INTERIM REPORT

12-week period ended December 17, 2016

1st Quarter 2017

HIGHLIGHTS

- **Fully diluted net earnings per share of $0.58, up 3.6%**
- **Sales of $2,971.3 million, up 0.3%**
- **Same-store sales up 0.7%**
- **Operating income before depreciation and amortization and associate's earnings up 3.1 %**
- **Net earnings of $138.1 million, down 1.2%**
- **Declared dividend of $0.1625 per share, up 16.1%**

metro

REPORT TO SHAREHOLDERS

Dear Shareholders,

It is with pleasure that I present our interim report for the first quarter of fiscal 2017 ended December 17, 2016.

Sales in the first quarter of 2017 reached $2,971.3 million, up 0.3% compared to $2,961.6 million in the first quarter of 2016. Same-store sales were up 0.7% (2.8% in the same quarter last year). Our aggregate food basket experienced deflation of 1.0% versus an inflation of 2.8% last year, which largely explains our lower sales growth. Certain other factors also impacted our sales negatively, namely our decision not to renew a supply agreement for a network of hospitals in our wholesale pharmaceutical business, as well as the closure for conversion of some Metro stores that has not been offset in the first quarter by sales of the newly-opened discount stores.

We realized net earnings of $138.1 million in the first quarter of 2017, a decrease of 1.2% from $139.8 million for the corresponding quarter of 2016, and fully diluted net earnings per share of $0.58 versus $0.56 in 2016, an increase of 3.6%. The decrease in net earnings is due to a $6.7 million decline in our share of an associate's earnings (Alimentation Couche-Tard).

Our financial position at the end of the first quarter of 2017 remains very solid. We had an unused authorized revolving credit facility of $232.2 million and our debt ratio (non-current debt/total capital) was 34.2%.

On January 23, 2017, the Board of Directors declared a quarterly dividend of $0.1625 per share, an increase of 16.1% over last year.

We are pleased with our first quarter results as we grew sales and operating income in a challenging environment of food deflation and intense competition. We will continue[(1)] to execute our business plan and are confident of sustaining[(1)] our growth in 2017.

Eric R. La Flèche
President and Chief Executive Officer

January 24, 2017

[(1)] *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 17, 2016 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 17, 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 2016 Annual Report. Unless otherwise stated, the interim report is based upon information as at January 13, 2017.

Additional information, including the Certification of Interim Filings letters for quarter ended December 17, 2016 signed by the President and Chief Executive Officer and the Executive 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 2017 reached $2,971.3 million, up 0.3% compared to $2,961.6 million in the first quarter of 2016. Same-store sales were up 0.7% (2.8% in the same quarter last year). Our aggregate food basket experienced deflation of 1.0% versus an inflation of 2.8% last year, which largely explains our lower sales growth. Certain other factors also impacted our sales negatively, namely our decision not to renew a supply agreement for a network of hospitals in our wholesale pharmaceutical business, as well as the closure for conversion of some Metro stores that has not been offset in the first quarter by sales of the newly-opened discount stores.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

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

Operating income before depreciation and amortization and associate's earnings (Alimentation Couche-Tard) for the first quarter of 2017 totalled $216.8 million or 7.3% of sales versus $210.3 million or 7.1% of sales for the same quarter last year, up 3.1%.

Gross margin on sales for the first quarter of 2017 was 19.7% versus 19.4% for the corresponding quarter of 2016. Operating expenses as a percentage of sales for the first quarter were 12.4% versus 12.3% for the corresponding quarter last year.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the first quarter of 2017 was $43.2 million versus $40.3 million for the corresponding quarter of 2016.

Net financial costs for the first quarter of 2017 totalled $14.6 million compared to $14.4 million for the same quarter last year.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $23.9 million for the first quarter of 2017 versus $30.6 million for the corresponding quarter of 2016.

INCOME TAXES

The 2017 first quarter income tax expense of $44.8 million represented an effective tax rate of 24.5% compared with the 2016 first quarter tax expense of $46.4 million for an effective tax rate of 24.9%.

[1] *See section on "Forward-looking Information"*

NET EARNINGS

Net earnings for the first quarter of 2017 were $138.1 million, a decrease of 1.2% from $139.8 million for the first quarter of 2016. Fully diluted net earnings per share rose 3.6% to $0.58 from $0.56 last year. The decrease in net earnings is due to a $6.7 million decline in our share of an associate's earnings (Alimentation Couche-Tard).

