INTERIM REPORT

12-week period ended March 16, 2013

2nd Quarter 2013

HIGHLIGHTS

- **Net earnings of $366.8 million or fully diluted net earnings per share of $3.77**
- **Adjusted net earnings from continuing operations[1] of $100.5 million, up 4.4%**
- **Adjusted fully diluted net earnings per share from continuing operations[1] of $1.02, up 8.5%**
- **Sales of $2,513.2 million, down 2.6%**
- **Same-store sales flat**
- **Declared dividend of $0.25 per share, up 16.3%**

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metro

REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the second quarter of fiscal 2013 ended March 16, 2013.

Sales in the second quarter of 2013 reached $2,513.2 million versus $2,580.2 million last year. This decrease resulted primarily from the shift in the important week preceding Christmas (which in this fiscal year was included in the first quarter compared to the second quarter last year), the closure of a few unprofitable stores in Ontario, as well as the loss of sales in our pharmaceutical division due to temporary efficiency difficulties following the implementation of a new warehouse management system. Adjusting for the Christmas week shift, same-store sales were flat versus last year. We experienced no inflation in our food basket for the second quarter of 2013.

We realized net earnings of $366.8 million and fully diluted net earnings per share of $3.77 in the second quarter of 2013 as opposed to $96.1 million and $0.94 in 2012. In the second quarter of 2013, we sold nearly half of our investment in Alimentation Couche-Tard for a net gain of $266.4 million after taxes. Excluding this gain and the earnings of the foodservice operation that we sold in the first quarter of 2013, adjusted net earnings from continuing operations[(1)] were $100.5 million in the second quarter of 2013, up 4.4% from $96.3 million last year, and adjusted fully diluted net earnings per share from continuing operations[(1)] were $1.02, up 8.5% from $0.94 last year.

Our financial position at the end of the second quarter of 2013 remains very solid. We had an unused authorized revolving line of credit in the amount of $600.0 million. Our debt ratio (non-current debt/total capital) was 18.7%.

On April 23, 2013, the Board of Directors declared a quarterly dividend of $0.25 per share, an increase of 16.3% over last year.

We are pleased with our 2013 second quarter net earnings growth which was achieved despite the Christmas week sales shift versus last year. The competitive environment will remain[(2)] challenging in the coming quarters and we will continue[(2)] to execute our customer-focused strategies and exercise good cost control to continue[(2)] on our growth path.

Eric R. La Flèche
President and Chief Executive Officer

April 24, 2013

(1) See section on "IFRS and 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 March 16, 2013. 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 and 24-week periods ended March 16, 2013 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 2012 Annual Report. Unless otherwise stated, this interim report is based upon information as at April 12, 2013.

Additional information, including the Certification of Interim Filings letters for the quarter ended March 16, 2013 signed by the President and Chief Executive Officer and the Senior Vice-President, Chief Financial Officer and Treasurer, is also available on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

We realized net earnings of $366.8 million in the second quarter of fiscal 2013, an increase of 281.7% over $96.1 million last year, and fully diluted net earnings per share of $3.77, an increase of 301.1% over $0.94 last year.

In the second quarter of 2013, we sold nearly half of our investment in Alimentation Couche-Tard to three financial institutions for cash consideration of $479.0 million and a net gain of $266.4 million after taxes.

SALES

Sales in the second quarter of 2013 reached $2,513.2 million versus $2,580.2 million last year. This decrease resulted primarily from the shift in the important week preceding Christmas (which in this fiscal year was included in the first quarter compared to the second quarter last year), the closure of a few unprofitable stores in Ontario, as well as the loss of sales in our pharmaceutical division due to temporary efficiency difficulties following the implementation of a new warehouse management system. Adjusting for the Christmas week shift, same-store sales were flat versus last year. We experienced no inflation in our food basket for the second quarter of 2013.

Sales in the first 24 weeks of 2013 reached $5,217.9 million versus $5,212.8 million for the corresponding period of fiscal 2012. This marginal increase was the result of very low food inflation, increased competition, the closure of underperforming stores, and the temporary problems at our pharmaceutical product warehouse.

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

EBITDA[1] for the second quarter of 2013 was $180.0 million, up 3.1% from $174.6 million for the same quarter last year. Second-quarter EBITDA[1] represented 7.2% of sales versus 6.8% last year.

EBITDA[1] for the first 24 weeks of 2013 was $368.2 million which represented 7.1% of sales versus $354.1 million and 6.8% of sales for the corresponding period last year.

Second quarter and 24-week gross margins for 2013 were 19.5% and 19.1%, increases over the 19.1% and 18.8% for the corresponding periods of 2012. Effective margin management in a highly promotional environment, reduced shrink at store level, and the closure of unprofitable stores contributed to the improvement of our gross margin rates versus last year.

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

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expenses for the second quarter and the first 24 weeks of 2013 amounted to $41.4 million and $83.3 million respectively versus $42.2 million and $84.4 million in 2012. Net financial costs for the second quarter and the first 24 weeks of 2013 totalled $10.0 million and $21.1 million compared to $10.6 million and $20.7 million for the corresponding periods of 2012. The average financing rate was 4.6% for the first 24 weeks of 2013 versus 4.1% for the corresponding period last fiscal year.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $8.0 million for the second quarter and $27.0 million for the first 24 weeks of 2013 versus $8.9 million and $21.9 million for the corresponding periods of 2012.

GAIN ON DISPOSAL OF PART OF THE INVESTMENT IN AN ASSOCIATE

In the second quarter of 2013, we sold nearly half of our investment in Alimentation Couche-Tard to three financial institutions for cash consideration of $479.0 million and a net gain of $266.4 million after taxes.

INCOME TAXES

Second quarter and 24-week period income tax expenses of $77.5 million and $116.7 million in 2013 represented effective tax rates of 17.4% and 19.5% compared with second quarter and 24-week period income tax expenses of $34.4 million and $71.0 million respectively in 2012 for effective tax rates of 26.3% and 26.2%.

Excluding the $307.8 million gain on disposal of part of our investment in Alimentation Couche-Tard and related income tax of $41.4 million, effective tax rates for the second quarter and 24-week period of 2013 were 26.4% and 25.9% respectively compared with 26.3% and 26.2% for the corresponding periods of 2012. The decrease in the adjusted effective tax rate for the 24-week period is attributable notably to the 1.5% federal corporate tax rate reduction effective January 1, 2012.

NET EARNINGS

Net earnings for the second quarter of 2013 were $366.8 million, an increase of 281.7% over net earnings of $96.1 million for the same quarter of 2012. Fully diluted net earnings per share rose 301.1% to $3.77 from $0.94 last year.

Net earnings for the first 24 weeks of 2013 reached $488.2 million, up 144.3% from $199.8 million for the corresponding period of 2012. Fully diluted net earnings per share were $4.99 compared to $1.95 last year, an increase of 155.9%.

NET EARNINGS (LOSS) FROM DISCONTINUED OPERATION

In the first quarter of 2013, we discontinued our foodservice operation and disposed of the Distagro division which supplied restaurant chains and convenience stores belonging to and operated by gas station chains. The division's sales and expenses are presented under the item “Discontinued operation” for 2012 and 2013.

