expenses	**(93.6)**	(91.1)
	(2,751.3)	(2,650.5)
Operating income before depreciation and amortization and associate's earnings	**210.3**	190.0
Depreciation and amortization		
Fixed assets	**(34.1)**	(34.1)
Intangible assets	**(6.2)**	(5.9)
	(40.3)	(40.0)
Financing costs, net		
Current interest	**(1.5)**	(1.1)
Non-current interest	**(12.3)**	(11.3)
Interest on defined benefit obligations net of plan assets	**(0.7)**	(1.0)
Amortization of deferred financing costs	**(0.3)**	(0.2)
Interest income	**0.5**	0.4
Passage of time	**(0.1)**	(0.2)
	(14.4)	(13.4)
Early redemption fees	**—**	(5.9)
Share of an associate's earnings	**30.6**	17.9
Earnings before income taxes	**186.2**	148.6

Early redemption fees of $5.9 were recorded following the repayment of the Series A Notes in 2015.

5. INCOME TAXES

The effective income tax rates were as follows:

	12 weeks Fiscal Year	
(Percentage)	**2016**	2015
Combined statutory income tax rate	**26.9**	26.9
Changes		
Share of an associate's earnings	**(2.4)**	(1.8)
Others	**0.4**	(0.8)
	24.9	24.3

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:

	12 weeks Fiscal Year	
(Millions)	**2016**	2015
Weighted average number of shares outstanding – Basic	**239.7**	252.4
Dilutive effect under:		
Stock option plan	**1.6**	1.3
Performance share unit plan	**0.7**	0.8
Weighted average number of shares outstanding – Fully diluted	**242.0**	254.5

7. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number *(Thousands)*	
Balance as at September 27, 2014	254,231	599.2
Shares redeemed for cash, excluding premium of $387.9	(12,676)	(30.1)
Stock options exercised	730	9.9
Balance as at September 26, 2015	**242,285**	**579.0**
Shares redeemed for cash, excluding premium of $146.6	**(4,295)**	**(10.3)**
Stock options exercised	**446**	**7.3**
Balance as at December 19, 2015	**238,436**	**576.0**

TREASURY SHARES

The treasury shares were summarized as follows:

	Number *(Thousands)*	
Balance as at September 27, 2014	761	(15.2)
Acquisition	200	(7.0)
Release	(218)	3.7
Balance as at September 26 and December 19, 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 237,693,000 outstanding Common Shares issued as at December 19, 2015 (241,542,000 as at September 26, 2015).

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 27, 2014	4,125	16.97
Granted	484	35.42
Exercised	(730)	11.15
Cancelled	(41)	23.42
Balance as at September 26, 2015	**3,838**	**20.34**
Exercised	**(446)**	**13.40**
Balance as at December 19, 2015	**3,392**	**21.25**

The exercise prices of the outstanding options ranged from $11.66 to $35.94 as at December 19, 2015 with expiration dates up to 2022. 838,640 of those options could be exercised at a weighted average exercise price of $16.64.

The compensation expense for these options amounted to $0.5 for the 12-week period ended December 19, 2015 ($0.5 in 2015).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number *(Thousands)*
Balance as at September 27, 2014	803
Granted	175
Settled	(229)
Cancelled	(8)
Balance as at September 26 and December 19, 2015	**741**

The compensation expense for the PSU plan amounted to $1.4 for the 12-week period ended December 19, 2015 ($1.2 in 2015).

8. FINANCIAL INSTRUMENTS

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

	As at December 19, 2015		As at September 26, 2015	
	Book value	**Fair value**	Book value	Fair value
Other financial assets				
Loans and receivables				
Loans to certain customers	**32.0**	**32.0**	31.6	31.6
Non-controlling interests				
Financial liability held for trading	**224.0**	**224.0**	221.3	221.3
Debt				
Other financial liabilities				
Revolving Credit Facility	**308.7**	**308.7**	97.5	97.5
Series C Notes	**300.0**	**309.1**	300.0	307.6
Series B Notes	**400.0**	**458.7**	400.0	453.1
Series D Notes	**300.0**	**307.7**	300.0	303.2
Loans	**37.6**	**37.6**	38.0	38.0
Obligations under finance leases	**32.0**	**38.1**	33.0	39.2
	1,378.3	**1,459.9**	1,168.5	1,238.6

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 as of 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 8.6% as at December 19, 2015 (9.6% as at December 20, 2014). A 1% increase in these earnings would result in a $2.0 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 27, 2014	192.2
Change in fair value	29.1
Balance as at September 26, 2015	**221.3**
Change in fair value	**2.7**
Balance as at December 19, 2015	**224.0**

9. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week period ended December 19, 2015 (including comparative figures) were approved for issue by the Board of Directors on January 25, 2016.

INFORMATION

METRO INC.'s Investor Relations Department
Telephone: (514) 643-1000

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

metro