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# Quarterly Report

12 AND 24-WEEK PERIODS ENDED OCTOBER 13, 2019



## Management Discussion and Analysis

*The purpose of this Management Discussion and Analysis (“MD&A”) is, as required by regulators, to explain management’s point of view on the financial condition and results of the operations of Alimentation Couche-Tard Inc. (“Couche-Tard”) as well as its performance during the second quarter of the fiscal year ending April 26, 2020. More specifically, it aims to let the reader better understand our development strategy, performance in relation to objectives, future expectations, and how we address risk and manage our financial resources. This MD&A also provides information to improve the reader’s understanding of Couche-Tard’s unaudited interim condensed consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. By “we”, “our”, “us” and “the Corporation”, we refer collectively to Couche-Tard and its subsidiaries.*

*Except where otherwise indicated, all financial information reflected herein is expressed in United States dollars (“US dollars”) and determined on the basis of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). We also use measures in this MD&A that do not comply with IFRS. Where such measures are presented, they are defined, and the reader is informed. This MD&A should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in our 2019 Annual Report, which, along with additional information relating to Couche-Tard, including the most recent Annual Information Form, is available on SEDAR at <https://www.sedar.com/> and on our website at <https://corpo.couche-tard.com/>.*

## Forward-Looking Statements

This MD&A includes certain statements that are “forward-looking statements” within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words “believe”, “could”, “should”, “intend”, “expect”, “estimate”, “assume” and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at November 26, 2019, which are not guarantees of the future performance of Couche-Tard or its industry, and involve known and unknown risks and uncertainties that may cause Couche-Tard’s or the industry’s outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The foregoing risks and uncertainties include the risks set forth under “Business Risks” in our 2019 Annual Report as well as other risks detailed from time to time in reports filed by Couche-Tard with securities regulators in Canada.

## Our Business

We are the leader in the Canadian convenience store industry. In the United States, we are the largest independent convenience store operator in terms of the number of company-operated stores. In Europe, we are a leader in convenience store and road transportation fuel retail in the Scandinavian countries (Norway, Sweden and Denmark), in the Baltic countries (Estonia, Latvia and Lithuania), as well as in Ireland, and have an important presence in Poland.

As of October 13, 2019, our network comprised 9,815 convenience stores throughout North America, including 8,591 stores with road transportation fuel dispensing. Our North American network consists of 19 business units, including 15 in the United States covering 48 states and 4 in Canada covering all 10 provinces. Approximately 109,000 people are employed throughout our network and at our service offices in North America. In addition, through CrossAmerica Partners LP (“CAPL”), we supply road transportation fuel under various brands to more than 1,300 locations in the United States (until November 19, 2019).

In Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through ten business units. As of October 13, 2019, our network comprised 2,708 stores, the majority of which offer road transportation fuel and convenience products while the others are unmanned automated fuel stations which only offer road transportation fuel. We also offer other products, including aviation fuel and energy for stationary engines. Including employees at branded franchise stores, approximately 24,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, approximately 2,280 stores are operated under the Circle K banner in 16 other countries and territories (Cambodia, China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings our worldwide total network to more than 16,000 stores (including the CAPL network).

Our mission is to make our customers' lives a little easier every day. To this end, we strive to meet the demands and needs of people on the go. We offer fast and friendly service, providing food, hot and cold beverages, car wash services, and other high-quality products and services including road transportation fuel, designed to meet or exceed our customers' demands in a clean, welcoming and efficient environment. Our business model is our key to success. We are a customer-centric, financially disciplined organization that routinely compares best practices, and uses our global experience to enhance our operational expertise and continually invest in our people and our stores.

## Value Creation

In the United States, the convenience store sector is fragmented and in a consolidation phase. We are participating in this process through our acquisitions, the market shares we gain when competitors close sites, and by improving our offering. In Europe and Canada, the convenience store sector is often dominated by a few major players, including integrated oil companies. Some of these integrated oil companies are in the process of selling, or are expected to sell, their retail assets. We intend to study investment opportunities that might come to us through this process.