The net loss from the discontinued operation was $0.1 million for the second quarter of 2013 versus $0.2 million for the same quarter of 2012. In the first 24 weeks of 2013, we recorded net earnings of $6.3 million due chiefly to the gain on disposal versus a net loss of $0.1 million for the same period of 2012.

NET EARNINGS FROM CONTINUING OPERATIONS

Net earnings from continuing operations were $366.9 million for the second quarter of 2013, an increase of 281.0% over $96.3 million for the same quarter last year. Fully diluted net earnings per share from continuing operations were $3.77 for the second quarter of 2013 compared to $0.94 last year, an increase of 301.1%. Excluding the after-tax gain on disposal of part of our investment in Alimentation Couche-Tard, 2013 second quarter adjusted net earnings from continuing operations[(1)] were $100.5 million, up 4.4% from $96.3 million last year, and adjusted fully diluted net earnings per share from continuing operations[(1)] were $1.02, up 8.5% from $0.94 last year.

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

Net earnings from continuing operations were $481.9 million for the 24-week period of 2013 versus $199.9 million last year, an increase of 141.1%. Fully diluted net earnings per share from continuing operations were $4.93 for the 24-week period of 2013 versus $1.95 last year, an increase of 152.8%. Excluding the after-tax gain on disposal of part of the investment in Alimentation Couche-Tard, adjusted net earnings from continuing operations[1] for the 24-week period of 2013 were $215.5 million, up 7.8% from $199.9 million last year, and adjusted fully diluted net earnings per share from continuing operations[1] were $2.18, up 11.8% from $1.95 last year.

	12 weeks / Fiscal Year					
	2013		2012		Change *(%)*	
	(Millions of dollars)	**Fully diluted EPS *(Dollars)***	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	**366.8**	**3.77**	96.1	0.94	281.7	301.1
Net loss from discontinued operation	**0.1**	**—**	0.2	—		
Net earnings from continuing operations	**366.9**	**3.77**	96.3	0.94	281.0	301.1
Gain on disposal of a portion of the investment in Couche-Tard after taxes	**(266.4)**	**(2.75)**	—	—		
Adjusted net earnings from continuing operations[1]	**100.5**	**1.02**	96.3	0.94	4.4	8.5

	24 weeks / Fiscal Year					
	2013		2012		Change (%)	
	(Millions of dollars)	**Fully diluted EPS *(Dollars)***	*(Millions of dollars)*	Fully diluted EPS *(Dollars)*	Net earnings	Fully diluted EPS
Net earnings	**488.2**	**4.99**	199.8	1.95	144.3	155.9
Net loss (earnings) from discontinued operation	**(6.3)**	**(0.06)**	0.1	—		
Net earnings from continuing operations	**481.9**	**4.93**	199.9	1.95	141.1	152.8
Gain on disposal of a portion of the investment in Couche-Tard after taxes	**(266.4)**	**(2.75)**	—	—		
Adjusted net earnings from continuing operations[1]	**215.5**	**2.18**	199.9	1.95	7.8	11.8

[1] *See section on "IFRS and Non-IFRS Measurements"*
[2] *See section on "Forward-looking Information"*

QUARTERLY HIGHLIGHTS

(Millions of dollars, unless otherwise indicated)	**2013**	2012	2011	Change (%)
Sales				
Q1[3]	**2,704.7**	2,632.6		2.7
Q2[3]	**2,513.2**	2,580.2		(2.6)
Q3[4]		3,599.9	3,465.1	3.9
Q4[5]		2,862.2	2,568.9	11.4
Net earnings				
Q1[3]	**121.4**	103.7		17.1
Q2[3]	**366.8**	96.1		281.7
Q3[4]		144.4	127.1	13.6
Q4[5]		145.1	84.4	71.9
Adjusted net earnings from continuing operations[1]				
Q1[3]	**115.0**	103.6		11.0
Q2[3]	**100.5**	96.3		4.4
Q3[4]		147.8	127.0	16.4
Q4[5]		123.8	100.2	23.6
Fully diluted net earnings per share ***(Dollars)***				
Q1[3]	**1.23**	1.01		21.8
Q2[3]	**3.77**	0.94		301.1
Q3[4]		1.43	1.23	16.3
Q4[5]		1.46	0.83	75.9
Adjusted fully diluted net earnings per share from continuing operations[1] ***(Dollars)***				
Q1[3]	**1.16**	1.01		14.9
Q2[3]	**1.02**	0.94		8.5
Q3[4]		1.46	1.23	18.7
Q4[5]		1.25	0.98	27.6

[3] 12 weeks
[4] 16 weeks
[5] 2013 and 2011 - 12 weeks, 2012 - 13 weeks

First quarter sales for 2013 reached $2,704.7 million versus $2,632.6 million for 2012, an increase of 2.7%. Same-store sales were up 1.5%. This increase is due in part to the week preceding Christmas falling in the first quarter of 2013 rather than the second quarter as it did last year. We experienced very low inflation in our food basket in the first quarter.

Sales in the second quarter of 2013 reached $2,513.2 million versus $2,580.2 million last year. This decrease resulted primarily from the shift in the important week preceding Christmas (which in this fiscal year was included in the first quarter compared to the second quarter last year), the closure of a few unprofitable stores in Ontario, as well as the loss of sales in our pharmaceutical division due to temporary efficiency difficulties following the implementation of a new warehouse management system. Adjusting for the Christmas week shift, same-store sales were flat versus last year. We experienced no inflation in our food basket for the second quarter of 2013.

Third quarter sales for 2012 reached $3,599.9 million, up 3.9% from $3,465.1 million for the corresponding period of 2011. Adonis stores and distributor Phoenicia sales contributed $81.3 million to the Corporation's sales for the third quarter of 2012. Third quarter same-store sales for 2012 were up 1.0% over those for 2011. In the third quarter of 2012, we experienced very mild inflation.

[1] *See section on "IFRS and Non-IFRS Measurements"*
[2] *See section on "Forward-looking Information"*

Fourth quarter sales for 2012 reached $2,862.2 million, up 11.4% from $2,568.9 million for the corresponding quarter of 2011. Excluding the 53rd week of fiscal 2012, the sales increase for the fourth quarter was 2.5%. Adonis stores and distributor Phoenicia contributed $63.3 million to 2012 fourth quarter sales. During the fourth quarter of 2012, we experienced very modest inflation similar to the previous quarter.

Net earnings for the first quarter of fiscal 2013 were $121.4 million, an increase of 17.1% over net earnings of $103.7 million for the same quarter of 2012. Fully diluted net earnings per share rose 21.8% to $1.23 from $1.01 last year. In the first quarter of 2013, we discontinued our foodservice operation and disposed of the Distagro division which supplied restaurant chains and convenience stores belonging to and operated by gas station chains. Excluding net earnings from discontinued operation, net earnings from continuing operations were $115.0 million and fully diluted net earnings per share from continuing operations were $1.16 in 2013, up 11.0% and 14.9% respectively from $103.6 million and $1.01 in 2012.

