metro

PRESS RELEASE

METRO REPORTS 6.2% GROWTH IN 2013 THIRD QUARTER ADJUSTED EARNINGS PER SHARE[1]

(Montréal, August 14, 2013) - METRO INC. (TSX : MRU) today announced its results for the third quarter ended July 6, 2013.

HIGHLIGHTS

- Net earnings of $149.8 million or fully diluted net earnings per share of $1.55
- Adjusted net earnings from continuing operations[1] of $149.9 million, up 1.4%
- Adjusted fully diluted net earnings per share from continuing operations[1] of $1.55, up 6.2%
- Sales of $3,573.3 million, down 0.7%
- Same-store sales down 0.9%
- Declared dividend of $0.25 per share, up 16.3%

	16 weeks / Fiscal Year				
(Millions of dollars, except for net earnings per share/EPS)	**2013**	**%**	2012	%	Change (%)
Sales	**3,573.3**	**100.0**	3,599.9	100.0	(0.7)
EBITDA[1]	**265.6**	**7.4**	259.1	7.2	2.5
Net earnings	**149.8**	**4.2**	144.4	4.0	3.7
Fully diluted EPS	**1.55**	**—**	1.43	—	8.4
Adjusted net earnings from continuing operations[1]	**149.9**	**4.2**	147.8	4.1	1.4
Adjusted fully diluted EPS from continuing operations[1]	**1.55**	**—**	1.46	—	6.2

	40 weeks / Fiscal Year				
(Millions of dollars, except for net earnings per share/EPS)	**2013**	**%**	2012	%	Change (%)
Sales	**8,791.2**	**100.0**	8,812.7	100.0	(0.2)
EBITDA[1]	**633.8**	**7.2**	613.2	7.0	3.4
Net earnings	**638.0**	**7.3**	344.2	3.9	85.4
Fully diluted EPS	**6.56**	**—**	3.38	—	94.1
Adjusted net earnings from continuing operations[1]	**365.4**	**4.2**	347.7	3.9	5.1
Adjusted fully diluted EPS from continuing operations[1]	**3.73**	**—**	3.41	—	9.4

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

PRESIDENT'S MESSAGE

"We achieved net earnings growth in the third quarter due to good margin management and strong operating cost control in a difficult competitive environment, particularly in Ontario. In order to better meet customer needs and reduce operating costs, we will carry out[(2)] a reorganization of our Ontario store network over the next few months that will affect[(2)] some 15 stores and entail[(2)] a restructuring charge of about $40 million in the next quarter. We are confident that these investments in our network, combined with our merchandising programs, will allow[(2)] us to continue to grow despite increased competition," stated Eric R. La Flèche, President and Chief Executive Officer.

2013 THIRD QUARTER RESULTS

SALES

Sales in the third quarter of 2013 reached $3,573.3 million versus $3,599.9 million last year, down 0.7%. Excluding the one-day shift of a holiday versus last year and the closure of some unprofitable stores, our 2013 third quarter sales remained stable compared to 2012. During the last quarters, a very low inflation of our food basket and increased competition affected our sales. Same-store sales decreased 0.9%.

Sales in the first 40 weeks of 2013 reached $8,791.2 million versus $8,812.7 million for the corresponding period of fiscal 2012. Very low food inflation, increased competition, the closure of underperforming stores, and the temporary problems at our pharmaceutical product warehouse caused our sales to dip.

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

EBITDA[(1)] for the third quarter of 2013 was $265.6 million, up 2.5% from $259.1 million for the same quarter last year. Third-quarter EBITDA[(1)] represented 7.4% of sales versus 7.2% last year.

EBITDA[(1)] for the first 40 weeks of 2013 was $633.8 million which represented 7.2% of sales versus $613.2 million and 7.0% of sales for the corresponding period last year.

Third quarter and 40-week gross margins for 2013 were 18.9% and 19.0%, increases over the 18.7% 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's.

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expenses for the third quarter and the first 40 weeks of 2013 amounted to $55.0 million and $138.3 million respectively versus $57.7 million and $142.1 million in 2012. The closure of unprofitable stores in late fiscal 2012 and early fiscal 2013 reduced depreciation costs compared to last year. Net financial costs for the third quarter and the first 40 weeks of 2013 totalled $11.4 million and $32.5 million compared to $14.0 million and $34.7 million for the corresponding periods of 2012. The average financing rate was 4.9% for the first 40 weeks of 2013 versus 4.1% for the corresponding period last fiscal year. This increase in the average rate was due to the reimbursement in the second quarter of 2013 of our revolving credit facility at a lower interest rate than our other debts.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $8.8 million for the third quarter and $35.8 million for the first 40 weeks of 2013 versus $13.6 million and $35.5 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

Third quarter and 40-week period income tax expenses of $58.1 million and $174.8 million in 2013 represented effective tax rates of 27.9% and 21.7% compared with third quarter and 40-week period income tax expenses of $56.2 million and $127.2 million respectively in 2012 for effective tax rates of 28.0% and 27.0%.