No matter the context, to create value for our Corporation and its shareholders, acquisitions have to be concluded at reasonable conditions. Therefore, we do not necessarily favor store count growth to the detriment of profitability. In addition to acquisitions, the contribution from organic growth has played an important role in the recent growth of our net earnings. Highlights have included the ongoing improvements we have made to our offer, including fresh products, to our supply terms and to our efficiency. All these elements, in addition to our strong balance sheet, have contributed to the growth in our net earnings and to value creation for our shareholders and other stakeholders. We intend to continue in this direction.

## Exchange Rate Data

We use the US dollar as our reporting currency, which provides more relevant information given the predominance of our operations in the United States.

The following tables set forth information about exchange rates based upon closing rates expressed as US dollars per comparative currency unit:

	12-week periods ended		24-week periods ended	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
<b>Average for period<sup>(1)</sup></b>				
Canadian dollar	<b>0.7547</b>	0.7675	<b>0.7531</b>	0.7674
Norwegian krone	<b>0.1115</b>	0.1210	<b>0.1134</b>	0.1222
Swedish krone	<b>0.1032</b>	0.1112	<b>0.1044</b>	0.1125
Danish krone	<b>0.1482</b>	0.1555	<b>0.1494</b>	0.1565
Zloty	<b>0.2551</b>	0.2701	<b>0.2589</b>	0.2713
Euro	<b>1.1063</b>	1.1598	<b>1.1150</b>	1.1665
Ruble	<b>0.0154</b>	0.0151	<b>0.0155</b>	0.0155

(1) Calculated by taking the average of the closing exchange rates of each day in the applicable period.

	<u>As at October 13, 2019</u>	<u>As at April 28, 2019</u>
<b>Period end</b>		
Canadian dollar	<b>0.7523</b>	0.7412
Norwegian krone	<b>0.1100</b>	0.1152
Swedish krone	<b>0.1018</b>	0.1053
Danish krone	<b>0.1479</b>	0.1491
Zloty	<b>0.2565</b>	0.2596
Euro	<b>1.1043</b>	1.1133
Ruble	<b>0.0156</b>	0.0154

As we use the US dollar as our reporting currency in our consolidated financial statements and in this document, unless indicated otherwise, results from our Canadian, European and corporate operations are translated into US dollars using the average rate for the period. Unless otherwise indicated, variances and explanations regarding changes in the foreign exchange rate and the volatility of the Canadian dollar and European currencies which we discuss in the present document are therefore related to the translation into US dollars of our Canadian, European and corporate operations' results.

## Overview of the Second Quarter of Fiscal 2020

### Financial Results

Net earnings attributable to shareholders of the Corporation ("net earnings") amounted to \$578.6 million for the second quarter of fiscal 2020, compared with \$473.1 million for the second quarter of fiscal 2019. Diluted net earnings per share stood at \$0.51, compared with \$0.42 for the corresponding period of the previous year.

The results for the second quarter of fiscal 2020 were affected by a pre-tax net foreign exchange gain of \$11.8 million, pre-tax restructuring costs of \$1.9 million, pre-tax acquisition costs of \$0.8 million, as well as a tax benefit from the second tranche of the asset exchange with CAPL of which \$0.7 million is attributable to shareholders of the Corporation.

The results for the comparable quarter of fiscal 2019 were affected by a net tax benefit of \$6.2 million stemming from the decrease of the statutory income tax rate in Sweden, pre-tax compensatory payment to CAPL for the divestiture of assets of \$5.0 million, pre-tax restructuring costs of \$4.8 million, a pre-tax net foreign exchange gain of \$3.7 million, as well as pre-tax acquisition costs of \$0.7 million.

