INTERIM REPORT

12-week period ended September 24, 2016

4th Quarter and Fiscal 2016

HIGHLIGHTS

2016 Fourth quarter

- **Sales of $2,928.9 million, up 3.4%**
- **Same-store sales up 2.8%**
- **Net earnings of $145.0 million, up 10.1%**
- **Fully diluted net earnings per share of $0.60, up 15.4%**
- **Declared dividend of $0.14 per share, up 20.0%**

Fiscal 2016

- **Sales of $12,787.9 million, up 4.6%**
- **Same-store sales up 3.7%**
- **Net earnings of $586.2 million, up 12.9%**
- **Fully diluted net earnings per share of $2.39, up 18.9%**

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REPORT TO SHAREHOLDERS

Dear Shareholders,

It is with pleasure that I present our interim report for the fourth quarter of fiscal 2016 ended September 24, 2016.

Sales in the fourth quarter of 2016 reached $2,928.9 million, up 3.4% compared to $2,833.9 million in the fourth quarter of 2015. Same-store sales increased by 2.8% (3.4% in the same quarter last year), while our food basket inflation was 0.7%. Our effective merchandising strategies combined with solid store execution contributed to our sales growth.

We realized net earnings of $145.0 million in the fourth quarter of 2016, an increase of 10.1% over $131.7 million for the corresponding quarter of 2015, and fully diluted net earnings per share of $0.60 versus $0.52 in 2015, an increase of 15.4%.

Our financial position at the end of the fourth quarter of 2016 remains very solid. We had an unused authorized revolving credit facility of $415.4 million and our debt ratio (non-current debt/total capital) was 31.4%.

On September 26, 2016, the Board of Directors declared a quarterly dividend of $0.14 per share, an increase of 20.0% over last year.

We are very pleased with our fourth quarter and fiscal 2016 results, a year that saw strong growth in same store sales, operating income and net earnings per share. I congratulate all our teams and retailers for these excellent results. Despite a highly competitive environment and current low food price inflation, we are confident that the execution of our business plans and our investments in our store network will allow[2] us to continue to grow.

Eric R. La Flèche
President and Chief Executive Officer

November 16, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on September 24, 2016 and for the 12-week period and fiscal year 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 and fiscal year ended September 24, 2016 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 October 28, 2016.

The MD&A, the Annual Consolidated Financial Statements, and the Certification of Annual Filings letters for fiscal year ended September 24, 2016 signed by the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Treasurer, will be available in December on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

SALES

Sales in the fourth quarter of 2016 reached $2,928.9 million, up 3.4% compared to $2,833.9 million in the fourth quarter of 2015. Same-store sales increased by 2.8% (3.4% in the same quarter last year), while our food basket inflation was 0.7%. Our effective merchandising strategies combined with solid store execution contributed to our sales growth.

Sales for fiscal 2016 totalled $12,787.9 million compared to $12,223.8 million for fiscal 2015, an increase of 4.6%, and same-store sales were up 3.7%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

This earnings measurement excludes financial costs, taxes, early redemption fees, depreciation and amortization and associate's earnings.

Operating income before depreciation and amortization and associate's earnings (Alimentation Couche-Tard) for the fourth quarter of 2016 totalled $221.6 million or 7.6% of sales versus $207.4 million or 7.3% of sales for the same quarter last year.

For fiscal 2016, operating income before depreciation and amortization and associate's earning totalled $931.3 million or 7.3% of sales versus $857.8 million or 7.0% of sales for fiscal 2015.

Gross margin on sales for the fourth quarter and fiscal 2016 were 19.8% and 19.7% respectively versus 20.0% and 19.7% for the corresponding periods of 2015. Operating expenses as a percentage of sales for the fourth quarter and fiscal 2016 were 12.2% and 12.4% respectively versus 12.6% and 12.7% for the corresponding periods of 2015, leveraging our sales growth.

DEPRECIATION AND AMORTIZATION, NET FINANCIAL COSTS AND EARLY REDEMPTION FEES

Total depreciation and amortization expenses for the fourth quarter and fiscal 2016 were $43.9 million and $182.8 million respectively versus $42.9 million and $177.0 million for the corresponding periods of 2015.

