



## PRESS RELEASE

### METRO: 18.5% EARNINGS PER SHARE INCREASE IN THE THIRD QUARTER OF 2015

(Montréal, August 12, 2015) - METRO INC. (TSX: MRU) today announced its results for the third quarter of fiscal 2015 ended July 4, 2015.

#### HIGHLIGHTS

- Sales of \$3,842.3 million, up 6.1%
- Same-store sales up 4.3%
- Net earnings of \$163.5 million, up 13.1%
- Fully diluted net earnings per share of \$0.64, up 18.5%
- Declared dividend of \$0.117<sup>(1)</sup> per share, up 16.7%

<i>(Millions of dollars, except for net earnings per share/EPS)</i>	16 weeks				
	2015	%	2014	%	Change (%)
Sales	<b>3,842.3</b>	<b>100.0</b>	3,622.1	100.0	6.1
Operating income before depreciation and amortization and associate's earnings <sup>(2)</sup>	<b>277.6</b>	<b>7.2</b>	253.3	7.0	9.6
Net earnings	<b>163.5</b>	<b>4.3</b>	144.5	4.0	13.1
Fully diluted EPS	<b>0.64</b>	—	0.54	—	18.5

<i>(Millions of dollars, except for net earnings per share/EPS)</i>	40 weeks				
	2015	%	2014	%	Change (%)
Sales	<b>9,389.9</b>	<b>100.0</b>	8,878.2	100.0	5.8
Operating income before depreciation and amortization and associate's earnings <sup>(2)</sup>	<b>650.4</b>	<b>6.9</b>	593.1	6.7	9.7
Adjusted operating income before depreciation and amortization and associate's earnings <sup>(2)</sup>	<b>650.4</b>	<b>6.9</b>	599.5	6.8	8.5
Net earnings	<b>387.6</b>	<b>4.1</b>	340.6	3.8	13.8
Fully diluted EPS	<b>1.50</b>	—	1.25	—	20.0
Adjusted net earnings <sup>(3)</sup>	<b>391.9</b>	<b>4.2</b>	345.3	3.9	13.5
Adjusted fully diluted EPS <sup>(3)</sup>	<b>1.52</b>	—	1.27	—	19.7

<sup>(1)</sup> Actual dividend is \$0.1166667 per share

<sup>(2)</sup> See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

<sup>(3)</sup> See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

<sup>(4)</sup> See section on "Forward-looking Information"

## PRESIDENT'S MESSAGE

"We are pleased with our third quarter performance, which was driven by continued strong sales growth, especially in fresh food products. Our teams executed well on their business plans across all banners to deliver a good shopping experience to our customers. We are confident that our merchandising strategies and investments in our store network will continue<sup>(4)</sup> to sustain our growth and create value for our shareholders", stated Eric R. La Flèche, President and Chief Executive Officer.

## 2015 THIRD QUARTER RESULTS

### SALES

Sales in the third quarter of 2015 totalled \$3,842.3 million, up 6.1% compared to \$3,622.1 million for the same quarter last year. Same-store sales were up 4.3% while our aggregate food basket experienced inflation of 3.5%. Our constant striving to stay on top of consumers' needs and our investments in our retail network allowed us to increase sales in a highly competitive market.

Sales in the first 40 weeks of fiscal 2015 totalled \$9,389.9 million versus \$8,878.2 million for the corresponding period of fiscal 2014, an increase of 5.8%.

### 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> (Alimentation Couche-Tard) for the third quarter of 2015 totalled \$277.6 million or 7.2% of sales versus \$253.3 million or 7.0% of sales for the same quarter last year.

For the first 40 weeks of fiscal 2015, operating income before depreciation and amortization and associate's earnings<sup>(2)</sup> totalled \$650.4 million or 6.9% of sales versus \$593.1 million or 6.7% of sales for the same period last year (6.8% excluding the non-recurring produce warehouse closure costs of \$6.4 million).

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

	40 weeks / Fiscal Year					
	2015			2014		
(Millions of dollars, unless otherwise indicated)	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	650.4	9,389.9	6.9	593.1	8,878.2	6.7
Closure expenses	—			6.4		
Adjusted operating income before depreciation and amortization and associate's earnings <sup>(2)</sup>	650.4	9,389.9	6.9	599.5	8,878.2	6.8

Gross margin on sales for the third quarter and the first 40 weeks of 2015 were 19.8% and 19.6% respectively versus 18.9% and 19.1% for the corresponding periods of 2014. The increase in the third quarter is attributable in part to the acquisition of Première Moisson (as for the first 40 weeks) and to higher sales of fresh products. Operating expenses as a percentage of sales for the third quarter and the first 40 weeks of 2015 were 12.5% and 12.7% respectively versus 12.0% and 12.3% for the corresponding periods of 2014. These changes are also attributable to the acquisition of Première Moisson in the fourth quarter of fiscal 2014.

### DEPRECIATION AND AMORTIZATION, NET FINANCIAL COSTS AND EARLY REDEMPTION FEES

Total depreciation and amortization expenses for the third quarter and the first 40 weeks of 2015 were \$54.3 million and \$134.1 million respectively versus \$54.2 million and \$135.7 million for the corresponding periods of 2014.

