



INTERIM REPORT

12-week period ended December 20, 2014

1st Quarter 2015

HIGHLIGHTS

- Sales of \$2,840.5 million, up 5.2%
 - Same-store sales up 3.8%
 - Net earnings of \$112.5 million, up 13.4%
 - Fully diluted net earnings per share of \$1.30, up 22.6%
 - Adjusted fully diluted net earnings per share⁽²⁾ of \$1.35, up 21.6%
 - Declared dividend of \$0.35 per share, up 16.7%
 - 3-for-1 stock split
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REPORT TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present our interim report for the first quarter of fiscal 2015 ended December 20, 2014.

First, on behalf of everyone at Metro, I would like to express our warmest gratitude to Pierre H. Lessard and Paul Gobeil, who have reached the mandatory Board retirement age, for their remarkable contribution to the growth and success of Metro over the last 24 years. Mr. Lessard, who was President and Chief Executive Officer from 1990 to 2008 and Chairman of the Board since 2008, was the architect and great builder of the Metro company of today and we will always be grateful.

Building on the momentum of the fourth quarter of 2014, 2015 first quarter sales reached \$2,840.5 million versus \$2,701.3 million last year, an increase of 5.2%. Same-store sales were up 3.8%, our highest increase since 2009, and our aggregate food basket experienced inflation of 3.0%. In a market that remains very competitive, our merchandising strategies and investments in our store network supported our sales increase.

We realized net earnings of \$112.5 million in the first quarter of 2015 versus \$99.2 million for the corresponding period of 2014 and fully diluted net earnings per share of \$1.30 versus \$1.06 in 2014, an increase of 22.6%. Excluding after-tax Series A notes early redemption fees of \$4.3 million in the first quarter of 2015 and after-tax warehouse closure costs of \$4.7 million in the first quarter of 2014, 2015 first quarter adjusted net earnings⁽²⁾ and adjusted fully diluted net earnings per share⁽²⁾ were up 12.4% and 21.6% respectively over those for 2014.

Deeming market conditions to be favourable to long-term financing, on December 1, 2014, we refinanced our debt, issuing 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% and maturing in December 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 in December 2044, for a total of \$600.0 million. In the first quarter of 2015, the Corporation paid off its \$335.0 million unsecured renewable revolving credit facility bearing a weighted average rate of 2.39%. The Corporation redeemed, on December 31, 2014, its \$200.0 million aggregate principal amount of Series A notes bearing interest at a fixed nominal rate of 4.98% and maturing October 15, 2015.

Our financial position at the end of the first quarter of 2015 remains very solid. We had an unused authorized revolving credit facility of \$535.4 million and our debt ratio (non-current debt/total capital) was 29.3%.

On January 26, 2015, the Board of Directors declared a quarterly dividend of \$0.35 per share, an increase of 16.7% compared to our current quarterly dividend, in line with the target dividend payout ratio of 25% of the previous fiscal year's adjusted net earnings⁽²⁾ communicated to shareholders in January 2014.

We are pleased with our first quarter results. Our merchandising strategies and investments in our retail network are well received by our customers and we are confident that we are well-positioned to continue⁽³⁾ to grow over the coming quarters.



Eric R. La Flèche
President and Chief Executive Officer

January 27, 2015

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) sets out the financial position and consolidated results of METRO INC. on December 20, 2014 and for the 12-week period then ended. It should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes in this interim report.

The unaudited interim condensed consolidated financial statements for the 12-week period ended December 20, 2014 have been prepared by management in accordance with IAS 34 "Interim Financial Reporting". They should be read in conjunction with the audited annual consolidated financial statements and accompanying notes and the MD&A presented in the Corporation's 2014 Annual Report. Unless otherwise stated, the interim report is based upon information as at January 16, 2015.

Additional information, including the Certification of Interim Filings letters for the quarter ended December 20, 2014 signed by the President and Chief Executive Officer and the Senior Vice-President, Chief Financial Officer and Treasurer, is also available on the SEDAR website at: www.sedar.com.