Net financial costs for the fourth quarter of 2016 totalled $14.0 million compared to $13.4 for the same quarter last year. For fiscal 2016, net financial costs totalled $61.4 million compared to $58.7 million in 2015. In addition, early redemption fees of $5.9 million of Series A Notes were incurred in the first quarter of 2015.

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

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SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $23.8 million for the fourth quarter of 2016 versus $21.4 million for the corresponding quarter of 2015.

Our share of earnings in Alimentation Couche-Tard was $91.1 million for fiscal 2016 versus $64.3 million in 2015.

INCOME TAXES

The 2016 fourth quarter income tax expense of $42.5 million represented an effective tax rate of 22.7% compared with the 2015 fourth quarter tax expense of $40.8 million for an effective tax rate of 23.7%.

The income tax expense of $192.0 million for fiscal 2016 and $161.2 million for fiscal 2015 represented effective tax rates of 24.7% and 23.7% respectively.

NET EARNINGS

Net earnings for the fourth quarter of 2016 were $145.0 million, an increase of 10.1% over net earnings of $131.7 million for the fourth quarter of 2015. Fully diluted net earnings per share rose 15.4% to $0.60 from $0.52 last year.

Net earnings for fiscal 2016 were $586.2 million, an increase of 12.9% over net earnings of $519.3 million for fiscal 2015. Fully diluted net earnings per share rose 18.9% to $2.39 from $2.01 last year.

ADJUSTED NET EARNINGS(1)

Excluding after-tax Series A Notes early redemption fees of $4.3 million in fiscal 2015, net earnings and fully diluted net earnings per share of 2016 were up 12.0% and 17.7% over adjusted net earnings(1) and adjusted fully diluted net earnings per share(1) of 2015.

Net earnings adjustments

	52 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	**586.2**	**2.39**	519.3	2.01	12.9	18.9
Early redemption fees after taxes	**—**	**—**	4.3	0.02		
Adjusted net earnings(1)	**586.2**	**2.39**	523.6	2.03	12.0	17.7

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

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QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2016**	2015	Change *(%)*
Sales			
Q4(3)	**2,928.9**	2,833.9	3.4
Q3(4)	**4,015.4**	3,842.3	4.5
Q2(3)	**2,882.0**	2,707.1	6.5
Q1(3)	**2,961.6**	2,840.5	4.3
Fiscal	**12,787.9**	12,223.8	4.6
Net earnings			
Q4(3)	**145.0**	131.7	10.1
Q3(4)	**176.5**	163.5	8.0
Q2(3)	**124.9**	111.6	11.9
Q1(3)	**139.8**	112.5	24.3
Fiscal	**586.2**	519.3	12.9
Adjusted net earnings(1)			
Q4(3)	**145.0**	131.7	10.1
Q3(4)	**176.5**	163.5	8.0
Q2(3)	**124.9**	111.6	11.9
Q1(3)	**139.8**	116.8	19.7
Fiscal	**586.2**	523.6	12.0
Fully diluted net earnings per share ***(Dollars)***			
Q4(3)	**0.60**	0.52	15.4
Q3(4)	**0.72**	0.64	12.5
Q2(3)	**0.51**	0.43	18.6
Q1(3)	**0.56**	0.43	30.2
Fiscal	**2.39**	2.01	18.9
Adjusted fully diluted net earnings per share(1) ***(Dollars)***			
Q4(3)	**0.60**	0.52	15.4
Q3(4)	**0.72**	0.64	12.5
Q2(3)	**0.51**	0.43	18.6
Q1(3)	**0.56**	0.45	24.4
Fiscal	**2.39**	2.03	17.7

(3) 12 weeks
(4) 16 weeks

Sales in the fourth quarter of 2016 reached $2,928.9 million, up 3.4% compared to $2,833.9 million in the fourth quarter of 2015. Same-store sales increased by 2.8% (3.4% in the same quarter last year), while our food basket inflation was 0.7%. Our effective merchandising strategies combined with solid store execution contributed to our sales growth.

Sales in the third quarter of 2016 reached $4,015.4 million, up 4.5% compared to $3,842.3 million in the third quarter of 2015. Same-store sales increased by 3.9% (4.3% in the same quarter of 2015). Our aggregate food basket inflation declined from the previous two quarters to a level of 1.5%. Our multi-store formats, our efficient merchandising strategies and our in-store execution all contributed to our growth.