Net earnings for the second quarter of fiscal 2013 were $366.8 million compared to $96.1 million for the same quarter of 2012, an increase of 281.7%. Fully diluted net earnings per share rose 301.1% to $3.77 from $0.94 in 2012. Excluding the net loss from the discontinued operation of $0.1 million in the second quarter of 2013 versus $0.2 million in 2012, net earnings from continuing operations for the second quarter of 2013 were $366.9 million, an increase of 281.0% over $96.3 million for the same quarter last year. Fully diluted net earnings per share from continuing operations were $3.77 for the second quarter of 2013 compared to $0.94 last year, an increase of 301.1%. Excluding the after-tax gain on disposal of part of our investment in Alimentation Couche-Tard, 2013 second quarter adjusted net earnings from continuing operations[(1)] were $100.5 million, up 4.4% from $96.3 million last year, and adjusted fully diluted net earnings per share from continuing operations[(1)] were $1.02, up 8.5% from $0.94 last year.

Net earnings for the third quarter of 2012 were $144.4 million, up 13.6% from $127.1 million for the corresponding quarter of 2011. Fully diluted net earnings per share for the third quarter of 2012 were $1.43, up 16.3% from $1.23 for the same quarter of 2011. Excluding the non-recurring tax expense of $3.0 million and the $0.4 million discontinued operation net loss in 2012, as well as the $0.1 million discontinued operation net earnings in 2011, our adjusted net earnings from continuing operations[(1)] were $147.8 million and our adjusted fully diluted net earnings per share from continuing operations[(1)] were $1.46, up 16.4% and 18.7% respectively.

Net earnings for the fourth quarter of 2012 were $145.1 million versus $84.4 million for the corresponding quarter of 2011, an increase of 71.9%. Fully diluted net earnings per share were $1.46 versus $0.83 in 2011, an increase of 75.9%. Excluding the Alimentation Couche-Tard dilution gain of $25.0 million before taxes and the $0.4 million discontinued operation net loss recorded in the fourth quarter of 2012, as well as the closure costs of $20.5 million before taxes and the $1.3 million discontinued operation net loss in the corresponding quarter of 2011, our adjusted net earnings from continuing operations[(1)] for the fourth quarter of 2012 were $123.8 million and our adjusted fully diluted net earnings per share from continuing operations[(1)] were $1.25, for increases of 23.6% and 27.6% respectively. The significant increase in net earnings for the fourth quarter of 2012 is also attributable to the results for the 53rd week of 2012 when several fixed costs were no longer in effect. The impact of the 53rd week on fully diluted net earnings per share was $0.11.

	2013		2012				2011	
(Millions of dollars)	**Q1**	**Q2**	Q1	Q2	Q3	Q4	Q3	Q4
Net earnings	**121.4**	**366.8**	103.7	96.1	144.4	145.1	127.1	84.4
Net loss (earnings) from discontinued operation	**(6.4)**	**0.1**	(0.1)	0.2	0.4	0.4	(0.1)	1.3
Net earnings from continuing operations	**115.0**	**366.9**	103.6	96.3	144.8	145.5	127.0	85.7
Gain on disposal of a portion of the investment in Couche-Tard after taxes	**—**	**(266.4)**	—	—	—	—	—	—
Couche-Tard dilution gain after taxes	**—**	**—**	—	—	—	(21.7)	—	—
Non-recurring tax expense	**—**	**—**	—	—	3.0	—	—	—
Closure costs after taxes	**—**	**—**	—	—	—	—	—	14.5
Adjusted net earnings from continuing operations[(1)]	**115.0**	**100.5**	103.6	96.3	147.8	123.8	127.0	100.2

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

(Dollars and per share)	2013 Q1	2013 Q2	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2011 Q3	2011 Q4
Fully diluted net earnings	**1.23**	**3.77**	1.01	0.94	1.43	1.46	1.23	0.83
Fully diluted net loss (earnings) from discontinued operation	**(0.07)**	**—**	—	—	—	0.01	—	0.01
Fully diluted net earnings from continuing operations	**1.16**	**3.77**	1.01	0.94	1.43	1.47	1.23	0.84
Gain on disposal of a portion of the investment in Couche-Tard after taxes	**—**	**(2.75)**	—	—	—	—	—	—
Couche-Tard dilution gain after taxes	**—**	**—**	—	—	—	(0.22)	—	—
Non-recurring tax expense	**—**	**—**	—	—	0.03	—	—	—
Closure costs after taxes	**—**	**—**	—	—	—	—	—	0.14
Adjusted fully diluted net earnings from continuing operations[1]	**1.16**	**1.02**	1.01	0.94	1.46	1.25	1.23	0.98

CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of $174.3 million in the second quarter and $239.0 million over the first 24 weeks of 2013 compared to $134.3 million and $176.2 million in the corresponding periods of 2012. These increases are attributable mainly to changes in non-cash working capital items.

INVESTING ACTIVITIES

Investing activities generated cash flows of $420.7 million in the second quarter and $379.3 million over the first 24 weeks of 2013 versus outflows of $42.9 million and $216.0 million in the corresponding periods of 2012. These changes are mainly due to the net proceeds from the disposal of part of our investment in Alimentation Couche-Tard for $472.6 million in the second quarter and 24-week period of 2013, as well as the proceeds from the disposal of Distagro for $20.5 million in the 24-week period of 2013.

During the first 24 weeks of 2013, we invested with our retailers $107.3 million in our retail network, for a gross expansion of 196,900 square feet and a net expansion of 85,600 square feet or 0.4%. One major renovation was completed and 5 new stores were opened.

FINANCING ACTIVITIES

We utilized $427.8 million of funds for the second quarter and $496.5 million for the first 24 weeks of 2013 versus $121.4 million of funds for the second quarter and $160.8 million for the 24-week period of last year. These increases in outflows are largely attributable to the $330.4 million repayment, in the second quarter of 2013, of our revolving credit facility from the proceeds of the disposal of part of our investment in Alimentation Couche-Tard.

FINANCIAL POSITION

We do not anticipate[2] any liquidity risk and consider our financial position at the end of the second quarter of fiscal 2013 as very solid. We had an unused authorized revolving credit facility of $600.0 million. Our non-current debt corresponded to 18.7% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of the second quarter of 2013, the main elements of our non-current debt were as follows:

	Interest Rate	Balance *(Millions of dollars)*	Maturity
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	—	November 3, 2017
Series A Notes	4.98% fixed rate	200.0	October 15, 2015
Series B Notes	5.97% fixed rate	400.0	October 15, 2035

[1] *See section on "IFRS and Non-IFRS Measurements"*
[2] *See section on "Forward-looking Information"*

At the end of the second quarter, we had foreign exchange forward contracts to hedge against the effect of foreign exchange rate fluctuations on our future foreign-denominated purchases of goods and services.

Our main financial ratios were as follows:

	As at March 16, 2013	As at September 29, 2012
Financial structure		
Non-current debt *(Millions of dollars)*	**660.4**	973.9
Equity *(Millions of dollars)*	**2,874.7**	2,545.1
Non-current debt/total capital *(%)*	**18.7**	27.7
	24 weeks / Fiscal Year	
	2013	2012
Results		
EBITDA[(1)]/Financial costs *(Times)*	**17.5**	17.1

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at March 16, 2013	As at September 29, 2012
Number of Common Shares outstanding *(Thousands)*	**95,215**	97,186
Stock options:		
Number outstanding *(Thousands)*	**1,553**	1,683
Exercise prices *(Dollars)*	**24.73 to 58.41**	24.73 to 58.41
Weighted average exercise price *(Dollars)*	**39.88**	39.27
Performance share units:		
Number outstanding *(Thousands)*	**277**	284

NORMAL COURSE ISSUER BID PROGRAM

Under the normal course issuer bid program, the Corporation may repurchase up to 6,000,000 of its Common Shares between September 10, 2012 and September 9, 2013. Between September 10, 2012 and April 12, 2013, the Corporation has repurchased 2,323,700 Common Shares at an average price of $60.29 for a total of $140.1 million.