Excluding these items, the adjusted net earnings would have been approximately \$571.0 million<sup>1</sup> (\$0.51<sup>1</sup> per share on a diluted basis), compared with \$466.0 million<sup>1</sup> (\$0.41<sup>1</sup> per share on a diluted basis) for the second quarter of fiscal 2019, an increase of \$105.0 million or 22.5%, driven by higher road transportation fuel margins in the U.S., and organic growth across our three geographic segments, partly offset by a higher income tax rate, as well as the negative impact from the translation of our Canadian and European operations into US dollars.

### Changes in our Network

#### *Store construction*

During the second quarter of fiscal 2020, we completed the construction of 20 stores and the relocation or reconstruction of 7 stores, reaching a total of 48 stores since the beginning of fiscal 2020. As of October 13, 2019, another 49 stores were under construction and should open in the upcoming quarters.

#### *Single-site acquisitions*

During the second quarter of fiscal 2020, we acquired one company-operated store, reaching a total of nine stores since the beginning of fiscal 2020.

<sup>1</sup> Please refer to the section "Net earnings attributable to shareholders of the Corporation ("net earnings") and adjusted net earnings attributable to shareholders of the Corporation ("adjusted net earnings")" of this MD&A for additional information on this performance measure not defined by IFRS. These performance measures, for the 12-week period ended October 14, 2018, have been adjusted for the estimated impact of IFRS 16, the previously reported adjusted net earnings were approximately \$473.0 million and adjusted diluted net earnings per share was \$0.42.

## Summary of changes in our store network during the second quarter and first half-year of fiscal 2020

The following tables present certain information regarding changes in our store network over the 12-week and 24-week periods ended October 13, 2019<sup>(1)</sup>:

Type of site	12-week period ended October 13, 2019				Total
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	
Number of sites, beginning of period	9,793	456	1,033	1,216	12,498
Acquisitions	1	-	-	-	1
Openings / constructions / additions	20	1	8	87	116
Closures / disposals / withdrawals	(24)	(58)	(4)	(6)	(92)
Store conversion	(55)	53	2	-	-
<b>Number of sites, end of period</b>	<b>9,735</b>	<b>452</b>	<b>1,039</b>	<b>1,297</b>	<b>12,523</b>
CAPL network					1,312
Circle K branded sites under licensing agreements					2,278
<b>Total network</b>					<b>16,113</b>
Number of automated fuel stations included in the period-end figures <sup>(6)</sup>	982	-	12	-	994

Type of site	24-week period ended October 13, 2019				Total
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	
Number of sites, beginning of period	9,794	514	1,052	1,215	12,575
Acquisitions	9	-	-	-	9
Openings / constructions / additions	49	1	12	111	173
Closures / disposals / withdrawals	(59)	(122)	(24)	(29)	(234)
Store conversion	(58)	59	(1)	-	-
<b>Number of sites, end of period</b>	<b>9,735</b>	<b>452</b>	<b>1,039</b>	<b>1,297</b>	<b>12,523</b>
CAPL network					1,312
Circle K branded sites under licensing agreements					2,278
<b>Total network</b>					<b>16,113</b>

- (1) These figures include 50% of the stores operated through RDK, a joint venture.
- (2) Sites for which the real estate is controlled by Couche-Tard (through ownership or lease agreements) and for which the stores (and/or the service stations) are operated by Couche-Tard or one of its commission agents.
- (3) Sites for which the real estate is controlled by Couche-Tard (through ownership or lease agreements) and for which the stores (and/or the service stations) are operated by an independent operator in exchange for rent and to which Couche-Tard sometimes provides road transportation fuel through supply contracts. Some of these sites are subject to a franchise agreement, licensing or other similar agreement under one of our main or secondary banners.
- (4) Sites controlled and operated by independent operators to which Couche-Tard supplies road transportation fuel through supply contracts. Some of these sites are subject to a franchise agreement, licensing or other similar agreement under one of our main or secondary banners.
- (5) Stores operated by an independent operator through a franchising, licensing or another similar agreement under one of our main or secondary banners.
- (6) These sites sell road transportation fuel only.