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2017**	2016	2015	Change *(%)*
Sales				
Q1(2)	**2,971.3**	2,961.6		0.3
Q4(2)		2,928.9	2,833.9	3.4
Q3(3)		4,015.4	3,842.3	4.5
Q2(2)		2,882.0	2,707.1	6.5
Net earnings				
Q1(2)	**138.1**	139.8		(1.2)
Q4(2)		145.0	131.7	10.1
Q3(3)		176.5	163.5	8.0
Q2(2)		124.9	111.6	11.9
Fully diluted net earnings per share ***(Dollars)***				
Q1(2)	**0.58**	0.56		3.6
Q4(2)		0.60	0.52	15.4
Q3(3)		0.72	0.64	12.5
Q2(2)		0.51	0.43	18.6

(2) 12 weeks
(3) 16 weeks

Sales in the first quarter of 2017 reached $2,971.3 million, up 0.3% compared to $2,961.6 million in the first quarter of 2016. Same-store sales were up 0.7% (2.8% in the same quarter last year). Our aggregate food basket experienced deflation of 1.0% versus an inflation of 2.8% last year, which largely explains our lower sales growth. Certain other factors also impacted our sales negatively, namely our decision not to renew a supply agreement for a network of hospitals in our wholesale pharmaceutical business, as well as the closure for conversion of some Metro stores that has not been offset in the first quarter by sales of the newly-opened discount stores.

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 of 2015), 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.

Net earnings for the first quarter of 2017 were $138.1 million, a decrease of 1.2% from $139.8 million for the first quarter of 2016. Fully diluted net earnings per share rose 3.6% to $0.58 from $0.56 last year. The decrease in net earnings is due to a $6.7 million decline in our share of an associate's earnings (Alimentation Couche-Tard).

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.

(1) See section on "Forward-looking Information"

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.

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of $55.5 million in the first quarter of 2017 versus utilization of $6.8 million for the corresponding period of 2016. This difference is due mainly to the net change in non-cash working capital items.

INVESTING ACTIVITIES

Investing activities required outflows of $80.9 million in the first quarter of 2017 versus $95.6 million for the corresponding quarter of 2016. The decrease is attributable to $33.1 million in business acquisitions in 2016 minus higher fixed and intangible asset acquisitions of $20.0 million in 2017 compared to 2016.

During the first quarter of 2017, we and our retailers opened 2 new stores and carried out major expansions and renovations of 11 stores for a net increase of 62,000 square feet or 0.3% of our retail network.

FINANCING ACTIVITIES

In the first quarter of 2017, we generated cash flows of $4.5 million compared to $80.9 million for the corresponding quarter of 2016 . This variation is attributable primarily to smaller net debt and bank loan increases of $28.4 million and $49.5 million respectively in 2017 compared with 2016 as well as a $14.0 million lower redemption of shares in 2017, compared with 2016 .

FINANCIAL POSITION

We do not anticipate[(1)] any liquidity risk and consider our financial position at the end of the first quarter of fiscal 2017 as very solid. We had an unused authorized revolving credit facility of $232.2 million. Our non-current debt corresponded to 34.2% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of the first quarter of fiscal 2017, 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, 2021	367.8
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

[(1)] *See section on "Forward-looking Information"*

Our main financial ratios were as follows:

	As at December 17, 2016	As at September 24, 2016
Financial structure		
Non-current debt *(Millions of dollars)*	**1,415.4**	1,231.0
Equity *(Millions of dollars)*	**2,724.2**	2,693.2
Non-current debt/total capital *(%)*	**34.2**	31.4

	12 weeks / Fiscal Year	
	2017	2016
Results		
Operating income before depreciation and amortization and associate's earnings/Financial costs *(Times)*	**14.8**	14.6

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at December 17, 2016	As at September 24, 2016
Number of Common Shares outstanding *(Thousands)*	**230,455**	233,846
Stock options:		
Number outstanding *(Thousands)*	**3,398**	3,483
Exercise prices *(Dollars)*	**14.55 to 44.73**	14.55 to 44.73
Weighted average exercise price *(Dollars)*	**23.71**	23.67
Performance share units:		
Number outstanding *(Thousands)*	**658**	664

NORMAL COURSE ISSUER BID PROGRAM

Under its normal course issuer bid program, the Corporation may repurchase up to 12,000,000 of its Common Shares between September 12, 2016 and September 11, 2017. Between September 12, 2016 and January 13, 2017, the Corporation has repurchased 5,376,346 Common Shares at an average price of $41.13 for a total of $221.1 million.