OPERATING RESULTS

SALES

Sales in the first quarter of 2015 totalled \$2,840.5 million, up 5.2% compared to \$2,701.3 million for the same quarter last year. Same-store sales were up 3.8%, the highest increase since the third quarter of 2009, and our aggregate food basket experienced inflation of 3.0% in the first quarter. In a market that remains intensely competitive, our merchandising strategies and investments in our store network enabled us to increase sales.

OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION AND ASSOCIATE'S EARNINGS⁽¹⁾

Operating income before depreciation and amortization and associate's earnings⁽¹⁾ (Alimentation Couche-Tard) for the first quarter of 2015 totalled \$190.0 million or 6.7% of sales versus \$171.1 million or 6.3% of sales for the same quarter last year (6.6% excluding the non-recurring Québec City produce warehouse closure costs of \$6.4 million).

In the first quarter of 2015, gross margin on sales was 19.3% versus 18.8% for the same quarter of 2014. The operating expenses as a percentage of sales was 12.6% for the first quarter of 2015 versus 12.2% for the corresponding quarter of last year. These changes are largely attributable to the acquisition of Première Moisson in the fourth quarter of fiscal 2014.

Operating income before depreciation and amortization and associate's earnings adjustments (OI)⁽¹⁾

	12 weeks					
	2015			2014		
<i>(Millions of dollars, unless otherwise indicated)</i>	OI	Sales	(%)	OI	Sales	(%)
Operating income before depreciation and amortization and associate's earnings	190.0	2,840.5	6.7	171.1	2,701.3	6.3
Closure costs	—			6.4		
Adjusted operating income before depreciation and amortization and associate's earnings ⁽¹⁾	190.0	2,840.5	6.7	177.5	2,701.3	6.6

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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

DEPRECIATION AND AMORTIZATION, NET FINANCIAL COSTS AND EARLY REDEMPTION FEES

Total depreciation and amortization expenses for the first quarter of 2015 amounted to \$40.0 million versus \$41.0 million in 2014.

Net financial costs for the first quarter of 2015 totalled \$13.4 million compared to \$10.3 million for the corresponding quarter last year. This difference is due, among others, to the issuance of notes in the first quarter as the Corporation deemed market conditions to be favourable to long-term financing. On December 1, 2014, the Corporation 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 and 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 Corporation allocated the proceeds to repayment of existing debt, working capital and other general corporate purposes. On December 5, 2014, the Corporation paid off its \$335.0 million unsecured renewable revolving credit facility which had a weighted average rate of 2.39%. On December 31, 2014, the Corporation also redeemed its \$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.

SHARE OF AN ASSOCIATE'S EARNINGS

Our share of earnings in Alimentation Couche-Tard was \$17.9 million for the first quarter of 2015 versus \$13.1 million for the corresponding quarter of 2014.

INCOME TAXES

First quarter 2015 income tax expense of \$36.1 million represented an effective tax rate of 24.3% compared with 2014 first quarter tax expense of \$33.7 million for an effective tax rate of 25.4%.

NET EARNINGS

Net earnings for the first quarter of 2015 were \$112.5 million, an increase of 13.4% over net earnings of \$99.2 million for the same quarter of 2014. Fully diluted net earnings per share rose 22.6% to \$1.30 from \$1.06 last year.

ADJUSTED NET EARNINGS⁽²⁾

Excluding after-tax Series A notes early redemption fees of \$4.3 million in the first quarter of 2015 and after-tax Québec City produce warehouse closure costs of \$4.7 million in the first quarter of 2014, 2015 first quarter adjusted net earnings⁽²⁾ and adjusted fully diluted net earnings per share⁽²⁾ were up 12.4% and 21.6% respectively over those for 2014.