### Asset Exchange Agreement with CAPL

On December 17, 2018, we entered into an asset exchange agreement with CAPL under which 192 Circle K U.S. company-operated stores will be exchanged against the real estate property held by CAPL for 56 U.S. company-operated stores leased and operated by Couche-Tard pursuant to a master lease that CAPL had previously purchased jointly with or from CST Brands Inc. ("CST"), and 17 company-operated stores owned and operated by CAPL in the U.S. Upper Midwest ("December 2018 asset exchange agreement"). The aggregate value of this agreement is approximately \$185.0 million.

In September 2019, we closed the second transaction of the December 2018 asset exchange agreement with CAPL. In this second transaction, we transferred 56 Circle K U.S. stores for a total value of approximately \$50.0 million. In exchange, CAPL transferred the real estate for 19 properties for a total value of approximately \$51.0 million. Following the exchange transaction, we performed a re-evaluation of our deferred tax assets and liabilities which generated a net income tax benefit of \$0.1 million, of which \$0.7 million is attributable to shareholders of the Corporation. For the first half-year of fiscal 2020, the total net income tax expense was \$4.4 million, of which \$2.8 million are attributable to shareholders of the Corporation.

The remaining tranche is expected to be completed by the end of the first quarter of calendar year 2020.

### *Transactions subsequent to quarter-end*

On October 29, 2019, subsequent to the end of the second quarter of fiscal 2020, we reached an agreement to acquire 17 stores from a franchise operator. These convenience stores operate under the Holiday banner in South Dakota and Minnesota, within the United States. The transaction is anticipated to close in the third quarter of fiscal year 2020 and is subject to the standard regulatory approvals and closing conditions. We expect to finance this transaction using our available cash and existing credit facilities.

On November 19, 2019, subsequent to the end of the second quarter of fiscal 2020, we announced the closing of the sale of our interest in CAPL, representing 100% of the equity interests of the sole member of the General Partner, 100% of the incentive distribution rights and 21.72% of the outstanding common units of CAPL to investment entities controlled by Joe Topper, the founder of CAPL and a current member of the board of directors of its General Partner. The decision to divest our interest in CAPL was based on the outcome of a strategic review.

On the same date and in line with the strategic review mentioned above, we announced an asset exchange agreement with CAPL under which we will transfer a portion of our U.S. wholesale road transportation fuel operations, which consists of wholesale fuel supply contracts covering 387 sites and 45 fee and leasehold properties, against CAPL's 17.5% limited partnership interest in CST Fuel Supply LP ("November 2019 asset exchange agreement"). Subject to regulatory approvals, the November 2019 asset exchange agreement is expected to be completed by the end of the first quarter of calendar 2020.

Following the November 2019 asset exchange agreement, we will retain our agreements with independent operators in California and those operated through our RDK Ventures LLC joint venture as well as other strategic wholesale road transportation fuel operations assets across different parts of the United States and we will have a 100.0% limited partnership interest in CST Fuel Supply LP.

## **Global Circle K Brand**

On September 22, 2015, we announced the creation of a new global convenience brand, Circle K. The new brand is replacing our existing Circle K, Statoil, Mac's, Kangaroo Express, Corner Store, On the Run, and Topaz brands on stores and service stations across Canada (except Quebec), the United States and Europe. The rollout of our Circle K brand in Europe was completed during the first quarter of fiscal 2020, while in North America, it is progressing steadily.

As of October 13, 2019, more than 6,000 stores in North America, including 880 stores acquired from CST, now proudly display our new global brand.

## **Investment in Fire & Flower**

On August 7, 2019, we invested an amount of CA \$26.0 million (\$19.5 million) in Fire & Flower Holdings Corp. ("Fire & Flower"), a leading independent cannabis retailer listed on the Toronto Stock Exchange and based in Alberta, Canada. This investment is in the form of unsecured convertible debentures which would result in a 9.9% ownership interest in Fire & Flower upon conversion. We have also been issued Common Share purchase warrants, that, if exercised in accordance with the terms thereof, would subsequently increase our ownership interest in Fire & Flower up to 50.1%. As at October 13, 2019, the unsecured convertible debentures were not converted, and no Common Share purchase warrants were exercised.

