



## PRESS RELEASE

### METRO: SALES INCREASE OF 1.7% IN THE SECOND QUARTER OF 2014

(Montréal, April 16, 2014) - METRO INC. (TSX : MRU) today announced its results for the second quarter ended March 15, 2014.

#### HIGHLIGHTS

- Sales of \$2,554.8 million, up 1.7% versus last year
- Same-store sales up 1.0%
- Net earnings of \$96.9 million and fully diluted net earnings per share of \$1.07
- Declared dividend of \$0.30 per share, up 20%

Results for the first 24 weeks of 2014, of 2013, and those for the second 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.

<i>(Millions of dollars, except for net earnings per share/EPS)</i>	12 weeks / Fiscal Year				
	2014	%	2013	%	Change (%)
Sales	2,554.8	100.0	2,512.0	100.0	1.7
Operating income before depreciation and amortization and associate's earnings <sup>(2)</sup>	168.7	6.6	176.3	7.0	(4.3)
Net earnings	96.9	3.8	362.7	14.4	(73.3)
Fully diluted EPS	1.07	—	3.73	—	(71.3)
Adjusted net earnings from continuing operations <sup>(1)(2)</sup>	96.9	3.8	96.4	3.8	0.5
Adjusted fully diluted EPS from continuing operations <sup>(1)(2)</sup>	1.07	—	0.98	—	9.2

<i>(Millions of dollars, except for net earnings per share/EPS)</i>	24 weeks / Fiscal Year				
	2014	%	2013	%	Change (%)
Sales	5,256.1	100.0	5,216.7	100.0	0.8
Operating income before depreciation and amortization and associate's earnings <sup>(2)</sup>	339.8	6.5	360.8	6.9	(5.8)
Adjusted operating income before depreciation and amortization and associate's earnings <sup>(2)(4)</sup>	346.2	6.6	360.8	6.9	(4.0)
Net earnings	196.1	3.7	480.0	9.2	(59.1)
Fully diluted EPS	2.13	—	4.91	—	(56.6)
Adjusted net earnings from continuing operations <sup>(1)(2)</sup>	200.8	3.8	207.3	4.0	(3.1)
Adjusted fully diluted EPS from continuing operations <sup>(1)(2)</sup>	2.18	—	2.10	—	3.8

<sup>(1)</sup> See table on "Net earnings from continuing operations adjustments"

<sup>(2)</sup> See section on "IFRS and Non-IFRS Measurements"

<sup>(3)</sup> See section on "Forward-looking Information"

<sup>(4)</sup> See table on "Operating income before depreciation and amortization and associate's earnings adjustments"

## PRESIDENT'S MESSAGE

"We are encouraged by our improved sales performance and the increase in our adjusted net earnings<sup>(1)(2)</sup> achieved in the second quarter in a market that remains highly competitive. We are confident that our strategies, investments, and the commitment of our teams will allow<sup>(3)</sup> us to continue to grow in future quarters," stated Eric R. La Flèche, President and Chief Executive Officer.

## 2014 SECOND QUARTER RESULTS

### SALES

Sales in the second quarter of 2014 totalled \$2,554.8 million, up 1.7% compared to \$2,512.0 million for the same quarter last year. Same-store sales were up 1.0%. Our aggregate food basket experienced slight inflation. 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 24 weeks of fiscal 2014 totalled \$5,256.1 million versus \$5,216.7 million for the corresponding period of fiscal 2013, an increase of 0.8%.

### OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS<sup>(2)</sup>

Operating income before depreciation and amortization and associate's earnings<sup>(2)</sup> for the second quarter of 2014 totalled \$168.7 million or 6.6% of sales versus \$176.3 million or 7.0% of sales for the same quarter last year.

Operating income before depreciation and amortization and associate's earnings<sup>(2)</sup> for the first 24 weeks of fiscal 2014 totalled \$339.8 million versus \$360.8 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<sup>(2)(4)</sup> for the first 24 weeks of fiscal 2014 was \$346.2 million, or 6.6% of sales compared to \$360.8 million or 6.9% of sales for the corresponding period of 2013.

This lower profitability is mainly due to the decreases in gross margins which were 19.5% and 19.1% respectively for the second quarter and 24-week period of fiscal 2014 compared to 19.8% and 19.4% for the corresponding quarters in 2013, as part of the merchandising strategies we adopted in 2014 to improve sales. Strong cost control enabled us to maintain operating expenses at a level relatively similar to last year's despite an increase in certain costs, notably energy.

### Operating income before depreciation and amortization and associate's earnings adjustments (OI)<sup>(2)</sup>

	2014			2013		
	OI	Sales	(%)	OI	Sales	(%)
<i>(Millions of dollars, unless otherwise indicated)</i>						
Operating income before depreciation and amortization and associate's earnings	339.8	5,256.1	6.5	360.8	5,216.7	6.9
Closure costs	6.4			—		
Adjusted operating income before depreciation and amortization and associate's earnings <sup>(2)</sup>	346.2	5,256.1	6.6	360.8	5,216.7	6.9

### DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expenses for the second quarter and the first 24 weeks of 2014 amounted to \$40.5 million and \$81.5 million respectively versus \$41.4 million and \$83.3 million in 2013. Net financial costs for the second quarter of 2014 totalled \$11.4 million compared to \$11.9 million for the corresponding quarter last year. Net financial costs for the first 24 weeks of fiscal 2014 totalled \$21.7 million compared to \$24.9 million in 2013. The average financing rate was 5.0% for the first 24 weeks of 2014 versus 4.6% for the corresponding period last fiscal year. This increase in the average rate was due to the repayment in the second quarter of 2013 of our revolving credit facility of \$330.4 million which carried a lower interest rate than our other debts. The repayment was made out of our operating activity cash flows and the proceeds on disposal of a portion of the investment in Alimentation Couche-Tard.