Net earnings adjustments

	12 weeks					
	2015		2014		Change (%)	
	(Millions of dollars)	Fully diluted EPS (Dollars)	(Millions of dollars)	Fully diluted EPS (Dollars)	Net earnings	Fully diluted EPS
Net earnings	112.5	1.30	99.2	1.06	13.4	22.6
Closure costs after taxes	—	—	4.7	0.05		
Early redemption fees after taxes	4.3	0.05	—	—		
Adjusted net earnings ⁽²⁾	116.8	1.35	103.9	1.11	12.4	21.6

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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

QUARTERLY HIGHLIGHTS

<i>(Millions of dollars, unless otherwise indicated)</i>	2015	2014	2013	Change (%)
Sales				
Q1 ⁽⁴⁾	2,840.5	2,701.3		5.2
Q4 ⁽⁴⁾		2,712.2	2,611.0	3.9
Q3 ⁽⁵⁾		3,622.1	3,572.2	1.4
Q2 ⁽⁴⁾		2,554.8	2,512.0	1.7
Net earnings				
Q1 ⁽⁴⁾	112.5	99.2		13.4
Q4 ⁽⁴⁾		115.6	79.5	45.4
Q3 ⁽⁵⁾		144.5	144.4	0.1
Q2 ⁽⁴⁾		96.9	362.7	(73.3)
Adjusted net earnings⁽²⁾				
Q1 ⁽⁴⁾	116.8	103.9		12.4
Q4 ⁽⁴⁾		115.6	108.9	6.2
Q3 ⁽⁵⁾		144.5	144.5	—
Q2 ⁽⁴⁾		96.9	96.4	0.5
Fully diluted net earnings per share (Dollars)				
Q1 ⁽⁴⁾	1.30	1.06		22.6
Q4 ⁽⁴⁾		1.32	0.83	59.0
Q3 ⁽⁵⁾		1.63	1.49	9.4
Q2 ⁽⁴⁾		1.07	3.73	(71.3)
Adjusted fully diluted net earnings per share⁽²⁾ (Dollars)				
Q1 ⁽⁴⁾	1.35	1.11		21.6
Q4 ⁽⁴⁾		1.32	1.15	14.8
Q3 ⁽⁵⁾		1.63	1.49	9.4
Q2 ⁽⁴⁾		1.07	0.98	9.2

⁽⁴⁾ 12 weeks

⁽⁵⁾ 16 weeks

Sales in the first quarter of 2015 totalled \$2,840.5 million, up 5.2% compared to \$2,701.3 million for the same quarter last year. Same-store sales were up 3.8%, the highest increase since the third quarter of 2009, and our aggregate food basket experienced inflation of 3.0%. In a market that remains intensely competitive, our merchandising strategies and investments in our store network enabled us to increase sales.

Sales in the fourth quarter of 2014 totalled \$2,712.2 million, up 3.9% compared to \$2,611.0 million for the same quarter of 2013. Same-store sales were up 3.1%. Our aggregate food basket experienced inflation of 2.5%. In a market that remains intensely competitive, our merchandising strategies and investments as well as the reorganization of our Ontario store network enabled us to increase sales. The fourth quarter acquisition of Première Moisson accounted for 0.5% of our sales increase.

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 of 2013. 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.

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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

Sales in the second quarter of 2014 reached \$2,554.8 million versus \$2,512.0 million for the same quarter of 2013, an increase of 1.7%. 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.

Net earnings for the first quarter of 2015 were \$112.5 million, an increase of 13.4% over net earnings of \$99.2 million for the same quarter of 2014. Fully diluted net earnings per share rose 22.6% to \$1.30 from \$1.06 last year. Excluding after-tax Series A notes early redemption fees of \$4.3 million in the first quarter of 2015 and after-tax Québec City produce warehouse closure costs of \$4.7 million in the first quarter of 2014, 2015 first quarter adjusted net earnings⁽²⁾ and adjusted fully diluted net earnings per share⁽²⁾ were up 12.4% and 21.6% respectively over those for 2014.