DIVIDENDS

On January 23, 2017, the Corporation's Board of Directors declared a quarterly dividend of $0.1625 per Common Share payable March 13, 2017, an increase of 16.1% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents approximately 25% of 2016 net earnings, in accordance with the payout target communicated to shareholders in January 2014.

SHARE TRADING

The value of METRO shares remained in the $38.60 to $43.99 range over the first quarter of 2017. During this period, a total of 39.4 million shares traded on the Toronto Stock Exchange. The closing price on January 13, 2017 was $40.76 compared with $44.09 at the end of fiscal 2016.

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", "sustain”, “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.

(1) *See section on "Forward-looking Information"*

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 2016 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.

OUTLOOK

We are pleased with our first quarter results as we grew sales and operating income in a challenging environment of food deflation and intense competition. We will continue(1) to execute our business plan and are confident of sustaining(1) our growth in 2017.

Montréal, January 24, 2017

(1) *See section on "Forward-looking Information"*

This page intentionally left blank

metro

Interim Condensed Consolidated Financial Statements

METRO INC.

December 17, 2016

metro

Table of contents

metro

Condensed consolidated statements of income

Periods ended December 17, 2016 and December 19, 2015

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

	12 weeks Fiscal Year	
	2017	2016
Sales	**2,971.3**	2,961.6
Cost of sales and operating expenses *(note 3)*	**(2,754.5)**	(2,751.3)
Operating income before depreciation and amortization and associate's earnings	**216.8**	210.3
Depreciation and amortization *(note 3)*	**(43.2)**	(40.3)
Financial costs, net *(note 3)*	**(14.6)**	(14.4)
Share of an associate's earnings *(note 3)*	**23.9**	30.6
Earnings before income taxes	**182.9**	186.2
Income taxes *(note 4)*	**(44.8)**	(46.4)
Net earnings	**138.1**	139.8
Attributable to:		
Equity holders of the parent	**134.6**	136.6
Non-controlling interests	**3.5**	3.2
	138.1	139.8
Net earnings per share *(Dollars) (note 5)*		
Basic	**0.58**	0.57
Fully diluted	**0.58**	0.56

See accompanying notes

metro

Condensed consolidated statements of comprehensive income

Periods ended December 17, 2016 and December 19, 2015

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year	
	2017	2016
Net earnings	**138.1**	139.8
Other comprehensive income		
Items that will not be reclassified to net earnings		
Changes in defined benefit plans		
Actuarial gains (losses)	**100.0**	(0.5)
Asset ceiling effect	**(7.7)**	(2.7)
Minimum funding requirement	**0.7**	1.3
Share of an associate's other comprehensive income	**(0.4)**	(0.4)
Corresponding income taxes	**(24.6)**	0.6
	68.0	(1.7)
Items that will be reclassified later to net earnings		
Share of an associate's other comprehensive income	**0.7**	—
Corresponding income taxes	**(0.1)**	—
	0.6	—
	68.6	(1.7)
Comprehensive income	**206.7**	138.1
Attributable to:		
Equity holders of the parent	**203.2**	134.9
Non-controlling interests	**3.5**	3.2
	206.7	138.1

See accompanying notes

metro

Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at December 17, 2016	As at September 24, 2016
ASSETS		
Current assets		
Cash and cash equivalents	**6.6**	27.5
Accounts receivable	**344.3**	306.4
Inventories	**920.1**	827.5
Prepaid expenses	**21.3**	19.7
Current taxes	**11.3**	11.9
	1,303.6	1,193.0
Non-current assets		
Investment in an associate	**417.8**	396.5
Fixed assets	**1,627.8**	1,594.8
Investment properties	**25.1**	25.7
Intangible assets	**390.7**	391.7
Goodwill	**1,967.0**	1,955.4
Deferred taxes	**7.2**	9.4
Defined benefit assets	**38.0**	7.5
Other assets	**32.4**	32.1
	5,809.6	5,606.1
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	**1.0**	1.4
Accounts payable	**1,046.6**	1,012.8
Current taxes	**26.8**	35.2
Provisions	**2.5**	2.6
Current portion of debt	**13.1**	15.5
	1,090.0	1,067.5
Non-current liabilities		
Debt	**1,415.4**	1,231.0
Defined benefit liabilities	**97.5**	160.7
Provisions	**2.5**	2.8
Deferred taxes	**221.9**	193.9
Other liabilities	**10.4**	12.2
Non-controlling interests *(note 7)*	**247.7**	244.8
	3,085.4	2,912.9
Equity		
Attributable to equity holders of the parent	**2,711.1**	2,680.6
Attributable to non-controlling interests	**13.1**	12.6
	2,724.2	2,693.2
	5,809.6	5,606.1

