metro

PRESS RELEASE

METRO INCREASES ITS DIVIDEND BY 20%

(Montréal, January 28, 2014) - METRO INC. (TSX : MRU) today announced its results for the first quarter ended December 21, 2013.

HIGHLIGHTS

- Sales of $2,701.3 million, flat versus last year
- Adjusted net earnings from continuing operations(1) of $103.9 million or $1.11 per share, down 0.9%
- Same-store sales down 0.5%
- Declared dividend of $0.30 per share, up 20%
- New dividend policy with payout ratio target increased from 20% of previous year's net earnings to a level between 20% and 30%, with a target of 25%.

	12 weeks / Fiscal Year				
(Millions of dollars, except for net earnings per share/EPS)	**2014**	**%**	2013	%	Change (%)
Sales	**2,701.3**	**100.0**	2,704.7	100.0	(0.1)
Adjusted EBITDA(1)	**177.5**	**6.6**	184.5	6.8	(3.8)
Net earnings	**99.2**	**3.7**	117.3	4.3	(15.4)
Fully diluted EPS	**1.06**	**—**	1.19	—	(10.9)
Adjusted net earnings from continuing operations(1)	**103.9**	**3.8**	110.9	4.1	(6.3)
Adjusted fully diluted EPS from continuing operations(1)	**1.11**	**—**	1.12	—	(0.9)

PRESIDENT'S MESSAGE

"Competition remains intense and our merchandising strategies as well as our investments drove improved sales performance in the first quarter compared to the last two quarters of 2013. Our strong financial position allows us to increase our dividend by 20% to enhance shareholder return. We are committed to delivering great value to our customers in each of our banners in order to sustain(2) our long-term growth," stated Eric R. La Flèche, President and Chief Executive Officer.

2014 FIRST QUARTER RESULTS

SALES

2014 first quarter sales totalled $2,701.3 million essentially flat versus $2,704.7 million for the corresponding quarter last year. Same-store sales were down 0.5%, an improvement over the last two quarters of 2013.

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

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

EBITDA[1] for the first quarter of 2014 was $171.1 million, down 7.3% from $184.5 million for the same quarter last 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 Quebec produce and dairy distribution operations in our new Laval distribution centre and to close another facility next March. Excluding this non-recurring expense, adjusted EBITDA[1] for the first quarter of 2014 was $177.5 million which represented 6.6% of sales versus 6.8% for the first quarter of 2013. The lower return is due mainly to the gross margin decrease from 19.0% in 2013 to 18.8% in 2014 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 similar to last year's.

EBITDA adjustments[1]

	12 weeks / Fiscal year					
	2014			2013		
(Millions of dollars, unless otherwise indicated)	**EBITDA**	**Sales**	**EBITDA/ Sales *(%)***	EBITDA	Sales	EBITDA/ Sales *(%)*
EBITDA	**171.1**	**2,701.3**	**6.3**	184.5	2,704.7	6.8
Closure costs	**6.4**			—		
Adjusted EBITDA	**177.5**	**2,701.3**	**6.6**	184.5	2,704.7	6.8

DEPRECIATION AND AMORTIZATION AND NET FINANCIAL COSTS

Total depreciation and amortization expense for the first quarter of 2014 amounted to $41.0 million versus $41.9 million in 2013. Net financial costs for the first quarter of 2014 totalled $10.3 million compared to $13.0 million for the corresponding period of 2013. The average financing rate was 5.4% for the first quarter of 2014 versus 4.5% 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.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was $13.1 million for the first quarter of 2014 versus $19.0 million for the corresponding period of 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

The income tax expenses of $33.7 million for the first quarter of 2014 and $37.7 million for the corresponding quarter of 2013 both represented an effective tax rate of 25.4%.

NET EARNINGS

Net earnings for the first quarter of 2014 were $99.2 million, down 15.4% from net earnings of $117.3 million for the same quarter of 2013. Fully diluted net earnings per share were down 10.9% to $1.06 from $1.19 last year. This decrease is mainly due to non-recurring expenses in 2014 and a gain related to a discontinued operation in 2013. The comparison between adjusted net earnings from continuing operations[1] of 2014 and of 2013 better reflects the Corporation's performance.

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

ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS[1]

Excluding the non-recurring closure expenses of $6.4 million before taxes ($4.7 million after taxes) recorded in the first quarter of 2014 and the net earnings of $6.4 million on discontinued operation in the first quarter of 2013 following the sale of our Distagro division, adjusted net earnings from continuing operations[1] were $103.9 million compared to $110.9 million for the same period last year, and adjusted fully diluted net earnings per share from continuing operations [1] were $1.11 compared to $1.12 in the first quarter last year, down 0.9%.

12 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	**99.2**	**1.06**	117.3	1.19	(15.4)	(10.9)
Net earnings from discontinued operation	**—**	**—**	(6.4)	(0.07)		
Net earnings from continuing operations	**99.2**	**1.06**	110.9	1.12	(10.6)	(5.4)
Closure costs after taxes	**4.7**	**0.05**	—	—		
Adjusted net earnings from continuing operations[1]	**103.9**	**1.11**	110.9	1.12	(6.3)	(0.9)

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 January 17, 2014, the Corporation has repurchased 3,085,000 Common Shares at an average price of $63.32 for a total of $195.3 million.

DIVIDENDS

Given our strong financial position, the Board of Directors has approved a change in the Corporation's dividend policy. The annual dividend payout represents a target range of 20% to 30% of the net earnings excluding the non-recurring items of the previous fiscal year, with a target of 25% as opposed to the previous target of 20%. On January 27, 2014, the Corporation's Board of Directors declared a quarterly dividend of $0.30 per Common Share payable March 14, 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[1].

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 “sustain” 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.

(1) *See section “IFRS and Non-IFRS Measurements”*
(2) *See section “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.

CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call on the **2014 first quarter** results at **3:00 p.m. (EST) on Tuesday, January 28, 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. first 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 - Annual Report and Other Documents - Quarterly Results - 2014 First Quarter Results.*

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