## **Long-Term Debt**

On August 13, 2019, we repaid, without penalty, the remaining \$150.0 million balance of our \$300.0 million US-dollar-denominated senior unsecured notes issued on December 14, 2017 and maturing on December 13, 2019.

On November 1, 2019, subsequent to the end of the second quarter of fiscal 2020, we fully repaid, at maturity, our CA \$450.0 million (\$341.4 million) Canadian-dollar-denominated senior unsecured notes issued on November 1, 2012

## Cross-Currency Interest Rate Swaps

On November 1, 2019, subsequent to the end of the second quarter of fiscal 2020, we settled, at maturity, the following cross-currency interest rate swaps:

Receive – Notional (in millions)	Receive – Rate	Pay – Notional (in millions)	Pay – Rate
CA \$305.0 (\$231.4)	3.319%	US \$305.9	2.740%
CA \$125.0 (\$94.8)	3.319%	US \$125.4	2.733%
CA \$20.0 (\$15.2)	3.319%	US \$20.1	2.738%

## Interest Rate Locks

During the second quarter of fiscal 2020, we entered into interest rate locks at the following conditions:

Notional amount (in millions)	Interest lock term	Rate	Maturity date
\$500.0	10 years	From 1.566% to 1.626%	March 9, 2020

The instruments allow us to hedge the variability of anticipated interest payments due to changes in the US Treasury rates. Therefore, these instruments are designated as a cash flow hedge of our interest rate risk and, as a result, during the second quarter of fiscal 2020, a gain of \$6.7 million was recognized in Accumulated other comprehensive loss to reflect the fluctuation in the interest rate locks' fair value.

## Class A multiple-voting shares and Class B subordinate voting shares split

On September 4, 2019, the Board of Directors approved a two-for-one split of all the Corporation's issued and outstanding Class A multiple-voting shares and Class B subordinate voting shares as at September 20, 2019. This share split was approved by regulatory authorities and occurred on September 27, 2019. All share and per-share information in this document has been adjusted retroactively to reflect this share split.

## Share Repurchase Program

During the second quarter and the first half-year of fiscal 2020, we repurchased 4,132,620 and 5,660,968 Class B subordinate voting shares, respectively. These repurchases were settled for net amounts of \$126.5 million and \$172.7 million, respectively.

All shares repurchased were cancelled. The description of our share repurchase program is included in Note 24 of the audited annual consolidated financial statements presented in our 2019 Annual Report.

## Dividends

During its November 26, 2019 meeting, the Board of Directors declared a quarterly dividend of CA 6.25¢ per share, for the second quarter of fiscal 2020 to shareholders on record as at December 5, 2019 and approved its payment for December 19, 2019. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

## Outstanding Shares and Stock Options

As at November 22, 2019, Couche-Tard had 253,807,600 Class A multiple-voting shares and 869,410,366 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 3,497,720 outstanding stock options for the purchase of Class B subordinate voting shares.

## New Accounting Standard Adopted by the Corporation

As of April 29, 2019, we adopted IFRS 16, *Leases*, which requires lessees to recognize on the balance sheet a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, except with respect to lease contracts that meet limited exception criteria. As permitted under the specific transition provisions in the standard, we have elected not to restate our comparative figures for the fiscal year 2019. The tables below present the estimated pro forma impact of the change in accounting policy on our previously reported results:

