



PRESS RELEASE

METRO: EARNINGS PER SHARE INCREASE OF 9.4% IN THE THIRD QUARTER OF 2014

(Montréal, August 13, 2014) - METRO INC. (TSX : MRU) today announced its results for the third quarter ended July 5, 2014.

THIRD QUARTER HIGHLIGHTS

- Sales of \$3,622.1 million, up 1.4% over last year
- Same-store sales up 1.0%
- Net earnings of \$144.5 million, flat versus last year
- Fully diluted net earnings per share of \$1.63, up 9.4%
- Declared dividend of \$0.30 per share, up 20%

Results for the first 40 weeks of 2014, of 2013, and those for the third quarter of 2013 include non-recurring items, the most important being a gain of \$266.4 million after-tax on the sale of a portion of our investment in Alimentation Couche-Tard in 2013.

	16 weeks / Fiscal Year				
	2014	%	2013	%	Change (%)
<i>(Millions of dollars, except for net earnings per share/EPS)</i>					
Sales	3,622.1	100.0	3,572.2	100.0	1.4
Operating income before depreciation and amortization and associate's earnings ⁽⁴⁾	253.3	7.0	260.8	7.3	(2.9)
Net earnings	144.5	4.0	144.4	4.0	0.1
Fully diluted EPS	1.63	—	1.49	—	9.4
Net earnings from continuing operations ⁽²⁾	144.5	4.0	144.5	4.0	—
Fully diluted EPS from continuing operations ⁽²⁾	1.63	—	1.49	—	9.4

	40 weeks / Fiscal Year				
	2014	%	2013	%	Change (%)
<i>(Millions of dollars, except for net earnings per share/EPS)</i>					
Sales	8,878.2	100.0	8,788.9	100.0	1.0
Operating income before depreciation and amortization and associate's earnings ⁽⁴⁾	593.1	6.7	621.6	7.1	(4.6)
Adjusted operating income before depreciation and amortization and associate's earnings ⁽¹⁾⁽⁴⁾	599.5	6.8	621.6	7.1	(3.6)
Net earnings	340.6	3.8	624.4	7.1	(45.5)
Fully diluted EPS	3.76	—	6.42	—	(41.4)
Adjusted net earnings from continuing operations ⁽²⁾⁽⁴⁾	345.3	3.9	351.8	4.0	(1.8)
Adjusted fully diluted EPS from continuing operations ⁽²⁾⁽⁴⁾	3.81	—	3.59	—	6.1

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments"

⁽²⁾ See table on "Net earnings from continuing operations adjustments"

⁽³⁾ See section on "Forward-looking Information"

⁽⁴⁾ See section on "IFRS and Non-IFRS Measurements"

PRESIDENT'S MESSAGE

"We are satisfied with our third quarter results achieved in an environment that remains challenging. We concluded the acquisition of Première Moisson Bakery last week and we will continue⁽³⁾ to invest in our network in order to offer a superior experience to our customers and to pursue our growth", stated Eric R. La Flèche, President and Chief Executive Officer.

2014 THIRD QUARTER RESULTS

SALES

Sales in the third quarter of 2014 totalled \$3,622.1 million, up 1.4% compared to \$3,572.2 million for the same quarter last year. Same-store sales were up 1.0%. Our aggregate food basket experienced inflation higher than previous quarters but lower than the consumer price index of food purchased from stores as published by Statistics Canada. Our merchandising strategies and investments, as well as our reorganization of our Ontario store network enabled us to increase sales in a market that remains intensely competitive.

Sales in the first 40 weeks of fiscal 2014 totalled \$8,878.2 million versus \$8,788.9 million for the corresponding period of fiscal 2013, an increase of 1.0%.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS⁽⁴⁾

Operating income before depreciation and amortization and associate's earnings⁽⁴⁾ for the third quarter of 2014 totalled \$253.3 million or 7.0% of sales versus \$260.8 million or 7.3% of sales for the same quarter last year.

Operating income before depreciation and amortization and associate's earnings⁽⁴⁾ for the first 40 weeks of fiscal 2014 totalled \$593.1 million versus \$621.6 million for the corresponding period of the previous fiscal year. Non-recurring closing costs of \$6.4 million were recorded in the first quarter of 2014 as a result of our decision to consolidate our Québec produce and dairy distribution operations in our new Laval distribution centre and to close our decades-old Québec City produce warehouse. Excluding this non-recurring expense, adjusted operating income before depreciation and amortization and associate's earnings⁽¹⁾⁽⁴⁾ for the first 40 weeks of fiscal 2014 was \$599.5 million, or 6.8% of sales compared to \$621.6 million or 7.1% of sales for the corresponding period of 2013.

This lower profitability is mainly due to the decreases in gross margins which were 18.9% and 19.1% respectively for the third quarter and 40-week period of fiscal 2014 compared to 19.2% and 19.3% for the corresponding periods of 2013, as part of the merchandising strategies we adopted at the beginning of fiscal 2014 to improve sales. Strong cost control enabled us to maintain operating expenses at a percentage of sales equal to last year's.