<sup>(1)</sup> See table on "Net earnings from continuing operations adjustments"

<sup>(2)</sup> See section on "IFRS and Non-IFRS Measurements"

<sup>(3)</sup> See section on "Forward-looking Information"

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## SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was \$11.0 million for the second quarter of 2014 versus \$8.0 million for the corresponding period of 2013.

Our share of earnings for the first 24 weeks of fiscal 2014 was \$24.1 million versus \$27.0 million in 2013. This decline results 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

Second quarter and 24-week period income tax expenses of \$30.9 million and \$64.6 million in 2014 represented effective tax rates of 24.2% and 24.8% compared with second quarter and 24-week period tax expenses of \$76.0 million and \$113.7 million respectively in 2013 for effective tax rates of 17.3% and 19.4%. 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.

## NET EARNINGS

Net earnings for the second quarter of 2014 were \$96.9 million, down 73.3% from net earnings of \$362.7 million for the same quarter of 2013. Fully diluted net earnings per share were down 71.3% to \$1.07 from \$3.73 last year.

Net earnings for the first 24 weeks of 2014 were \$196.1 million, down 59.1% from \$480.0 million for the corresponding period of 2013. Fully diluted net earnings per share were \$2.13 compared with \$4.91 last year, a decrease of 56.6%.

## ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS<sup>(2)</sup>

Excluding the after-tax gain of \$266.4 million on disposal of part of our investment in Alimentation Couche-Tard as well as the \$0.1 million net loss on discontinued operation following the sale of our Distagro division in the second quarter of 2013, 2014 second quarter adjusted net earnings from continuing operations<sup>(1)(2)</sup> and adjusted fully diluted net earnings per share from continuing operations<sup>(1)(2)</sup> were up 0.5% and 9.2% respectively compared to the corresponding quarter of 2013.

Excluding after-tax Québec produce warehouse closing costs of \$4.7 million in the 24-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 \$6.3 million on discontinued operation following the sale of our Distagro division in the 24-week period of 2013, adjusted net earnings from continuing operations<sup>(1)(2)</sup> for the 24-week period of 2014 were down 3.1% while adjusted fully diluted net earnings per share from continuing operations<sup>(1)(2)</sup> were up 3.8% compared to the corresponding period of 2013.

## Net earnings from continuing operations adjustments

	12 weeks / Fiscal Year				Change (%)	
	2014		2013			
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	96.9	1.07	362.7	3.73	(73.3)	(71.3)
Net loss from discontinued operation	—	—	0.1	—		
Net earnings from continuing operations	96.9	1.07	362.8	3.73	(73.3)	(71.3)
Gain on disposal of a portion of the investment in an associate after taxes	—	—	(266.4)	(2.75)		
Adjusted net earnings from continuing operations <sup>(2)</sup>	96.9	1.07	96.4	0.98	0.5	9.2

<sup>(1)</sup> See table on "Net earnings from continuing operations adjustments"

<sup>(2)</sup> See section on "IFRS and Non-IFRS Measurements"

<sup>(3)</sup> See section on "Forward-looking Information"

<sup>(4)</sup> See table on "Operating income before depreciation and amortization and associate's earnings adjustments"

	24 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	196.1	2.13	480.0	4.91	(59.1)	(56.6)
Net earnings from discontinued operation	—	—	(6.3)	(0.07)		
Net earnings from continuing operations	196.1	2.13	473.7	4.84	(58.6)	(56.0)
Gain on disposal of a portion of the investment in an associate after taxes	—	—	(266.4)	(2.74)		
Closure costs after taxes	4.7	0.05	—	—		
Adjusted net earnings from continuing operations <sup>(2)</sup>	200.8	2.18	207.3	2.10	(3.1)	3.8

### NORMAL COURSE ISSUER BID PROGRAM

Under its 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 April 4, 2014, the Corporation has repurchased 4,800,100 Common Shares at an average price of \$62.86 for a total of \$301.8 million.

### DIVIDENDS

On April 15, 2014, the Corporation's Board of Directors declared a quarterly dividend of \$0.30 per Common Share payable June 6, 2014, an increase of 20% over the dividend declared for the same quarter last year. On an annualized basis, this dividend represents approximately 23% of 2013 adjusted net earnings from continuing operations<sup>(2)</sup>.

### 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 "allow" 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

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.

<sup>(1)</sup> See table on "Net earnings from continuing operations adjustments"

<sup>(2)</sup> See section on "IFRS and Non-IFRS Measurements"

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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 additional 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.

## **CONFERENCE CALL**

Financial analysts and institutional investors are invited to participate in a conference call on the **2014 second quarter** results at **10:00 a.m. (EDT) on Wednesday, April 16, 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. second quarter of 2014 interim condensed consolidated financial statements and management's discussion and analysis are available on the Internet at [www.metro.ca](http://www.metro.ca) - Corporate Site - Annual Report and Other Documents - Quarterly Results - 2014 Second Quarter Results.

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