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

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 first 40-week period of 2013 was 26.7%. Excluding the non-recurring income tax expense of $3.0 million recorded in the third quarter of 2012, the effective tax rates for the third quarter and 40-week period of 2012 were 26.5% and 26.3%.

NET EARNINGS

Net earnings for the third quarter of 2013 were $149.8 million, an increase of 3.7% over net earnings of $144.4 million for the same quarter of 2012. Fully diluted net earnings per share rose 8.4% to $1.55 from $1.43 last year.

Net earnings for the first 40 weeks of 2013 reached $638.0 million, up 85.4% from $344.2 million for the corresponding period of 2012. Fully diluted net earnings per share were $6.56 compared to $3.38 last year, an increase of 94.1%.

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.

Certain discontinuance-related activities went on until the end of the third quarter. The net loss from the discontinued operation was $0.1 million for the third quarter of 2013 versus $0.4 million for the same quarter of 2012. In the first 40 weeks of 2013, we recorded net earnings of $6.2 million due chiefly to the gain on disposal versus a net loss of $0.5 million for the same period of 2012.

NET EARNINGS FROM CONTINUING OPERATIONS

Net earnings from continuing operations were $149.9 million for the third quarter of 2013, an increase of 3.5% over $144.8 million for the same quarter last year. Fully diluted net earnings per share from continuing operations were $1.55 for the third quarter of 2013 compared to $1.43 last year, an increase of 8.4%.

Net earnings from continuing operations were $631.8 million for the 40-week period of 2013 versus $344.7 million last year, an increase of 83.3%. Fully diluted net earnings per share from continuing operations were $6.49 for the 40-week period of 2013 versus $3.38 last year, an increase of 92.0%.

ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS(1)

Excluding the non-recurring income tax expense of $3.0 million recorded in the third quarter of 2012, adjusted net earnings from continuing operations(1) for the third quarter of 2013 were up 1.4% from the same quarter last year, and adjusted fully diluted net earnings per share from continuing operations(1) were up 6.2% over last year's.

Excluding the non-recurring income tax expense of $3.0 million in 2012 and the gain on disposal of part of our investment in Alimentation Couche-Tard in 2013 of $266.4 million, adjusted net earnings from continuing operations(1) for the 40-week period of 2013 were $365.4 million versus $347.7 million last year, an increase of 5.1%, and adjusted fully diluted net earnings per share from continuing operations(1) were $3.73 versus $3.41 last year, an increase of 9.4%.

16 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	**149.8**	**1.55**	144.4	1.43	3.7	8.4
Net loss from discontinued operation	**0.1**	**—**	0.4	—		
Net earnings from continuing operations	**149.9**	**1.55**	144.8	1.43	3.5	8.4
Non-recurring tax expense	**—**	**—**	3.0	0.03		
Adjusted net earnings from continuing operations(1)	**149.9**	**1.55**	147.8	1.46	1.4	6.2

(1) See section “IFRS and Non-IFRS Measurements”
(2) See section “Forward-looking Information”

	40 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	**638.0**	**6.56**	344.2	3.38	85.4	94.1
Net loss (earnings) from discontinued operation	**(6.2)**	**(0.07)**	0.5	—		
Net earnings from continuing operations	**631.8**	**6.49**	344.7	3.38	83.3	92.0
Gain on disposal of a portion of the investment in Couche-Tard after taxes	**(266.4)**	**(2.76)**	—	—		
Non-recurring tax expense	**—**	**—**	3.0	0.03		
Adjusted net earnings from continuing operations(1)	**365.4**	**3.73**	347.7	3.41	5.1	9.4

NORMAL COURSE ISSUER BID PROGRAM

The Corporation intends to renew its normal course issuer bid program as an additional option for using excess funds. 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 August 2, 2013, the Corporation has repurchased 5,306,500 Common Shares at an average price of $65.25 for a total of $346.3 million.

DIVIDENDS

On August 13, 2013, the Corporation's Board of Directors declared a quarterly dividend of $0.25 per Common Share payable September 20, 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.

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, which does not constitute a historical fact, may be deemed a forward-looking statement. Expression such as “carry out”, “affect”, “entail”, "allow", “proceed”, “estimate”, “incur”, 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.

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.

(1) *See section “IFRS and Non-IFRS Measurements”*
(2) *See section “Forward-looking Information”*

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.

EVENT AFTER THE REPORTING PERIOD

We will proceed[(2)] over the course of the following months with a reorganization of our Ontario store network including the conversion of certain Metro stores into Food Basics discount banner stores, the buyout of some collective agreement provisions, the offer of early exit to some employees and the closure of some stores. Reorganization costs from this decision are estimated[(2)] to be $40 million which will be incurred[(2)] in the next quarter. This reorganization plan will allow [(2)] us to better meet customers' needs and reduce operating costs.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call on the 2013 third quarter results at **10:00 a.m. (EDT) on Wednesday, August 14, 2013**. To access the conference call, please dial (416) 764-8688 or 1 888 390-0546. The media and investing public may access this conference via a listen mode only.

Notice to readers: *METRO INC. third quarter of 2013 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at* ***www.metro.ca*** *- Corporate Site - Annual Report and Other Documents - Quarterly Results - 2013 Third Quarter Results.*

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