DIVIDENDS

On April 23, 2013, the Corporation's Board of Directors declared a quarterly dividend of $0.25 per Common Share payable June 14, 2013, an increase of 16.3% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents approximately 20% of 2012 net earnings excluding non-recurring items.

SHARE TRADING

The value of METRO shares remained in the $56.52 to $65.74 range over the first 24 weeks of fiscal 2013. During this period, a total of 31.5 million shares traded on the Toronto Stock Exchange. The closing price on Friday, April 12, 2013 was $64.44 compared with $58.40 at the end of fiscal 2012.

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

NEW ACCOUNTING POLICIES

RECENTLY ISSUED

Classification and measurement of financial assets and financial liabilities

In November 2009, the International Accounting Standards Board (IASB) published IFRS 9 “Financial Instruments”. This new standard simplifies the classification and measurement of financial assets set out in IAS 39 “Financial Instruments: Recognition and Measurement”. Financial assets are to be measured at amortized cost or fair value. They are to be measured at amortized cost if the two following conditions are met:

a) the assets are held within a business model whose objective is to collect contractual cash flows; and

b) the contractual cash flows are solely payments of principal and interest on the outstanding principal.

All other financial assets are to be measured at fair value through net earnings. The entity may, if certain conditions are met, elect to use the fair value option instead of measurement at amortized cost. As well, the entity may choose upon initial recognition to measure non-trading equity investments at fair value through comprehensive income. Such a choice is irrevocable.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39 and further points. For financial liabilities measured at fair value through net earnings using the fair value option, the amount of change in a liability’s fair value attributable to changes in its credit risk is recognized directly in other comprehensive income.

In December 2011, the IASB deferred the mandatory effective date of IFRS 9 to fiscal years beginning on or after January 1, 2015. Early adoption is permitted under certain conditions. An entity is not required to restate comparative financial periods for its first-time application of IFRS 9, but must comply with the new disclosure requirements.

Offsetting financial assets and financial liabilities

In December 2011, the IASB issued amendments to IAS 32 “Financial Instruments: Presentation” clarifying the requirements for offsetting financial assets and financial liabilities. These amendments shall be applied to annual periods beginning on or after January 1, 2014.

The IASB also issued amendments to IFRS 7 “Financial Instruments: Disclosures” improving disclosure on offsetting of financial assets and financial liabilities. These amendments shall be applied to annual and interim periods beginning on or after January 1, 2013.

Consolidated Financial Statements

In May 2011, the IASB published IFRS 10 “Consolidated Financial Statements” which is a replacement of SIC-12 “Consolidation – Special Purpose Entities”, and certain parts of IAS 27 “Consolidated and Separate Financial Statements”. IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

a) power over the investee;

b) exposure or rights to variable returns from involvement with the investee;

c) the ability to use power over the investee to affect the amount of the investor’s returns.

IFRS 10 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

Joint Arrangements

In May 2011, the IASB published IFRS 11 “Joint Arrangements” which supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 requires that joint ventures be accounted for using the equity method of accounting and eliminates the need for proportionate consolidation. This new standard shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

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

Disclosure of Interests in Other Entities

In May 2011, the IASB published IFRS 12 “Disclosure of Interests in Other Entities” which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) and the effects of those interests on its financial statements. IFRS 12 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions. Entities may, without early adoption of IFRS 12, choose to incorporate only some of the required disclosures in their financial statements.

Fair Value Measurement

In May 2011, the IASB published IFRS 13 “Fair Value Measurement” to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements. IFRS 13 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 “Employee Benefits”. Changes in defined benefit obligations and plan assets are to be recognized in comprehensive income when they occur, thus eliminating the corridor approach and accelerating recognition of past service cost. Net interest is to be recognized in net earnings and calculated using the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds. The actual return on plan assets minus net interest is to be recognized in other comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 “Presentation of Financial Statements”. Items of other comprehensive income and the corresponding tax expense are required to be grouped into those that will and will not subsequently be reclassified through net earnings. These amendments shall be applied to fiscal years beginning on or after July 1, 2012. Early adoption is permitted.

Impact of changes

As regards the new accounting policy for joint arrangements, the changes' application will not impact the Corporation's earnings, financial position and cash flows.

As for the other new accounting policies, the Corporation is currently assessing the impact of the changes on its earnings, financial position and cash flows.

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, which does not constitute a historical fact, may be deemed a forward-looking statement. Expressions such as “remain”,“continue”, “anticipate”, “believe” 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 2013 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. An economic slowdown or recession, or the arrival of a new competitor, are examples described under the “Risk Management” section of the 2012 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 section on "Forward-looking Information"

IFRS AND NON-IFRS MEASUREMENTS

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

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

EBITDA is a measurement of earnings that excludes financial costs, taxes, depreciation and amortization. It is an additional IFRS measurement and it is presented separately in the consolidated statements of income. We believe that EBITDA is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial expenses.

ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE FROM CONTINUING OPERATIONS

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

CONTINGENCIES

CLAIMS

In the normal course of business, various proceedings and claims are instituted against us, including those related to taxes. We contest the validity of these claims and proceedings and believe[(2)] that any forthcoming settlement in respect of these claims will not have a significant negative impact.

OUTLOOK

We are pleased with our 2013 second quarter net earnings growth which was achieved despite the Christmas week sales shift versus last year. The competitive environment will remain[(2)] challenging in the coming quarters and we will continue[(2)] to execute our customer-focused strategies and exercise good cost control to continue[(2)] on our growth path.

Montréal, April 24, 2013

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

metro

Interim Condensed Consolidated Financial Statements

METRO INC.

March 16, 2013

metro

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metro

Condensed consolidated statements of income

Periods ended March 16, 2013 and March 10, 2012

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

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2013	2012	**2013**	2012
Continuing operations				
Sales	**2,513.2**	2,580.2	**5,217.9**	5,212.8
Cost of sales and operating expenses *(note 4)*	**(2,333.2)**	(2,405.6)	**(4,849.7)**	(4,858.7)
Earnings before financial costs, taxes, depreciation and amortization	**180.0**	174.6	**368.2**	354.1
Depreciation and amortization *(note 4)*	**(41.4)**	(42.2)	**(83.3)**	(84.4)
Operating income	**138.6**	132.4	**284.9**	269.7
Financial costs, net *(note 4)*	**(10.0)**	(10.6)	**(21.1)**	(20.7)
Share of an associate's earnings	**8.0**	8.9	**27.0**	21.9
Gain on disposal of a portion of the investment in an associate *(note 4)*	**307.8**	—	**307.8**	—
Earnings before income taxes	**444.4**	130.7	**598.6**	270.9
Income taxes *(note 5)*	**(77.5)**	(34.4)	**(116.7)**	(71.0)
Net earnings from continuing operations	**366.9**	96.3	**481.9**	199.9
Discontinued operation				
Net earnings (loss) from discontinued operation *(note 6)*	**(0.1)**	(0.2)	**6.3**	(0.1)
Net earnings	**366.8**	96.1	**488.2**	199.8
Attributable to:				
Equity holders of the parent	**364.8**	94.4	**484.4**	197.1
Non-controlling interests	**2.0**	1.7	**3.8**	2.7
	366.8	96.1	**488.2**	199.8
Net earnings per share *(Dollars) (note 7)*				
Continuing operations and discontinued operation				
Basic	**3.80**	0.94	**5.03**	1.96
Fully diluted	**3.77**	0.94	**4.99**	1.95
Continuing operations				
Basic	**3.80**	0.94	**4.97**	1.96
Fully diluted	**3.77**	0.94	**4.93**	1.95