Net earnings for the fourth quarter of 2014 were \$115.6 million, up 45.4% from net earnings of \$79.5 million for the same quarter of 2013. Fully diluted net earnings per share were up 59.0% to \$1.32 from \$0.83 in 2013. Excluding after-tax restructuring costs of \$29.4 million for the reorganization of our Ontario store network, 2013 fourth quarter adjusted net earnings⁽²⁾ were \$108.9 million as opposed to 2014 fourth quarter net earnings of \$115.6 million which were up 6.2%. Fourth quarter fully diluted net earnings per share in 2014 were up 14.8% compared to the corresponding adjusted quarter of 2013.

Net earnings for the third quarter of 2014 were \$144.5 million, up 0.1% from net earnings of \$144.4 million for the same quarter of 2013. Excluding the \$0.1 million net loss on discontinued operation following the sale of our Distagro division, 2013 adjusted net earnings⁽²⁾ were \$144.5 million. Fully diluted net earnings per share were up 9.4% to \$1.63 from \$1.49 in 2013.

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 in 2013. 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, adjusted net earnings⁽²⁾ were \$96.9 million compared to \$96.4 million in 2013, up 0.5%, and adjusted fully diluted net earnings per share⁽²⁾ were \$1.07 compared to \$0.98 in 2013, up 9.2%.

	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(Millions of dollars)</i>								
Net earnings	112.5	115.6	144.5	96.9	99.2	79.5	144.4	362.7
Net loss from discontinued operation	—	—	—	—	—	—	0.1	0.1
Gain on disposal of a portion of the investment in an associate after taxes	—	—	—	—	—	—	—	(266.4)
Closure costs and restructuring charges after taxes	—	—	—	—	4.7	29.4	—	—
Early redemption fees after taxes	4.3	—	—	—	—	—	—	—
Adjusted net earnings ⁽²⁾	116.8	115.6	144.5	96.9	103.9	108.9	144.5	96.4

	2015	2014				2013		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<i>(Dollars and per share)</i>								
Fully diluted net earnings	1.30	1.32	1.63	1.07	1.06	0.83	1.49	3.73
Gain on disposal of a portion of the investment in an associate after taxes	—	—	—	—	—	—	—	(2.75)
Closure costs and restructuring charges after taxes	—	—	—	—	0.05	0.32	—	—
Early redemption fees after taxes	0.05	—	—	—	—	—	—	—
Adjusted fully diluted net earnings ⁽²⁾	1.35	1.32	1.63	1.07	1.11	1.15	1.49	0.98

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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CASH POSITION

OPERATING ACTIVITIES

Operating activities generated cash flows of \$11.5 million in the first quarter of fiscal 2015 compared to \$21.3 million for the corresponding period of 2014. The decrease is due mainly to greater utilisation of cash flows for net changes in non-cash working capital combined with lower utilisation for taxes paid in 2015 versus 2014.

INVESTING ACTIVITIES

Investing activities required outflows of \$30.7 million in the first quarter of fiscal 2015 versus \$47.1 million for the corresponding period of 2014. This decrease is largely attributable to fewer additions of fixed assets in 2015 versus 2014.

During the first quarter of fiscal 2015, we and our retailers opened 3 new stores and carried out major expansions and renovations of 3 stores for a gross expansion of 110,800 square feet without a significant net increase of our retail network.

FINANCING ACTIVITIES

In the first quarter of 2015, financing activities generated cash flows of \$179.0 million versus \$0.3 million in the same quarter of 2014. This change is largely attributable to the lower redemption of shares in the first quarter of 2015, in the amount of \$66.2 million versus \$130.4 million for the same quarter of 2014, as well as the \$602.7 million debt increase and \$338.4 million debt repayment in the first quarter of 2015 compared to the \$155.3 million debt increase and \$4.5 million debt repayment in the first quarter of 2014. The greater increase and repayment in 2015 versus 2014 are attributable to our debt refinancing.