Operating income before depreciation and amortization and associate's earnings adjustments (OI)⁽⁴⁾

	40 weeks / Fiscal Year			2013		
	2014			OI	Sales	(%)
(Millions of dollars, unless otherwise indicated)						
Operating income before depreciation and amortization and associate's earnings	593.1	8,878.2	6.7	621.6	8,788.9	7.1
Closure costs	6.4			—		
Adjusted operating income before depreciation and amortization and associate's earnings ⁽⁴⁾	599.5	8,878.2	6.8	621.6	8,788.9	7.1

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expenses for the third quarter and the first 40 weeks of fiscal 2014 amounted to \$54.2 million and \$135.7 million respectively versus \$55.0 million and \$138.3 million in 2013. Net financial costs for the third quarter of 2014 totalled \$15.3 million compared to \$14.0 million for the corresponding quarter last year. Net financial costs for the first 40 weeks of fiscal 2014 totalled \$37.0 million compared to \$38.9 million in 2013. The average financing rate was 4.8% for the first 40 weeks of fiscal 2014 versus 4.9% for the corresponding period last fiscal year.

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments"

⁽²⁾ See table on "Net earnings from continuing operations adjustments"

⁽³⁾ See section on "Forward-looking Information"

⁽⁴⁾ See section on "IFRS and Non-IFRS Measurements"

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was \$9.1 million for the third quarter of 2014 versus \$8.8 million for the corresponding period of 2013.

Our share of earnings for the first 40 weeks of fiscal 2014 was \$33.2 million versus \$35.8 million in 2013. This decline results mainly from our reduced holding compared to last year following the sale of nearly half of our investment in the second quarter of 2013.

INCOME TAXES

Third quarter and 40-week period income tax expenses of \$48.4 million and \$113.0 million in 2014 represented effective tax rates of 25.1% and 24.9% compared with third quarter and 40-week period tax expenses of \$56.1 million and \$169.8 million respectively in 2013 for effective tax rates of 28.0% and 21.5%. 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, the effective tax rate for the 40-week period of 2013 was 26.7%.

NET EARNINGS

Net earnings for the third quarter of 2014 were \$144.5 million, an increase of 0.1% over net earnings of \$144.4 million for the same quarter of 2013. Fully diluted net earnings per share rose 9.4% to \$1.63 from \$1.49 last year.

Net earnings for the first 40 weeks of fiscal 2014 were \$340.6 million, down 45.5% from \$624.4 million for the corresponding period of 2013. Fully diluted net earnings per share were \$3.76 compared with \$6.42 last year, a decrease of 41.4%.

ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS⁽⁴⁾

Excluding from the third quarter of 2013 the \$0.1 million net loss on discontinued operation following the sale of our Distagro division, 2014 third quarter net earnings from continuing operations⁽²⁾ were flat over the same period in 2013, and fully diluted net earnings per share from continuing operations⁽²⁾ were up 9.4% compared to the corresponding quarter of 2013.

Excluding after-tax Québec produce warehouse closing costs of \$4.7 million in the 40-week period of 2014 as well as the after-tax gain of \$266.4 million on disposal of part of our investment in Alimentation Couche-Tard and net gain of \$6.2 million on discontinued operation following the sale of our Distagro division in the 40-week period of 2013, adjusted net earnings from continuing operations⁽²⁾⁽⁴⁾ for the 40-week period ended July 5, 2014 were down 1.8% while adjusted fully diluted net earnings per share from continuing operations⁽²⁾⁽⁴⁾ were up 6.1% compared to the corresponding period of 2013.

Net earnings from continuing operations adjustments

	2014		16 weeks / Fiscal Year 2013		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	144.5	1.63	144.4	1.49	0.1	9.4
Net loss from discontinued operation	—	—	0.1	—		
Net earnings from continuing operations	144.5	1.63	144.5	1.49	—	9.4

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments"

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	40 weeks / Fiscal Year					
	2014		2013		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	340.6	3.76	624.4	6.42	(45.5)	(41.4)
Net earnings from discontinued operation	—	—	(6.2)	(0.07)		
Net earnings from continuing operations	340.6	3.76	618.2	6.35	(44.9)	(40.8)
Gain on disposal of a portion of the investment in an associate after taxes	—	—	(266.4)	(2.76)		
Closure costs after taxes	4.7	0.05	—	—		
Adjusted net earnings from continuing operations ⁽⁴⁾	345.3	3.81	351.8	3.59	(1.8)	6.1

NORMAL COURSE ISSUER BID PROGRAM

Under the present normal course issuer bid program, the Corporation may repurchase up to 7,000,000 of its Common Shares between September 10, 2013 and September 9, 2014. As at August 1, 2014, the Corporation repurchased 6,637,700 Common Shares at an average price of \$63.99 for a total of \$424.8 million. The Corporation intends to renew its normal course issuer bid program as an additional option for using excess funds.

DIVIDENDS

On August 12, 2014, the Corporation's Board of Directors declared a quarterly dividend of \$0.30 per Common Share payable September 19, 2014, an increase of 20% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents approximately 22% of 2013 adjusted net earnings from continuing operations⁽⁴⁾.

FORWARD-LOOKING INFORMATION

We have used, throughout this press release, 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. Expression such as "continue" 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 2014 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 2013 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.

IFRS AND NON-IFRS MEASUREMENTS

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

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OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS

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

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

Adjusted operating income before depreciation and amortization and associate's earnings, 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.

EVENT AFTER THE REPORTING PERIOD

On August 8, 2014, the Corporation has completed the acquisition of a 75% interest in Première Moisson Bakery which has 23 stores and 3 production centres in Québec. This acquisition will allow the Corporation to offer customers a broader range of premium bakery products and differentiate itself even more.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call on the **2014 third quarter** results at **10:00 a.m. (EDT) on Wednesday, August 13, 2014**. To access the conference call, please dial (647) 427-7450 or (888) 231-8191. The media and investing public may access this conference via a listen mode only.

Notice to readers: METRO INC. third quarter of 2014 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at www.metro.ca - Corporate Site - Investor Relations - 2014 Quarterly Results - 2014 Third Quarter Results.

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