See accompanying notes

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Condensed consolidated statements of comprehensive income

Periods ended March 16, 2013 and March 10, 2012

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2013	2012	**2013**	2012
Net earnings	**366.8**	96.1	**488.2**	199.8
Other comprehensive income *(note 10)*				
Changes in defined benefit plans				
Actuarial gains (losses)	**20.4**	(11.5)	**21.5**	(33.9)
Asset ceiling effect	**(1.2)**	0.6	**(3.6)**	(3.6)
Minimum funding requirement	**(0.1)**	0.3	**(0.2)**	3.8
Share of an associate's other comprehensive income	**1.6**	(0.1)	**1.5**	(0.1)
Corresponding income taxes	**(5.3)**	1.6	**(4.9)**	8.7
Comprehensive income	**382.2**	87.0	**502.5**	174.7
Attributable to:				
Equity holders of the parent	**380.2**	85.3	**498.7**	172.0
Non-controlling interests	**2.0**	1.7	**3.8**	2.7
	382.2	87.0	**502.5**	174.7

See accompanying notes

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Condensed consolidated statements of financial position

(Unaudited) (Millions of dollars)

	As at March 16, 2013	As at September 29, 2012
ASSETS		
Current assets		
Cash and cash equivalents	**195.1**	73.3
Accounts receivable	**300.3**	332.8
Inventories	**751.6**	784.4
Prepaid expenses	**24.1**	6.6
Current taxes	**12.8**	13.9
	1,283.9	1,211.0
Assets held for sale *(note 8)*	**4.3**	0.6
	1,288.2	1,211.6
Non-current assets		
Investment in an associate *(note 4)*	**185.8**	324.5
Other financial assets	**21.2**	21.6
Fixed assets	**1,305.6**	1,280.3
Investment properties	**20.3**	22.1
Intangible assets	**371.5**	373.1
Goodwill	**1,855.6**	1,859.5
Deferred taxes	**65.5**	56.3
Defined benefit assets	**0.7**	1.4
	5,114.4	5,150.4
LIABILITIES AND EQUITY		
Current liabilities		
Bank loans	**—**	0.3
Accounts payable	**986.1**	1,086.4
Current taxes	**142.5**	60.5
Provisions	**8.8**	11.2
Current portion of debt	**8.4**	12.1
	1,145.8	1,170.5
Liabilities associated with assets held for sale *(note 6)*	**6.2**	—
	1,152.0	1,170.5
Non-current liabilities		
Debt	**660.4**	973.9
Defined benefit liabilities	**136.6**	156.9
Provisions	**1.8**	3.1
Deferred taxes	**136.7**	147.7
Other liabilities	**12.1**	13.9
Non-controlling interest	**140.1**	139.3
	2,239.7	2,605.3
Equity		
Capital stock *(note 9)*	**655.1**	664.6
Contributed surplus	**4.1**	4.6
Retained earnings	**2,301.1**	1,976.1
Accumulated other comprehensive income *(note 10)*	**(86.7)**	(101.0)
Equity attributable to equity holders of the parent	**2,873.6**	2,544.3
Non-controlling interests	**1.1**	0.8
	2,874.7	2,545.1
	5,114.4	5,150.4

Contingencies *(note 11)*

See accompanying notes

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Condensed consolidated statements of changes in equity

Periods ended March 16, 2013 and March 10, 2012

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent						
	Capital stock *(note 9)*	Contributed surplus	Retained earnings	Accumulated other comprehensive income *(note 10)*	Total	Non-controlling interests	Total equity
Balance as at September 29, 2012	**664.6**	**4.6**	**1,976.1**	**(101.0)**	**2,544.3**	**0.8**	**2,545.1**
Net earnings			**484.4**		**484.4**	**3.8**	**488.2**
Other comprehensive income				**14.3**	**14.3**		**14.3**
Comprehensive income	**—**	**—**	**484.4**	**14.3**	**498.7**	**3.8**	**502.5**
Stock options exercised	**4.9**	**(1.1)**			**3.8**		**3.8**
Shares redeemed	**(14.7)**				**(14.7)**		**(14.7)**
Share redemption premium			**(114.6)**		**(114.6)**		**(114.6)**
Acquisition of treasury shares	**(0.2)**				**(0.2)**		**(0.2)**
Treasury share acquisition premium		**(1.6)**			**(1.6)**		**(1.6)**
Released treasury shares	**0.5**	**(0.5)**			**—**		**—**
Share-based compensation cost		**3.0**			**3.0**		**3.0**
Performance share units cash settlement		**(0.3)**			**(0.3)**		**(0.3)**
Dividends			**(44.8)**		**(44.8)**	**(2.7)**	**(47.5)**
Reclassification of non-controlling interest liability					**—**	**(0.8)**	**(0.8)**
	(9.5)	**(0.5)**	**(159.4)**	**—**	**(169.4)**	**(3.5)**	**(172.9)**
Balance as at March 16, 2013	**655.1**	**4.1**	**2,301.1**	**(86.7)**	**2,873.6**	**1.1**	**2,874.7**

See accompanying notes

metro

Condensed consolidated statements of changes in equity

Periods ended March 16, 2013 and March 10, 2012

(Unaudited) (Millions of dollars)

	Attributable to the equity holders of the parent						
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
Balance as at September 24, 2011	682.6	3.8	1,763.6	(51.2)	2,398.8	0.5	2,399.3
Net earnings			197.1		197.1	2.7	199.8
Other comprehensive income				(25.1)	(25.1)		(25.1)
Comprehensive income	—	—	197.1	(25.1)	172.0	2.7	174.7
Shares issued for cash	0.1				0.1		0.1
Stock options exercised	5.6	(1.3)			4.3		4.3
Shares redeemed	(16.6)				(16.6)		(16.6)
Share redemption premium			(106.7)		(106.7)		(106.7)
Acquisition of treasury shares	(0.3)				(0.3)		(0.3)
Treasury share acquisition premium		(2.3)			(2.3)		(2.3)
Released treasury shares	0.6	(0.6)			—		—
Share-based compensation cost		2.4			2.4		2.4
Performance share units cash settlement		(0.1)			(0.1)		(0.1)
Dividends			(40.9)		(40.9)		(40.9)
Share conversion fees			(0.1)		(0.1)		(0.1)
Reclassification of non-controlling interest liability					—	(2.6)	(2.6)
	(10.6)	(1.9)	(147.7)	—	(160.2)	(2.6)	(162.8)
Balance as at March 10, 2012	672.0	1.9	1,813.0	(76.3)	2,410.6	0.6	2,411.2