Sales in the second quarter of 2016 reached $2,882.0 million, up 6.5% compared to $2,707.1 million in the second quarter of 2015. Same-store sales increased by 5.0% (4.5% in the same quarter of 2015). Our aggregate food basket inflation was 3.0%. Our constant focus on customer expectations and major investments in our stores fueled our growth in a highly competitive market.

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

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 of 2015). Our aggregate food basket inflation was 2.8%, same as in the fourth quarter of 2014. 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.

Net earnings for the fourth quarter of 2016 were $145.0 million, an increase of 10.1% over net earnings of $131.7 million for the same quarter of 2015. Fully diluted net earnings per share rose 15.4% to $0.60 from $0.52 last year.

Net earnings for the third quarter of 2016 were $176.5 million, an increase of 8.0% over net earnings of $163.5 million for the same quarter of 2015. Fully diluted net earnings per share rose 12.5% to $0.72 from $0.64 last year.

Net earnings for the second quarter of 2016 were $124.9 million, an increase of 11.9% over net earnings of $111.6 million for the same quarter of 2015. Fully diluted net earnings per share rose 18.6% to $0.51 from $0.43 last year.

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 for the first quarter of 2015. Excluding after-tax Series A Notes early redemption fees of $4.3 million in the first quarter of 2015, net earnings and fully diluted net earnings per share for the first quarter of 2016 were up 19.7% and 24.4% over adjusted net earnings[(1)] and adjusted fully diluted net earnings per share[(1)] for 2015.

	2016				2015			
(Millions of dollars)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Net earnings	**145.0**	**176.5**	**124.9**	**139.8**	131.7	163.5	111.6	112.5
Early redemption fees after taxes	**—**	**—**	**—**	**—**	—	—	—	4.3
Adjusted net earnings[(1)]	**145.0**	**176.5**	**124.9**	**139.8**	131.7	163.5	111.6	116.8

	2016				2015			
(Dollars and per share)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Fully diluted net earnings	**0.60**	**0.72**	**0.51**	**0.56**	0.52	0.64	0.43	0.43
Early redemption fees after taxes	**—**	**—**	**—**	**—**	—	—	—	0.02
Adjusted fully diluted net earnings[(1)]	**0.60**	**0.72**	**0.51**	**0.56**	0.52	0.64	0.43	0.45

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of $224.0 million in the fourth quarter and $707.4 million over fiscal 2016 compared to $248.0 million and $678.3 million for the corresponding periods of 2015.

INVESTING ACTIVITIES

Investing activities required outflows of $94.9 million in the fourth quarter versus $115.1 million for the corresponding quarter of 2015.

Over fiscal 2016, investing activities required $328.3 million versus $253.1 million in 2015. Higher fixed and intangible asset acquisitions of $54.8 million, as well as $35.0 million in business acquisition explain the increase.

During fiscal 2016, we and our retailers opened 8 new stores and carried out major expansions and renovations of 43 stores for a gross expansion of 428,300 square feet and a net increase of 135,100 square feet or 0.7% of our retail network.

[(1)] *See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"*
[(2)] *See section on "Forward-looking Information"*

FINANCING ACTIVITIES

We utilized $101.6 million in funds in the fourth quarter of 2016 versus $116.5 million in the same quarter of 2015. This variance is attributable primarily to a smaller net debt increase of $49.9 million and the lower redemption of shares, in the amount of $71.4 million, in 2016 compared to 2015.

Over fiscal 2016, we utilized $373.1 million in funds versus $439.7 million in 2015. This variation is attributable primarily to a $86.7 million lower redemption of shares in 2016.