(in millions of US dollars)	12-week period ended October 14, 2018						Total estimated pro forma IFRS 16 impacts – attributable to shareholders of the Corporation
	Pre – IFRS 16 As reported	Excluding: Rent under IAS 17	Including: Depreciation and interests <sup>(1)</sup>	Other	Total estimated pro forma IFRS 16 impacts	Pro forma IFRS 16	
Revenues	14,702.8	-	-	10.0	10.0	14,712.8	5.0
Cost of sales	12,537.2	-	-	-	-	12,537.2	-
<b>Gross profit</b>	<b>2,165.6</b>	-	-	10.0	10.0	<b>2,175.6</b>	5.0
Operating, selling, administrative and general expenses	1,295.5	(89.0)	-	6.0	(83.0)	1,212.5	(83.0)
Restructuring costs	4.8	-	-	-	-	4.8	-
Loss on disposal of property and equipment and other assets	0.5	-	-	-	-	0.5	-
Depreciation, amortization and impairment	222.5	(4.0)	90.0	-	86.0	308.5	83.0
<b>Total operating expenses</b>	<b>1,523.3</b>	<b>(93.0)</b>	<b>90.0</b>	<b>6.0</b>	<b>3.0</b>	<b>1,526.3</b>	-
<b>Operating income</b>	<b>642.3</b>	<b>93.0</b>	<b>(90.0)</b>	<b>4.0</b>	<b>7.0</b>	<b>649.3</b>	<b>5.0</b>
Share of earnings of joint ventures and associated companies	5.4	-	-	-	-	5.4	-
<b>EBITDA</b>	<b>870.2</b>	<b>89.0</b>	<b>-</b>	<b>4.0</b>	<b>93.0</b>	<b>963.2</b>	<b>88.0</b>
Financial expenses	80.6	(5.0)	21.0	-	16.0	96.6	14.0
Financial revenues	(3.2)	-	-	-	-	(3.2)	-
Foreign exchange gain	(3.7)	-	-	-	-	(3.7)	-
<b>Net financial expenses</b>	<b>73.7</b>	<b>(5.0)</b>	<b>21.0</b>	<b>-</b>	<b>16.0</b>	<b>89.7</b>	<b>14.0</b>
Earnings before income taxes	574.0	98.0	(111.0)	4.0	(9.0)	565.0	(9.0)
Income taxes	97.0	25.0	(28.0)	1.0	(2.0)	95.0	(2.0)
Net earnings including non-controlling interests	477.0	73.0	(83.0)	3.0	(7.0)	470.0	(7.0)
Net loss attributable to non-controlling interests	(3.9)	(1.0)	5.0	(4.0)	-	(3.9)	-
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>473.1</b>	<b>72.0</b>	<b>(78.0)</b>	<b>(1.0)</b>	<b>(7.0)</b>	<b>466.1</b>	<b>(7.0)</b>



**24-week period ended October 14, 2018**

(in millions of US dollars)	<b>Pre – IFRS 16 As reported</b>	Excluding: Rent under IAS 17	Including: Depreciation and interests <sup>(1)</sup>	Other	Total estimated pro forma IFRS 16 impacts	<b>Pro forma IFRS 16</b>	Total estimated pro forma IFRS 16 impacts – attributable to shareholders of the Corporation
<b>Gross profit</b>	<b>4,382.7</b>	-	-	19.0	19.0	<b>4,401.7</b>	8.0
Revenues	29,489.3	-	-	19.0	19.0	29,508.3	8.0
Cost of sales	25,106.6	-	-	-	-	25,106.6	-
Operating, selling, administrative and general expenses	2,608.0	(177.0)	-	12.0	(165.0)	2,443.0	(165.0)
Restructuring costs	6.3	-	-	-	-	6.3	-
Gain on disposal of property and equipment and other assets	0.7	-	-	-	-	0.7	-
Depreciation, amortization and impairment	524.0	(8.0)	180.0	-	172.0	696.0	164.0
<b>Total operating expenses</b>	<b>3,139.0</b>	<b>(185.0)</b>	<b>180.0</b>	<b>12.0</b>	<b>7.0</b>	<b>3,146.0</b>	<b>(1.0)</b>
<b>Operating income</b>	<b>1,243.7</b>	<b>185.0</b>	<b>(180.0)</b>	<b>7.0</b>	<b>12.0</b>	<b>1,255.7</b>	<b>9.0</b>
Share of earnings of joint ventures and associated companies	12.5	-	-	-	-	12.5	-
<b>EBITDA</b>	<b>1,780.2</b>	<b>177.0</b>	<b>-</b>	<b>7.0</b>	<b>184.0</b>	<b>1,964.2</b>	<b>173.0</b>
Financial expenses	160.0	(10.0)	42.0	-	32.0	192.0	28.0
Financial revenues	(5.9)	-	-	-	-	(5.9)	-
Foreign exchange gain	(2.7)	-	-	-	-	(2.7)	-
<b>Net financial expenses</b>	<b>151.4</b>	<b>(10.0)</b>	<b>42.0</b>	<b>-</b>	<b>32.0</b>	<b>183.4</b>	<b>28.0</b>
Earnings before income taxes	1,104.8	195.0	(222.0)	7.0	(20.0)	1,084.8	(19.0)
Income taxes	185.2	50.0	(56.0)	2.0	(4.0)	181.2	(4.0)
Net earnings including non- controlling interests	919.6	145.0	(166.0)	5.0	(16.0)	903.6	(15.0)
Net loss attributable to non- controlling interests	9.1	(1.0)	10.0	(8.0)	1.0	10.1	-
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>928.7</b>	<b>144.0</b>	<b>(156.0)</b>	<b>(3.0)</b>	<b>(15.0)</b>	<b>913.7</b>	<b>(15.0)</b>