FINANCIAL POSITION

We do not anticipate⁽³⁾ any liquidity risk and consider our financial position at the end of the first quarter of fiscal 2015 as very solid. We had an unused authorized revolving credit facility of \$535.4 million. Our non-current debt corresponded to 29.3% of the combined total of non-current debt and equity (non-current debt/total capital).

At the end of the first quarter of fiscal 2015, the main elements of our non-current debt were as follows:

	Interest Rate	Maturity	Balance (Millions of dollars)
Revolving Credit Facility	Rates fluctuate with changes in bankers' acceptance rates	November 3, 2019	64.6
Series A Notes	4.98% fixed rate	October 15, 2015	200.0
Series C Notes	3.20% fixed rate	December 1, 2021	300.0
Series B Notes	5.97% fixed rate	October 15, 2035	400.0
Series D Notes	5.03% fixed rate	December 1, 2044	300.0
Loans			28.2
Obligations under finance leases			36.0
Deferred financing costs			(7.2)
			1,321.6
Current portion			207.2
			1,114.4

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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

Our main financial ratios were as follows:

	As at December 20, 2014	As at September 27, 2014
Financial structure		
Non-current debt <i>(Millions of dollars)</i>	1,114.4	1,044.7
Equity <i>(Millions of dollars)</i>	2,693.1	2,684.1
Non-current debt/total capital (%)	29.3	28.0
	Fiscal Year	
	2015	2014
Results		
Operating income before depreciation and amortization and associate's earnings ⁽¹⁾ /Financial costs <i>(Times)</i>	14.2	16.6

A portion of \$200.0 million from the issuance of Series C and D Notes was invested for a very short period of time and was included in cash and cash equivalents for the early repayment of Series A Notes of \$200 million on December 31, 2014.

CAPITAL STOCK, STOCK OPTIONS AND PERFORMANCE SHARE UNITS

	As at December 20, 2014	As at September 27, 2014
Number of Common Shares outstanding <i>(Thousands)</i>	83,811	84,490
Stock options:		
Number outstanding <i>(Thousands)</i>	1,242	1,375
Exercise prices <i>(Dollars)</i>	24.73 to 74.06	24.73 to 74.06
Weighted average exercise price <i>(Dollars)</i>	53.44	50.91
Performance share units:		
Number outstanding <i>(Thousands)</i>	268	268

NORMAL COURSE ISSUER BID PROGRAM

Under its normal course issuer bid program, the Corporation may repurchase up to 5,700,000 of its Common Shares between September 10, 2014 and September 9, 2015. As at January 16, 2015, the Corporation has repurchased 1,174,400 Common Shares at an average price of \$79.50 for a total of \$93.4 million.

DIVIDENDS

On January 26, 2015, the Corporation's Board of Directors declared a quarterly dividend of \$0.35 per Common Share payable March 16, 2015, an increase of 16.7% over the current quarterly dividend of \$0.30. On an annualized basis, this dividend represents approximately 25% of 2014 adjusted net earnings⁽²⁾, 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.

After the record date (February 6, 2015) of the stock split mentioned in the section entitled « Event after the reporting period » and as a result of this stock split, Metro's quarterly dividend declared on January 26, 2015 payable March 16, 2015 to all shareholders of Common Shares at close of business February 18, 2015, will go from \$0.35 to \$0.1166667 per Common Share.

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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SHARE TRADING

The value of METRO shares remained in the \$72.80 to \$93.25 range over the first quarter of 2015. During this period, a total of 18.9 million shares traded on the Toronto Stock Exchange. The closing price on January 16, 2015 was \$92.81 compared with \$73.87 at the end of fiscal 2014.

EVENTS AFTER THE REPORTING PERIOD

3-for-1 Stock Split

The Board of Directors of the Corporation has approved on January 26, 2015 a 3-for-1 stock split of its Common Shares to increase the number of shares outstanding and enhance affordability to investors. This stock split is subject to obtaining all necessary regulatory approvals.