FINANCIAL POSITION

We do not anticipate[2] any liquidity risk and consider our financial position at the end of the fiscal 2016 as very solid. We had an unused authorized revolving credit facility of $415.4 million. Our non-current debt corresponded to 31.4% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end 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	3 novembre 2021	184.6
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 September 24, 2016	As at September 26, 2015
Financial structure		
Non-current debt *(Millions of dollars)*	**1,231.0**	1,145.1
Equity *(Millions of dollars)*	**2,693.2**	2,657.2
Non-current debt/total capital *(%)*	**31.4**	30.1
	52 weeks / Fiscal Year	
	2016	2015
Results		
Operating income before depreciation and amortization and associate's earnings/Financial costs *(Times)*	**15.2**	14.6

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at September 24, 2016	As at September 26, 2015
Number of Common Shares outstanding *(Thousands)*	**233,846**	241,542
Stock options:		
Number outstanding *(Thousands)*	**3,483**	3,838
Exercise prices *(Dollars)*	**14.55 to 44.73**	11.66 to 35.94
Weighted average exercise price *(Dollars)*	**23.67**	20.34
Performance share units:		
Number outstanding *(Thousands)*	**664**	741

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

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program covering the period between September 10, 2015 and September 9, 2016, the Corporation repurchased 9,842,328 Common Shares at an average price of $38.26 for a total of $376.6 million.

The Corporation decided to renew its normal course issuer bid program as an additional option for using excess funds in the Corporation's best interest. The Board of Directors authorized the Corporation to repurchase, in the normal course of business, between September 12, 2016 and September 11, 2017, up to 12,000,000 of its Common Shares representing approximately 5.1% of its issued and outstanding shares at the close of the Toronto Stock Exchange on August 31, 2016. Repurchases are made through the stock exchange at market price and in accordance with its policies and regulations, and in any other manner allowed by the stock exchange and by any other securities regulatory agency, including private transactions. Between September 12, 2016 and October 28, 2016, the Corporation has repurchased 2,284,380 Common Shares at an average price of $42.24 for a total of $96.5 million.

DIVIDENDS

On September 26, 2016, the Corporation's Board of Directors declared a quarterly dividend of $0.14 per Common Share payable November 14, 2016, an increase of 20.0% over the dividend declared for the same quarter last year. This dividend of $0.14 equals the dividend declared in the first, second and third quarters of 2016. Dividends paid in fiscal 2016 represent approximately 24% of 2015 adjusted net earnings(1), compared to the percentages of the previous two fiscal years which were 24% and 22%.

SHARE TRADING

The value of METRO shares remained in the $35.61 to $48.19 range over fiscal 2016. During this period, a total of 144.4 million shares traded on the Toronto Stock Exchange. The closing price on October 28, 2016 was $41.56 compared with $44.09 at the end of fiscal 2016.

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 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 "allow", "anticipate" and other similar expressions are generally indicative of forward-looking statements. The forward-looking statements contained herein are based upon certain assumptions regarding the Canadian food industry, the general economy, our annual budget, as well as our 2017 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

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

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.

NON-IFRS MEASUREMENTS

In addition to the International Financial Reporting Standards (IFRS) earnings measurements provided, we have included certain 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.

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 very pleased with our fourth quarter and fiscal 2016 results, a year that saw strong growth in same store sales, operating income and net earnings per share. Despite a highly competitive environment and current low food price inflation, we are confident that the execution of our business plans and our investments in our store network will allow [(2)] us to continue to grow.

Montréal, November 16, 2016

[(1)] See table on "Net earnings adjustments" and section on "Non-IFRS Measurements"
[(2)] See section on "Forward-looking Information"

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Interim Condensed Consolidated Financial Statements

METRO INC.

September 24, 2016

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Condensed consolidated statements of income

Periods ended September 24, 2016 and September 26, 2015

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

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2016	2015	**2016**	2015
Sales	**2,928.9**	2,833.9	**12,787.9**	12,223.8
Cost of sales and operating expenses *(note 4)*	**(2,707.3)**	(2,626.5)	**(11,856.6)**	(11,366.0)
Operating income before depreciation and amortization and associate's earnings	**221.6**	207.4	**931.3**	857.8
Depreciation and amortization *(note 4)*	**(43.9)**	(42.9)	**(182.8)**	(177.0)
Financial costs, net *(note 4)*	**(14.0)**	(13.4)	**(61.4)**	(58.7)
Early redemption fees *(note 4)*	**—**	—	**—**	(5.9)
Share of an associate's earnings *(note 4)*	**23.8**	21.4	**91.1**	64.3
Earnings before income taxes	**187.5**	172.5	**778.2**	680.5
Income taxes *(note 5)*	**(42.5)**	(40.8)	**(192.0)**	(161.2)
Net earnings	**145.0**	131.7	**586.2**	519.3
Attributable to:				
Equity holders of the parent	**141.3**	127.8	**571.5**	506.1
Non-controlling interests	**3.7**	3.9	**14.7**	13.2
	145.0	131.7	**586.2**	519.3
Net earnings per share *(Dollars) (note 6)*				
Basic	**0.60**	0.52	**2.41**	2.03
Fully diluted	**0.60**	0.52	**2.39**	2.01