See accompanying notes

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Condensed consolidated statements of cash flows

Periods ended March 16, 2013 and March 10, 2012

(Unaudited) (Millions of dollars)

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2013	2012	**2013**	2012
Operating activities				
Earnings before income taxes from continuing operations	**444.4**	130.7	**598.6**	270.9
Earnings (loss) before income taxes from discontinued operation	**(0.1)**	(0.3)	**8.6**	(0.2)
	444.3	130.4	**607.2**	270.7
Non-cash items				
Share of an associate's earnings	**(8.0)**	(8.9)	**(27.0)**	(21.9)
Depreciation and amortization	**41.4**	42.2	**83.3**	84.4
Amortization of deferred financing costs	**0.2**	—	**0.4**	0.1
Loss (gain) on disposal and write-offs of fixed and intangible assets	**0.2**	0.7	**1.0**	(1.1)
Gain on disposal of a portion of the investment in an associate *(note 4)*	**(307.8)**	—	**(307.8)**	—
Gain on disposal of an operation *(note 6)*	**—**	—	**(8.9)**	—
Impairment losses on fixed and intangible assets	**0.1**	3.3	**2.2**	4.1
Impairment loss reversals on fixed and intangible assets	**(0.3)**	(2.8)	**(2.2)**	(2.8)
Share-based compensation cost	**1.5**	0.9	**3.0**	2.4
Difference between amounts paid for employee benefits and current period cost	**(3.1)**	(3.0)	**(2.0)**	(13.0)
Financial costs, net	**10.0**	10.6	**21.1**	20.7
	178.5	173.4	**370.3**	343.6
Net change in non-cash working capital items	**21.2**	(1.8)	**(44.3)**	(81.2)
Interest paid	**(1.8)**	(3.0)	**(22.7)**	(23.0)
Income taxes paid	**(23.6)**	(34.3)	**(64.3)**	(63.2)
	174.3	134.3	**239.0**	176.2
Investing activities				
Business acquisitions *(note 3)*	**—**	—	**(11.6)**	(128.4)
Proceeds on disposal of an operation *(note 6)*	**—**	—	**20.5**	—
Proceeds on disposal of assets held for sale	**—**	2.9	**—**	4.0
Proceeds on disposal of a portion of the investment in an associate *(note 4)*	**472.6**	—	**472.6**	—
Net change in other financial assets	**(0.4)**	(4.4)	**(0.3)**	(4.7)
Dividends from an associate	**0.8**	1.5	**2.4**	3.1
Additions to fixed assets	**(50.7)**	(35.2)	**(97.8)**	(83.9)
Proceeds on disposal of fixed assets	**0.8**	0.6	**1.0**	4.4
Proceeds on disposal of investment properties	**—**	—	**2.2**	—
Additions to intangible assets	**(2.4)**	(8.3)	**(9.7)**	(10.5)
	420.7	(42.9)	**379.3**	(216.0)
Financing activities				
Net change in bank loans	**(2.6)**	1.3	**(0.3)**	0.1
Shares issued *(note 9)*	**1.2**	0.9	**3.8**	4.4
Shares redeemed *(note 9)*	**(68.9)**	(101.5)	**(129.3)**	(123.3)
Acquisition of treasury shares *(note 9)*	**—**	(2.6)	**(1.8)**	(2.6)
Performance share units cash settlement	**(0.3)**	(0.1)	**(0.3)**	(0.1)
Increase in debt	**1.5**	2.1	**18.6**	2.5
Repayment of debt	**(334.6)**	(0.2)	**(340.6)**	(2.0)
Net change in other liabilities	**(0.1)**	0.2	**(1.8)**	1.1
Dividends	**(24.0)**	(21.5)	**(44.8)**	(40.9)
	(427.8)	(121.4)	**(496.5)**	(160.8)
Net change in cash and cash equivalents	**167.2**	(30.0)	**121.8**	(200.6)
Cash and cash equivalents — beginning of period	**27.9**	84.9	**73.3**	255.5
Cash and cash equivalents — end of period	**195.1**	54.9	**195.1**	54.9

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 and 24-week periods ended March 16, 2013 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 29, 2012. They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes which were presented in the Corporation's 2012 Annual Report. Operating income for the interim period presented does not necessarily reflect income for the whole year.

2. NEW ACCOUNTING POLICIES

RECENTLY ISSUED

Classification and measurement of financial assets and financial liabilities

In November 2009, the International Accounting Standards Board (IASB) published IFRS 9 "Financial Instruments". This new standard simplifies the classification and measurement of financial assets set out in IAS 39 "Financial Instruments: Recognition and Measurement". Financial assets are to be measured at amortized cost or fair value. They are to be measured at amortized cost if the two following conditions are met:

a) the assets are held within a business model whose objective is to collect contractual cash flows; and

b) the contractual cash flows are solely payments of principal and interest on the outstanding principal.

All other financial assets are to be measured at fair value through net earnings. The entity may, if certain conditions are met, elect to use the fair value option instead of measurement at amortized cost. As well, the entity may choose upon initial recognition to measure non-trading equity investments at fair value through comprehensive income. Such a choice is irrevocable.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39 and further points. For financial liabilities measured at fair value through net earnings using the fair value option, the amount of change in a liability's fair value attributable to changes in its credit risk is recognized directly in other comprehensive income.

In December 2011, the IASB deferred the mandatory effective date of IFRS 9 to fiscal years beginning on or after January 1, 2015. Early adoption is permitted under certain conditions. An entity is not required to restate comparative financial periods for its first-time application of IFRS 9, but must comply with the new disclosure requirements.

Offsetting financial assets and financial liabilities

In December 2011, the IASB issued amendments to IAS 32 "Financial Instruments: Presentation" clarifying the requirements for offsetting financial assets and financial liabilities. These amendments shall be applied to annual periods beginning on or after January 1, 2014.

The IASB also issued amendments to IFRS 7 "Financial Instruments: Disclosures" improving disclosure on offsetting of financial assets and financial liabilities. These amendments shall be applied to annual and interim periods beginning on or after January 1, 2013.

Consolidated Financial Statements

In May 2011, the IASB published IFRS 10 "Consolidated Financial Statements" which is a replacement of SIC-12 "Consolidation – Special Purpose Entities", and certain parts of IAS 27 "Consolidated and Separate Financial Statements". IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, employing the following factors to identify control:

a) power over the investee;
b) exposure or rights to variable returns from involvement with the investee;
c) the ability to use power over the investee to affect the amount of the investor's returns.

IFRS 10 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

Joint Arrangements

In May 2011, the IASB published IFRS 11 "Joint Arrangements" which supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". IFRS 11 requires that joint ventures be accounted for using the equity method of accounting and eliminates the need for proportionate consolidation. This new standard shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions.