See accompanying notes

metro

Condensed consolidated statements of changes in equity

Periods ended December 17, 2016 and December 19, 2015

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent							
	Capital stock *(note 6)*	Treasury shares *(note 6)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
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**
Net earnings	—	—	—	**134.6**	—	**134.6**	**3.5**	**138.1**
Other comprehensive income	—	—	—	**68.0**	**0.6**	**68.6**	—	**68.6**
Comprehensive income	—	—	—	**202.6**	**0.6**	**203.2**	**3.5**	**206.7**
Stock options exercised	**1.0**	—	**(0.2)**	—	—	**0.8**	—	**0.8**
Shares redeemed	**(8.4)**	—	—	—	—	**(8.4)**	—	**(8.4)**
Share redemption premium	—	—	—	**(134.5)**	—	**(134.5)**	—	**(134.5)**
Share-based compensation cost	—	—	**1.9**	—	—	**1.9**	—	**1.9**
Dividends	—	—	—	**(32.5)**	—	**(32.5)**	**(0.3)**	**(32.8)**
Change in fair value of non-controlling interests liability *(note 7)*	—	—	—	—	—	—	**(2.9)**	**(2.9)**
Sale of shares in joint ventures	—	—	—	—	—	—	**0.2**	**0.2**
	(7.4)	—	**1.7**	**(167.0)**	—	**(172.7)**	**(3.0)**	**(175.7)**
Balance as at December 17, 2016	**563.6**	**(20.5)**	**21.0**	**2,141.7**	**5.3**	**2,711.1**	**13.1**	**2,724.2**

See accompanying notes

metro

Condensed consolidated statements of changes in equity

Periods ended December 17, 2016 and December 19, 2015

(Unaudited) (Millions of dollars)

	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 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	—	—	—	—	—	—	(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

See accompanying notes

metro

Condensed consolidated statements of cash flows

Periods ended December 17, 2016 and December 19, 2015

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year	
	2017	2016
Operating activities		
Earnings before income taxes	**182.9**	186.2
Non-cash items		
Share of an associate's earnings	**(23.9)**	(30.6)
Depreciation and amortization	**43.2**	40.3
Loss on disposal and write-offs of fixed and intangible assets and investment properties	**0.5**	0.2
Impairment loss reversals on fixed and intangible assets	**(2.9)**	—
Share-based compensation cost	**1.9**	1.9
Difference between amounts paid for employee benefits and current period cost	**(1.8)**	(4.7)
Financial costs, net	**14.6**	14.4
	214.5	207.7
Net change in non-cash working capital items	**(85.0)**	(139.3)
Interest paid	**(26.9)**	(27.2)
Income taxes paid	**(47.1)**	(48.0)
	55.5	(6.8)
Investing activities		
Business acquisitions *(note 2)*	**—**	(33.1)
Sale of shares in joint ventures	**0.1**	—
Net change in other assets	**(0.3)**	(1.2)
Dividends from an associate	**2.9**	2.2
Additions to fixed assets	**(67.4)**	(55.2)
Disposal of fixed assets and investment properties	**—**	0.1
Additions to intangible assets	**(16.2)**	(8.4)
	(80.9)	(95.6)
Financing activities		
Net change in bank loans	**(0.4)**	49.1
Shares issued *(note 6)*	**0.8**	6.0
Shares redeemed *(note 6)*	**(142.9)**	(156.9)
Increase in debt	**185.9**	212.9
Repayment of debt	**(4.6)**	(3.2)
Net change in other liabilities	**(1.8)**	0.9
Dividends	**(32.5)**	(27.9)
	4.5	80.9
Net change in cash and cash equivalents	**(20.9)**	(21.5)
Cash and cash equivalents — beginning of period	**27.5**	21.5
Cash and cash equivalents — end of period	**6.6**	—

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 17, 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 24, 2016. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2016 Annual Report.

2. 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 $0.2 to be paid as at December 17, 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.