See accompanying notes

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Condensed consolidated statements of comprehensive income

Periods ended September 24, 2016 and September 26, 2015

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2016	2015	**2016**	2015
Net earnings	**145.0**	131.7	**586.2**	519.3
Other comprehensive income				
Items that will not be reclassified to net earnings				
Changes in defined benefit plans				
Actuarial gains (losses)	**(31.5)**	14.7	**(90.7)**	7.4
Asset ceiling effect	**(1.0)**	4.4	**(0.9)**	5.1
Minimum funding requirement	**(0.7)**	(1.2)	**0.6**	(1.2)
Share of an associate's other comprehensive income	**(0.1)**	1.9	**(0.7)**	0.2
Corresponding income taxes	**8.9**	(5.0)	**24.3**	(3.0)
	(24.4)	14.8	**(67.4)**	8.5
Items that will be reclassified later to net earnings				
Share of an associate's other comprehensive income	**0.7**	0.1	**(0.6)**	5.8
Corresponding income taxes	**(0.1)**	—	**0.1**	(0.8)
	0.6	0.1	**(0.5)**	5.0
	(23.8)	14.9	**(67.9)**	13.5
Comprehensive income	**121.2**	146.6	**518.3**	532.8
Attributable to:				
Equity holders of the parent	**117.5**	142.7	**503.6**	519.6
Non-controlling interests	**3.7**	3.9	**14.7**	13.2
	121.2	146.6	**518.3**	532.8

See accompanying notes

Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at September 24, 2016	As at September 26, 2015
ASSETS		
Current assets		
Cash and cash equivalents	**27.5**	21.5
Accounts receivable	**306.4**	290.6
Inventories	**827.5**	824.2
Prepaid expenses	**19.7**	18.9
Current taxes	**11.9**	13.1
	1,193.0	1,168.3
Assets held for sale	**—**	4.6
	1,193.0	1,172.9
Non-current assets		
Investment in an associate	**396.5**	315.3
Other financial assets	**32.1**	32.7
Fixed assets	**1,594.8**	1,473.2
Investment properties	**25.7**	25.7
Intangible assets	**391.7**	379.2
Goodwill *(note 3)*	**1,955.4**	1,931.5
Deferred taxes	**9.4**	30.7
Defined benefit assets	**7.5**	25.9
	5,606.1	5,387.1
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	**1.4**	0.9
Accounts payable	**1,012.8**	999.4
Current taxes	**35.2**	43.3
Provisions	**2.6**	3.7
Current portion of debt	**15.5**	16.5
	1,067.5	1,063.8
Non-current liabilities		
Debt	**1,231.0**	1,145.1
Defined benefit liabilities	**160.7**	97.9
Provisions	**2.8**	4.3
Deferred taxes	**193.9**	187.4
Other liabilities	**12.2**	10.1
Non-controlling interests *(note 8)*	**244.8**	221.3
	2,912.9	2,729.9
Equity		
Attributable to equity holders of the parent	**2,680.6**	2,643.4
Attributable to non-controlling interests	**12.6**	13.8
	2,693.2	2,657.2
	5,606.1	5,387.1