Net financial costs for the third quarter of 2015 totalled \$18.3 million compared to \$15.3 million for the corresponding quarter last year. For the first 40 weeks of 2015, net financial costs totalled \$45.3 million compared to \$37.0 million in 2014.

<sup>(1)</sup> Actual dividend is \$0.1166667 per share

<sup>(2)</sup> See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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Given the favourable market conditions for long-term financing, we refinanced our debt toward the end of the first quarter of 2015. We issued a private placement of \$300.0 million aggregate principal amount of Series C unsecured senior notes, bearing interest at a fixed nominal rate of 3.20% maturing December 1, 2021, and \$300.0 million aggregate principal amount of Series D unsecured senior notes, bearing interest at a fixed nominal rate of 5.03% and maturing December 1, 2044, for a total of \$600.0 million.

The proceeds were allocated to repayment of existing debt, working capital and other general corporate purposes. Paying down existing debt, we redeemed our \$200.0 million aggregate principal amount of Series A notes, at a fixed nominal rate of 4.98%, maturing October 15, 2015. Early redemption fees of \$5.9 million were incurred in the first quarter of 2015.

### SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was \$8.7 million for the third quarter of 2015 versus \$9.1 million for the corresponding quarter of 2014. This decrease is the result of special items.

Our share of earnings in Alimentation Couche-Tard was \$42.9 million for the first 40 weeks of 2015 versus \$33.2 million in 2014.

### INCOME TAXES

The 2015 third quarter income tax expense of \$50.2 million represented an effective tax rate of 23.5% compared with the 2014 third quarter tax expense of \$48.4 million for an effective tax rate of 25.1%.

The 40-week period income tax expense of \$120.4 million for 2015 and \$113.0 million for 2014 represented effective tax rates of 23.7% and 24.9% respectively.

### NET EARNINGS

Net earnings for the third quarter of 2015 were \$163.5 million, an increase of 13.1% over net earnings of \$144.5 million for the same quarter of 2014. Fully diluted net earnings per share rose 18.5% to \$0.64 from \$0.54 last year.

Net earnings for the first 40 weeks of 2015 were \$387.6 million, an increase of 13.8% over net earnings of \$340.6 million for the same period of 2014. Fully diluted net earnings per share rose 20.0% to \$1.50 from \$1.25 last year.

### ADJUSTED NET EARNINGS<sup>(3)</sup>

Excluding after-tax Series A notes early redemption fees of \$4.3 million in the first 40 weeks of 2015 and after-tax produce warehouse closure costs of \$4.7 million in the first 40 weeks of 2014, adjusted net earnings<sup>(3)</sup> and adjusted fully diluted net earnings per share<sup>(3)</sup> of the first 40 weeks of 2015 were up 13.5% and 19.7% respectively over those for 2014.

### Net earnings adjustments

	40 weeks / Fiscal Year					
	2015		2014		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	387.6	1.50	340.6	1.25	13.8	20.0
Closure expenses after taxes	—	—	4.7	0.02		
Early redemption fees after taxes	4.3	0.02	—	—		
Adjusted net earnings <sup>(3)</sup>	391.9	1.52	345.3	1.27	13.5	19.7

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## **NORMAL COURSE ISSUER BID PROGRAM**

Under its normal course issuer bid program, the Corporation may repurchase up to 17,100,000 of its Common Shares between September 10, 2014 and September 9, 2015. As at July 31, 2015, the Corporation has repurchased 10,383,700 Common Shares at an average price of \$31.48 for a total of \$326.8 million. The Corporation intends to renew its normal course issuer bid program as an additional option for using excess funds.

## **DIVIDENDS**

On August 11, 2015, the Corporation's Board of Directors declared a quarterly dividend of \$0.117<sup>(1)</sup> per Common Share payable September 21, 2015, an increase of 16.7% over the dividend declared for the same quarter last year. This dividend of \$0.117<sup>(1)</sup> equals the dividend declared in the first quarter of 2015. On an annualized basis, this dividend represents approximately 25% of 2014 adjusted net earnings<sup>(3)</sup>, compared to the percentages of the previous two fiscal years which were 22% and 20%, in accordance with the new payout target communicated to shareholders in January 2014.

## **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 2015 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. The arrival of a new competitor is an example described under the "Risk Management" section of the 2014 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.

## **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**), early redemption fees 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 AND ADJUSTED FULLY DILUTED NET EARNINGS PER SHARE**

Adjusted operating income before depreciation and amortization and associate's earnings, adjusted net earnings and adjusted fully diluted net earnings per share 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.

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## CONFERENCE CALL

Financial analysts and institutional investors are invited to participate in a conference call for the **2015 third quarter** results at **10:00 a.m. (EDT) today, August 12, 2015**. To access the conference call, please dial (647) 427-7450 or 1 (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 2015 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 - Investor Relations - 2015 Quarterly Results - 2015 Third Quarter Results.*

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