Disclosure of Interests in Other Entities

In May 2011, the IASB published IFRS 12 "Disclosure of Interests in Other Entities" which requires that an entity disclose information on the nature of and risks associated with its interests in other entities (i.e. subsidiaries, joint arrangements, associates or unconsolidated structured entities) and the effects of those interests on its financial statements. IFRS 12 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted under certain conditions. Entities may, without early adoption of IFRS 12, choose to incorporate only some of the required disclosures in their financial statements.

Fair Value Measurement

In May 2011, the IASB published IFRS 13 "Fair Value Measurement" to establish a single framework for fair value measurement of financial and non-financial items. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosure of certain information on fair value measurements. IFRS 13 shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 "Employee Benefits". Changes in defined benefit obligations and plan assets are to be recognized in comprehensive income when they occur, thus eliminating the corridor approach and accelerating recognition of past service cost. Net interest is to be recognized in net earnings and calculated using the discount rate by reference to market yields at the end of the reporting period on high quality corporate bonds. The actual return on plan assets minus net interest is to be recognized in other comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2013. Early adoption is permitted.

Presentation of Financial Statements

In June 2011, the IASB issued amendments to IAS 1 "Presentation of Financial Statements". Items of other comprehensive income and the corresponding tax expense are required to be grouped into those that will and will not subsequently be reclassified through net earnings. These amendments shall be applied to fiscal years beginning on or after July 1, 2012. Early adoption is permitted.

Impact of changes

As regards the new accounting policy for joint arrangements, the changes' application will not impact the Corporation's earnings, financial position and cash flows.

As for the other new accounting policies, the Corporation is currently assessing the impact of the changes on its earnings, financial position and cash flows.

3. BUSINESS ACQUISITIONS

ADONIS AND PHOENICIA

On October 23, 2011, the Corporation acquired 55% of the net assets of Adonis, a Montréal-area retailer with four existing stores and a fifth one under construction that was opened in December 2011, as well as Phoenicia, an importer and wholesaler with a distribution centre in Montréal and another in the Greater Toronto Area. These businesses specialize in perishable and ethnic food products. The final purchase price paid by the Corporation for the 55% interest was $161.4, the remaining balance of $11.6 as at September 29, 2012 has been paid during the first quarter of 2013. The acquisition was accounted for using the purchase method. The Corporation controls the acquired businesses and consolidated their earnings as of the date of acquisition. The final total purchase price allocation was as follows:

Net assets acquired at their fair value	
Cash	3.0
Accounts receivable	10.6
Inventories	24.3
Prepaid expenses	0.5
Fixed assets	11.9
Intangible assets	
Finite useful life	10.7
Indefinite useful life	63.4
Goodwill	206.8
Bank loans	(15.5)
Accounts payable	(5.4)
Debt	(10.4)
Deferred tax liabilities	(6.4)
	293.5

Cash consideration for the Corporation's interest (55%)	161.4
Non-controlling interest (45%)	132.1
	293.5

The non-controlling interest was measured at 45% of the fair value of the acquired companies' net assets.

The goodwill from the acquisition corresponds to the growth potential of Adonis stores and the broadening of the Corporation's customer base through improvement of the ethnic food offering in all its stores. In the goodwill's tax treatment, 53% of the goodwill is treated as an eligible capital property with related tax deductions and 47% as non-deductible.

Between October 23, 2011 and September 29, 2012, the acquired businesses have increased Corporation sales and net earnings by $236.6 and $16.0 respectively. If the acquisition had taken place at the beginning of fiscal 2012, the acquired businesses would have increased Corporation sales and net earnings by an additional amount of $16.5 and $1.1 respectively.

In 2012, acquisition-related costs of $1.1 were recorded in cost of sales and operating expenses.

4. ADDITIONAL INFORMATION ON THE NATURE OF EARNINGS COMPONENTS

	12 weeks Fiscal Year		24 weeks Fiscal Year	
	2013	2012	**2013**	2012
Continuing operations				
Sales	**2,513.2**	2,580.2	**5,217.9**	5,212.8
Cost of sales and operating expenses				
Cost of sales	**(2,022.8)**	(2,087.2)	**(4,221.2)**	(4,234.3)
Wages and fringe benefits	**(149.4)**	(153.7)	**(300.4)**	(299.4)
Employee benefit expense	**(10.2)**	(10.4)	**(21.9)**	(22.8)
Rents, taxes and common costs	**(60.0)**	(60.7)	**(120.0)**	(118.9)
Electricity and natural gas	**(25.9)**	(25.3)	**(51.6)**	(50.7)
Impairment losses on fixed and intangible assets	**(0.1)**	(3.3)	**(2.2)**	(4.1)
Impairment loss reversals on fixed and intangible assets	**0.3**	2.8	**2.2**	2.8
Other expenses	**(65.1)**	(67.8)	**(134.6)**	(131.3)
	(2,333.2)	(2,405.6)	**(4,849.7)**	(4,858.7)
Depreciation and amortization				
Fixed assets	**(33.8)**	(34.7)	**(68.1)**	(69.4)
Intangible assets	**(7.6)**	(7.5)	**(15.2)**	(15.0)
	(41.4)	(42.2)	**(83.3)**	(84.4)
Financing costs, net				
Current interest	**(0.5)**	(0.7)	**(1.2)**	(1.1)
Non-current interest	**(9.8)**	(10.3)	**(20.4)**	(20.3)
Amortization of deferred financing costs	**(0.2)**	—	**(0.4)**	(0.1)
Interest income	**0.7**	0.4	**1.2**	0.9
Passage of time	**(0.2)**	—	**(0.3)**	(0.1)
	(10.0)	(10.6)	**(21.1)**	(20.7)
Share of an associate's earnings	**8.0**	8.9	**27.0**	21.9
Gain on disposal of a portion of the investment in an associate	**307.8**	—	**307.8**	—
Earnings before income taxes	**444.4**	130.7	**598.6**	270.9

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

On January 22, 2013, the Corporation sold close to half of its investment in Alimentation Couche-Tard to three financial institutions for a cash consideration of $479.0 and for proceeds, net of fees and commissions, of $472.6. A net before-tax gain of $307.8 ($266.4 after-taxes) was recorded in the Corporation's 2013 second quarter results. The Corporation will continue to record its 5.7% share of the net income of Alimentation Couche-Tard in its future income statements.

5. INCOME TAXES

The effective income tax rates were as follows:

(Percentage)	12 weeks Fiscal Year **2013**	2012	24 weeks Fiscal Year **2013**	2012
Combined statutory income tax rate	**26.9**	27.2	**26.9**	27.2
Changes				
Gain on disposal of a portion of the investment in an associate	**(9.3)**	—	**(6.9)**	—
Share of an associate's earnings	**(0.3)**	(1.2)	**(0.7)**	(1.4)
Others	**0.1**	0.3	**0.2**	0.4
	17.4	26.3	**19.5**	26.2

6. DISCONTINUED OPERATION

On December 17, 2012, the Corporation disposed of its food service operation, the Distagro division, which supplied restaurant chains and convenience stores belonging to and operated by gas station chains. The disposal price of this operation was $21.8, with a balance receivable of $1.3. Working capital adjustments are anticipated in the coming months.

Sales and other income statement items of this division are presented in the condensed consolidated statement of income in the "Discontinued operation" section, and the comparable 12 and 24-week periods ended March 10, 2012 was restated as a result.