See accompanying notes

Condensed consolidated statements of changes in equity

Periods ended September 24, 2016 and September 26, 2015

(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	**—**	**—**	**—**	**571.5**	**—**	**571.5**	**14.7**	**586.2**
Other comprehensive income	**—**	**—**	**—**	**(67.4)**	**(0.5)**	**(67.9)**	**—**	**(67.9)**
Comprehensive income	**—**	**—**	**—**	**504.1**	**(0.5)**	**503.6**	**14.7**	**518.3**
Stock options exercised	**12.4**	**—**	**(2.1)**	**—**	**—**	**10.3**	**—**	**10.3**
Shares redeemed	**(20.4)**	**—**	**—**	**—**	**—**	**(20.4)**	**—**	**(20.4)**
Share redemption premium	**—**	**—**	**—**	**(310.9)**	**—**	**(310.9)**	**—**	**(310.9)**
Acquisition of treasury shares	**—**	**(7.1)**	**—**	**—**	**—**	**(7.1)**	**—**	**(7.1)**
Share-based compensation cost	**—**	**—**	**8.5**	**—**	**—**	**8.5**	**—**	**8.5**
Performance share units settlement	**—**	**5.1**	**(5.2)**	**(0.1)**	**—**	**(0.2)**	**—**	**(0.2)**
Dividends	**—**	**—**	**—**	**(127.1)**	**—**	**(127.1)**	**(12.6)**	**(139.7)**
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)*	**—**	**—**	**—**	**(21.0)**	**—**	**(21.0)**	**(2.5)**	**(23.5)**
Sale of shares in joint ventures	**—**	**—**	**—**	**—**	**—**	**—**	**0.3**	**0.3**
Repurchase of shares in joint ventures	**—**	**—**	**—**	**0.8**	**—**	**0.8**	**(1.1)**	**(0.3)**
	(8.0)	**(2.0)**	**1.3**	**(457.7)**	**—**	**(466.4)**	**(15.9)**	**(482.3)**
Balance as at September 24, 2016	**571.0**	**(20.5)**	**19.3**	**2,106.1**	**4.7**	**2,680.6**	**12.6**	**2,693.2**

See accompanying notes

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Condensed consolidated statements of changes in equity

Periods ended September 24, 2016 and September 26, 2015

(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 27, 2014	599.2	(15.2)	15.8	2,068.6	0.2	2,668.6	15.5	2,684.1
Net earnings	—	—	—	506.1	—	506.1	13.2	519.3
Other comprehensive income	—	—	—	8.5	5.0	13.5	—	13.5
Comprehensive income	—	—	—	514.6	5.0	519.6	13.2	532.8
Stock options exercised	9.9	—	(1.8)	—	—	8.1	—	8.1
Shares redeemed	(30.1)	—	—	—	—	(30.1)	—	(30.1)
Share redemption premium	—	—	—	(387.9)	—	(387.9)	—	(387.9)
Acquisition of treasury shares	—	(7.0)	—	—	—	(7.0)	—	(7.0)
Share-based compensation cost	—	—	7.8	—	—	7.8	—	7.8
Performance share units settlement	—	3.7	(3.8)	(0.2)	—	(0.3)	—	(0.3)
Dividends	—	—	—	(111.9)	—	(111.9)	(8.6)	(120.5)
Change in fair value of non-controlling interests liability *(note 8)*	—	—	—	(24.7)	—	(24.7)	(4.4)	(29.1)
Repurchase of shares in joint ventures	—	—	—	1.2	—	1.2	(1.9)	(0.7)
	(20.2)	(3.3)	2.2	(523.5)	—	(544.8)	(14.9)	(559.7)
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

See accompanying notes

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Condensed consolidated statements of cash flows