The record date of the stock split will be Friday, February 6, 2015 at 5 p.m., and the payment date will be Wednesday, February 11, 2015, at which time the Corporation's transfer agent, Computershare Trust Company of Canada ("Computershare"), will promptly send shareholders of record a physical share certificate representing two additional Common Shares for each Common Share held at such record date. In addition, Computershare will electronically issue the appropriate number of Common Shares to CDS & Co for distribution to the non-registered beneficial shareholders resulting in the brokerage account of beneficial owners being automatically updated to reflect the stock split. Shareholders do not need to take any action in order to receive additional shares under this stock split.

The Toronto Stock Exchange has determined to implement due bill trading in connection with the stock split. A due bill is an entitlement attached to listed securities undergoing a material corporate action, such as a stock split. In this instance, anyone purchasing a Common Share of Metro during the period commencing two trading days before the record date (Wednesday, February 4, 2015) and ending on the payment date (Wednesday, February 11, 2015) inclusively (the "due bill period"), shall receive a payable right. Any trades that are executed on the Toronto Stock Exchange during the due bill period will be identified to ensure purchasers of Metro's Common Shares receive the entitlement.

The Common Shares will commence trading on an "ex-distribution" basis on Thursday, February 12, 2015, as of which date purchases of the Corporation's Common Shares will no longer have an attaching entitlement. The due bill redemption date will be Tuesday, February 17, 2015.

After the record date (February 6, 2015) of the stock split and as a result of this stock split, the Corporation's quarterly dividend declared on January 26, 2015 payable March 16, 2015 to all shareholders of Common Shares at close of business February 18, 2015, will go from \$0.35 to \$0.1166667 per Common Share.

Brunet Target Pharmacies

On January 15, 2015, Target announced the closure of all its Canadian stores. As franchisor, the Corporation supplies 14 Brunet Target pharmacies in Québec Target stores. We will proceed shortly with the closure of these pharmacies and the costs incurred will not be significant for the Corporation.

NEW ACCOUNTING POLICIES

RECENTLY ISSUED

Financial instruments

In November 2009, the International Accounting Standards Board (IASB) issued IFRS 9 "Financial Instruments". This new standard replaces the various rules of IAS 39 "Financial Instruments: Recognition and Measurement" with a single approach to determine whether a financial asset is measured at amortized cost or fair value. This approach is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

In October 2010, the IASB issued revisions to IFRS 9, adding the requirements for classification and measurement of financial liabilities contained in IAS 39.

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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In November 2013, the IASB incorporated a new hedge accounting model into IFRS 9 to enable financial statement users to better understand an entity's risk exposure and its risk management activities.

In July 2014, the IASB issued a new impairment model for financial assets based on expected credit losses. IFRS 9 shall be applied to fiscal years beginning on or after January 1, 2018. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers" which is a replacement of IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. Under IFRS 15 standard, revenue is recognized at the point in time when control of the goods or services transfers to the customer rather than when the significant risks and rewards are transferred. The new standard also requires additional disclosures through notes to financial statements. IFRS 15 shall be applied to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The Corporation is assessing the impact of this new standard on its consolidated financial statements.

Presentation of financial statements

In December 2014, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. The Corporation is assessing the impact of these amendments on its consolidated financial statements.

FORWARD-LOOKING INFORMATION

We have used, throughout this report, 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. Expressions such as "continue", "anticipate" 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.

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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

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.

OUTLOOK

We are pleased with our first quarter results. Our merchandising strategies and investments in our retail network are well received by our customers and we are confident that we are well-positioned to continue⁽³⁾ to grow over the coming quarters.

Montréal, January 27, 2015

⁽¹⁾ See table on "Operating income before depreciation and amortization and associate's earnings adjustments" and section on "IFRS and non-IFRS Measurements"

⁽²⁾ See table on "Net earnings adjustments" and section on "IFRS and non-IFRS Measurements"

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