The discontinued operation's net earnings (loss) were fully attributed to equity holders of the parent and are itemized below:

	12 weeks Fiscal Year **2013**	2012	24 weeks Fiscal Year **2013**	2012
Sales	**12.0**	71.7	**80.4**	150.8
Cost of sales and operating expenses	**(12.1)**	(72.0)	**(80.7)**	(151.0)
Loss before income taxes	**(0.1)**	(0.3)	**(0.3)**	(0.2)
Income taxes	**—**	0.1	**0.1**	0.1
	(0.1)	(0.2)	**(0.2)**	(0.1)
Gain on disposal of an operation	**—**	—	**8.9**	—
Income taxes	**—**	—	**(2.4)**	—
	(0.1)	(0.2)	**6.3**	(0.1)

The discontinued operation's basic net earnings per share and fully diluted net earnings per share were as follows:

(Dollars)	24 weeks Fiscal Year **2013**	2012
Basic	**0.06**	—
Fully diluted	**0.06**	—

The carrying amount of the net assets disposed of on December 17, 2012 is itemized below:

Assets	
Accounts receivable	9.7
Inventories	9.4
Other financial assets	1.4
Fixed assets	0.7
Goodwill	4.0
	25.2
Liabilities	
Accounts payable	(12.3)
Gain on disposal of an operation	8.9
	21.8

Cash consideration	20.5
Balance due	1.3
Total consideration	21.8

The discontinued operation's cash flows from operating activities generated inflows of $4.1 for the 12-week period ended March 16, 2013 (nil in 2012) and $4.0 for the first 24 weeks of fiscal 2013 [$(2.4) in 2012].

At period end, certain assets and liabilities associated with the discontinued operation had not been transferred, but the Corporation plans to do this in the coming months. They are presented as assets held for sale and liabilities associated with assets held for sale and are itemized below:

	As at March 16, 2013
Assets held for sale	
Accounts receivable	1.2
Inventories	2.5
	3.7
Liabilities associated with assets held for sale	
Accounts payable	(6.2)
	(2.5)

7. 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		24 weeks Fiscal Year	
(Millions)	**2013**	2012	**2013**	2012
Weighted average number of shares outstanding – Basic	**95.9**	100.0	**96.3**	100.4
Dilutive effect under:				
Stock option plan	**0.5**	0.4	**0.5**	0.4
Performance share unit plan	**0.3**	0.3	**0.3**	0.3
Weighted average number of shares outstanding – Fully diluted	**96.7**	100.7	**97.1**	101.1

8. ASSETS HELD FOR SALE

Assets held for sale were as follows:

	As at March 16, 2013	As at September 29, 2012
Assets related to discontinued operation *(note 6)*	**3.7**	—
Other assets	**0.6**	0.6
	4.3	0.6

As at March 16, 2013 and September 29, 2012, the Corporation was committed to a sale plan for these assets. They were reclassified in the assets held for sale in the consolidated statement of financial position and measured at the lower of carrying amount and fair value less costs to sell. No gain or loss related to these assets was recorded during these periods.

9. CAPITAL STOCK

OUTSTANDING

	Common Shares	
	Number *(Thousands)*	
Balance as at September 24, 2011	101,084	682.6
Shares issued for cash	2	0.1
Shares redeemed for cash, excluding premium of $186.3	(4,213)	(28.7)
Acquisition of treasury shares, excluding premium of $2.3	(50)	(0.3)
Released treasury shares	92	0.6
Stock options exercised	271	10.3
Balance as at September 29, 2012	**97,186**	**664.6**
Shares redeemed for cash, excluding premium of $114.6	**(2,152)**	**(14.7)**
Acquisition of treasury shares, excluding premium of $1.6	**(30)**	**(0.2)**
Released treasury shares	**90**	**0.5**
Stock options exercised	**121**	**4.9**
Balance as at March 16, 2013	**95,215**	**655.1**

STOCK OPTION PLAN

The outstanding options were summarized as follows:

	Number *(Thousands)*	Weighted average exercise price *(Dollars)*
Balance as at September 24, 2011	1,776	35.38
Granted	293	53.76
Exercised	(271)	29.77
Cancelled	(115)	38.44
Balance as at September 29, 2012	**1,683**	**39.27**
Granted	**5**	**58.40**
Exercised	**(121)**	**31.41**
Cancelled	**(14)**	**45.95**
Balance as at March 16, 2013	**1,553**	**39.88**

The exercise prices of the outstanding options ranged from $24.73 to $58.41 as at March 16, 2013 with expiration dates up to 2019. 412,184 of those options could be exercised at a weighted average exercise price of $31.40.

The compensation expense for these options amounted to $0.5 for the 12-week period ended March 16, 2013 ($0.2 in 2012) and $1.1 for the first 24 weeks of fiscal 2013 ($0.8 in 2012).

PERFORMANCE SHARE UNIT PLAN

The number of performance share units (PSUs) outstanding was as follows:

	Number *(Thousands)*
Balance as at September 24, 2011	310
Granted	97
Settled	(95)
Cancelled	(28)
Balance as at September 29, 2012	**284**
Granted	**92**
Settled	**(95)**
Cancelled	**(4)**
Balance as at March 16, 2013	**277**

The number of Corporation Common Shares held in trust for participants was as follows:

	Number *(Thousands)*
Balance as at September 24, 2011	300
Acquisition of treasury shares	50
Released treasury shares	(92)
Balance as at September 29, 2012	**258**
Acquisition of treasury shares	**30**
Released treasury shares	**(90)**
Balance as at March 16, 2013	**198**

The compensation expense for the PSU plan amounted to $1.0 for the 12-week period ended March 16, 2013 ($0.7 in 2012) and $1.9 for the first 24 weeks of fiscal 2013 ($1.6 in 2012).

10. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Defined benefit plans	Share of an associate	Total
Balance as at September 24, 2011	(51.3)	0.1	(51.2)
Changes in defined benefit plans			
Actuarial losses	(65.6)		(65.6)
Asset ceiling effect	(2.7)		(2.7)
Minimum funding requirement	0.1		0.1
Share of an associate's other comprehensive income		(0.6)	(0.6)
Corresponding income taxes	18.9	0.1	19.0
Balance as at September 29, 2012	**(100.6)**	**(0.4)**	**(101.0)**
Changes in defined benefit plans			
Actuarial gains	**21.5**		**21.5**
Asset ceiling effect	**(3.6)**		**(3.6)**
Minimum funding requirement	**(0.2)**		**(0.2)**
Share of an associate's other comprehensive income		**1.5**	**1.5**
Corresponding income taxes	**(4.7)**	**(0.2)**	**(4.9)**
Balance as at March 16, 2013	**(87.6)**	**0.9**	**(86.7)**

11. CONTINGENCIES

CLAIMS

In the normal course of business, various proceedings and claims are instituted against the Corporation, including those related to taxes. The Corporation contests the validity of these claims and proceedings and management believes that any forthcoming settlement in respect of these claims will not have a significant negative impact for the Corporation.

12. COMPARATIVE FIGURES

Some of the corresponding figures have been reclassified in line with the presentation adopted for the current fiscal year.

13. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the 12 and 24-week periods ended March 16, 2013 (including comparative figures) were approved for issue by the Board of Directors on April 23, 2013.

INFORMATION

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