Periods ended September 24, 2016 and September 26, 2015

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2016	2015	**2016**	2015
Operating activities				
Earnings before income taxes	**187.5**	172.5	**778.2**	680.5
Non-cash items				
Share of an associate's earnings	**(23.8)**	(21.4)	**(91.1)**	(64.3)
Depreciation and amortization	**43.9**	42.9	**182.8**	177.0
Loss on disposal and write-offs of fixed and intangible assets, investment properties and assets held for sale	**0.7**	0.1	**1.9**	0.6
Impairment losses on fixed and intangible assets and assets held for sale	**—**	1.3	**0.8**	10.5
Impairment loss reversals on fixed and intangible assets	**(3.9)**	(0.8)	**(5.0)**	(4.4)
Share-based compensation cost	**2.0**	1.8	**8.5**	7.8
Difference between amounts paid for employee benefits and current period cost	**(1.9)**	(2.0)	**(13.5)**	(4.2)
Early redemption fees *(note 4)*	**—**	—	**—**	5.9
Financial costs, net	**14.0**	13.4	**61.4**	58.7
	218.5	207.8	**924.0**	868.1
Net change in non-cash working capital items	**32.4**	78.2	**(9.1)**	10.6
Interest paid	**(3.4)**	(1.3)	**(60.6)**	(58.1)
Income taxes paid	**(23.5)**	(36.7)	**(146.9)**	(142.3)
	224.0	248.0	**707.4**	678.3
Investing activities				
Business acquisitions *(note 3)*	**—**	—	**(35.0)**	—
Repurchase of shares in joint ventures	**—**	—	**—**	(0.7)
Net change in other financial assets	**2.0**	(2.0)	**0.6**	(3.2)
Dividends from an associate	**2.6**	1.8	**9.4**	6.4
Additions to fixed assets	**(85.9)**	(93.7)	**(278.0)**	(220.0)
Disposal of fixed assets and investment properties	**0.1**	0.1	**10.3**	3.2
Additions to intangible assets	**(13.7)**	(21.3)	**(35.6)**	(38.8)
	(94.9)	(115.1)	**(328.3)**	(253.1)
Financing activities				
Net change in bank loans	**(1.3)**	0.4	**0.5**	(0.6)
Shares issued *(note 7)*	**0.3**	1.2	**10.3**	8.1
Shares redeemed *(note 7)*	**(71.7)**	(143.1)	**(331.3)**	(418.0)
Acquisition of treasury shares *(note 7)*	**—**	—	**(7.1)**	(7.0)
Performance share units cash settlement	**—**	—	**(0.2)**	(0.3)
Increase in debt	**3.9**	54.6	**222.3**	701.8
Repayment of debt	**(0.3)**	(1.1)	**(142.6)**	(611.3)
Net change in other liabilities	**0.4**	—	**2.1**	(0.5)
Dividends	**(32.9)**	(28.5)	**(127.1)**	(111.9)
	(101.6)	(116.5)	**(373.1)**	(439.7)
Net change in cash and cash equivalents	**27.5**	16.4	**6.0**	(14.5)
Cash and cash equivalents — beginning of period	**—**	5.1	**21.5**	36.0
Cash and cash equivalents — end of period	**27.5**	21.5	**27.5**	21.5

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 and fiscal year ended September 24, 2016 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 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.

(Unaudited) (Millions of dollars, unless otherwise indicated)

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 $0.3 to be paid as at September 24, 2016. 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 final 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	35.0
Balance due	0.3
	35.3

The goodwill from the acquisitions correspond to the additional contribution expected from the stores in Québec and to an increase in customers buying from the new food store in Ontario. In the goodwill's tax treatment, 75% of the goodwill is treated as eligible assets with related tax deductions and 25% as non-deductible.

(Unaudited) (Millions of dollars, unless otherwise indicated)

4. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks Fiscal Year		52 weeks Fiscal Year	
	2016	2015	**2016**	2015
Sales	**2,928.9**	2,833.9	**12,787.9**	12,223.8
Cost of sales and operating expenses				
Cost of sales	**(2,350.2)**	(2,268.2)	**(10,271.1)**	(9,813.5)
Wages and fringe benefits	**(157.1)**	(154.7)	**(697.8)**	(686.8)
Employee benefit expense	**(18.2)**	(17.4)	**(77.8)**	(69.7)
Rents, taxes and common costs	**(64.4)**	(63.0)	**(278.4)**	(274.2)
Electricity and natural gas	**(33.7)**	(33.7)	**(142.3)**	(135.4)
Impairment losses on fixed and intangible assets and assets held for sale	**—**	(1.3)	**(0.8)**	(10.5)
Impairment loss reversals on fixed and intangible assets	**3.9**	0.8	**5.0**	4.4
Other expenses	**(87.6)**	(89.0)	**(393.4)**	(380.3)
	(2,707.3)	(2,626.5)	**(11,856.6)**	(11,366.0)
Operating income before depreciation and amortization and associate's earnings	**221.6**	207.4	**931.3**	857.8
Depreciation and amortization				
Fixed assets	**(37.8)**	(36.5)	**(156.3)**	(150.1)
Investment properties	**—**	(0.1)	**—**	(0.1)
Intangible assets	**(6.1)**	(6.3)	**(26.5)**	(26.8)
	(43.9)	(42.9)	**(182.8)**	(177.0)
Financing costs, net				
Current interest	**(2.2)**	(0.7)	**(5.8)**	(4.1)
Non-current interest	**(12.3)**	(11.8)	**(54.4)**	(51.1)
Interest on defined benefit obligations net of plan assets	**(0.9)**	(1.0)	**(3.7)**	(4.3)
Amortization of deferred financing costs	**(0.1)**	(0.2)	**(0.9)**	(1.0)
Interest income	**1.6**	0.4	**3.7**	2.2
Passage of time	**(0.1)**	(0.1)	**(0.3)**	(0.4)
	(14.0)	(13.4)	**(61.4)**	(58.7)
Early redemption fees	**—**	—	**—**	(5.9)
Share of an associate’s earnings	**23.8**	21.4	**91.1**	64.3
Earnings before income taxes	**187.5**	172.5	**778.2**	680.5