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

3. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks	
	Fiscal Year	
	2017	2016
Sales	**2,971.3**	2,961.6
Cost of sales and operating expenses		
Cost of sales	**(2,387.0)**	(2,385.6)
Wages and fringe benefits	**(159.0)**	(160.5)
Employee benefits expense	**(18.6)**	(18.0)
Rents and occupancy charges	**(98.5)**	(93.6)
Others	**(91.4)**	(93.6)
	(2,754.5)	(2,751.3)
Operating income before depreciation and amortization and associate's earnings	**216.8**	210.3
Depreciation and amortization		
Fixed assets	**(36.3)**	(34.1)
Intangible assets	**(6.9)**	(6.2)
	(43.2)	(40.3)
Financing costs, net		
Current interest	**(1.4)**	(1.5)
Non-current interest	**(12.4)**	(12.3)
Interest on defined benefit obligations net of plan assets	**(1.1)**	(0.7)
Amortization of deferred financing costs	**(0.2)**	(0.3)
Interest income	**0.6**	0.5
Passage of time	**(0.1)**	(0.1)
	(14.6)	(14.4)
Share of an associate's earnings	**23.9**	30.6
Earnings before income taxes	**182.9**	186.2

4. INCOME TAXES

The effective income tax rates were as follows:

	12 weeks	
	Fiscal Year	
(Percentage)	**2017**	2016
Combined statutory income tax rate	**26.9**	26.9
Changes		
Share of an associate's earnings	**(2.0)**	(2.4)
Others	**(0.4)**	0.4
	24.5	24.9

5. 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)	**2017**	2016
Weighted average number of shares outstanding – Basic	**231.8**	239.7
Dilutive effect under:		
Stock option plan	**1.4**	1.6
Performance share unit plan	**0.7**	0.7
Weighted average number of shares outstanding – Fully diluted	**233.9**	242.0

6. CAPITAL STOCK

COMMON SHARES ISSUED

The Common Shares issued were summarized as follows:

	Number *(Thousands)*	
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**
Shares redeemed for cash, excluding premium of $134.5	**(3,442)**	**(8.4)**
Stock options exercised	**51**	**1.0**
Balance as at December 17, 2016	**231,120**	**563.6**

TREASURY SHARES

The treasury shares were summarized as follows:

	Number	
	(Thousands)	
Balance as at September 26, 2015	743	(18.5)
Acquisition	165	(7.1)
Release	(243)	5.1
Balance as at September 24 and December 17, 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 230,455,000 outstanding Common Shares issued as at December 17, 2016 (233,846,000 as at September 24, 2016).

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number	Weighted average exercise price
	(Thousands)	*(Dollars)*
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**
Exercised	**(51)**	**15.60**
Cancelled	**(34)**	**31.51**
Balance as at December 17, 2016	**3,398**	**23.71**

The exercise prices of the outstanding options ranged from $14.55 to $44.73 as at December 17, 2016 with expiration dates up to 2023. 1,229,670 of those options could be exercised at a weighted average exercise price of $17.73.

The compensation expense for these options amounted to $0.4 for the 12-week period ended December 17, 2016 ($0.5 in 2016).

PERFORMANCE SHARE UNIT PLAN

The number of PSUs outstanding was as follows:

	Number *(Thousands)*
Balance as at September 26, 2015	741
Granted	184
Settled	(247)
Cancelled	(14)
Balance as at September 24, 2016	**664**
Cancelled	**(6)**
Balance as at December 17, 2016	**658**

The compensation expense for the PSU plan amounted to $1.5 for the 12-week period ended December 17, 2016 ($1.4 in 2016).

7. FINANCIAL INSTRUMENTS

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

	As at December 17, 2016		As at September 24, 2016	
	Book value	**Fair value**	Book value	Fair value
Other assets				
Loans and receivables				
Loans to certain customers	**31.4**	**31.4**	31.4	31.4
Non-controlling interests				
Financial liability held for trading	**247.7**	**247.7**	244.8	244.8
Debt				
Other financial liabilities				
Revolving Credit Facility	**367.8**	**367.8**	184.6	184.6
Series C Notes	**300.0**	**309.8**	300.0	317.9
Series B Notes	**400.0**	**461.7**	400.0	494.2
Series D Notes	**300.0**	**311.3**	300.0	343.4
Loans	**38.5**	**38.5**	39.0	39.0
	1,406.3	**1,489.1**	1,223.6	1,379.1

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 December 17, 2016 (8.6% as at December 19, 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 26, 2015	221.3
Change in fair value	23.5
Balance as at September 24, 2016	**244.8**
Change in fair value	**2.9**
Balance as at December 17, 2016	**247.7**

8. APPROVAL OF FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the 12-week period ended December 17, 2016 (including comparative figures) were approved for issue by the Board of Directors on January 23, 2017.

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