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

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		52 weeks Fiscal Year	
(Percentage)	**2016**	2015	**2016**	2015
Combined statutory income tax rate	**26.8**	26.9	**26.8**	26.9
Changes				
Share of an associate's earnings	**(1.9)**	(1.8)	**(1.7)**	(1.4)
Others	**(2.2)**	(1.4)	**(0.4)**	(1.8)
	22.7	23.7	**24.7**	23.7

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		52 weeks Fiscal Year	
(Millions)	**2016**	2015	**2016**	2015
Weighted average number of shares outstanding – Basic	**235.1**	244.3	**237.1**	248.9
Dilutive effect under:				
Stock option plan	**1.6**	1.6	**1.5**	1.6
Performance share unit plan	**0.6**	0.7	**0.7**	0.7
Weighted average number of shares outstanding – Fully diluted	**237.3**	246.6	**239.3**	251.2

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 $310.9	**(8,477)**	**(20.4)**
Stock options exercised	**703**	**12.4**
Balance as at September 24, 2016	**234,511**	**571.0**

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, 2015	**743**	**(18.5)**
Acquisition	**165**	**(7.1)**
Release	**(243)**	**5.1**
Balance as at September 24, 2016	**665**	**(20.5)**

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 233,846,000 outstanding Common Shares issued as at September 24, 2016 (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**
Granted	**392**	**40.40**
Exercised	**(703)**	**14.59**
Cancelled	**(44)**	**27.35**
Balance as at September 24, 2016	**3,483**	**23.67**

The exercise prices of the outstanding options ranged from $14.55 to $44.73 as at September 24, 2016 with expiration dates up to 2023. 1,275,180 of those options could be exercised at a weighted average exercise price of $17.64.

The compensation expense for these options amounted to $0.5 and $2.2 respectively for the 12 and 52-week periods ended September 24, 2016 ($0.4 and $2.2 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, 2015	**741**
Granted	**184**
Settled	**(247)**
Cancelled	**(14)**
Balance as at September 24, 2016	**664**

The compensation expense for the PSU plan amounted to $1.5 and $6.3 respectively for the 12 and 52-week periods ended September 24, 2016 ($1.4 and $5.6 in 2015).

8. FINANCIAL INSTRUMENTS

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

	As at September 24, 2016		As at September 26, 2015	
	Book value	**Fair value**	Book value	Fair value
Other financial assets				
Loans and receivables				
Loans to certain customers	**31.4**	**31.4**	31.6	31.6
Non-controlling interests				
Financial liability held for trading	**244.8**	**244.8**	221.3	221.3
Debt				
Other financial liabilities				
Revolving Credit Facility	**184.6**	**184.6**	97.5	97.5
Series C Notes	**300.0**	**317.9**	300.0	307.6
Series B Notes	**400.0**	**494.2**	400.0	453.1
Series D Notes	**300.0**	**343.4**	300.0	303.2
Loans	**39.0**	**39.0**	38.0	38.0
Obligations under finance leases	**28.9**	**35.7**	33.0	39.2
	1,252.5	**1,414.8**	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.

(Unaudited) (Millions of dollars, unless otherwise indicated)

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 7.1% as at September 24, 2016 (8.6% as at September 26, 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 27, 2014	192.2
Change in fair value	29.1
Balance as at September 26, 2015	**221.3**
Change in fair value	**23.5**
Balance as at September 24, 2016	**244.8**

9. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week and fiscal year ended September 24, 2016 (including comparative figures) were approved for issue by the Board of Directors on November 15, 2016.

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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