(1) Depreciation and interest expenses are based on our assessment of Fiscal 2020 impact.

In order to facilitate the understanding of our financial performance, we have adjusted some of our previously reported performance measures. All adjustments related to IFRS 16 are clearly identified and are based on the calculations presented in the tables above.

## Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2020

The following table highlights certain information regarding our operations for the 12 and 24-week periods ended October 13, 2019 and October 14, 2018. CAPL refers to CrossAmerica Partners LP.

	12-week periods ended			24-week periods ended		
	October 13, 2019	October 14, 2018	Variation %	October 13, 2019	October 14, 2018	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>						
<b>Statement of Operations Data:</b>						
Merchandise and service revenues <sup>(1)</sup> :						
United States	2,629.8	2,569.4	2.4	5,287.6	5,178.5	2.1
Europe	331.3	340.5	(2.7)	684.4	709.2	(3.5)
Canada	568.4	524.2	8.4	1,144.0	1,068.6	7.1
CAPL	9.8	27.4	(64.2)	29.6	53.7	(44.9)
Elimination of intercompany transactions with CAPL	(0.3)	(0.8)	(62.5)	(0.8)	(1.5)	(46.7)
Total merchandise and service revenues	3,539.0	3,460.7	2.3	7,144.8	7,008.5	1.9
Road transportation fuel revenues:						
United States	6,519.0	7,068.8	(7.8)	13,320.5	14,228.3	(6.4)
Europe	1,876.5	2,071.5	(9.4)	3,796.3	4,024.0	(5.7)
Canada	1,130.8	1,255.5	(9.9)	2,332.2	2,547.3	(8.4)
CAPL	530.1	630.4	(15.9)	1,097.5	1,264.1	(13.2)
Elimination of intercompany transactions with CAPL	(116.1)	(130.9)	(11.3)	(237.5)	(271.2)	(12.4)
Total road transportation fuel revenues	9,940.3	10,895.3	(8.8)	20,309.0	21,792.5	(6.8)
Other revenues <sup>(2)</sup> :						
United States	8.1	5.1	58.8	15.0	10.5	42.9
Europe	161.8	324.7	(50.2)	316.9	643.7	(50.8)
Canada	5.3	6.2	(14.5)	10.1	12.4	(18.5)
CAPL	27.0	15.2	77.6	52.8	30.4	73.7
Elimination of intercompany transactions with CAPL	(3.5)	(4.4)	(20.5)	(7.6)	(8.7)	(12.6)
Total other revenues	198.7	346.8	(42.7)	387.2	688.3	(43.7)
<b>Total revenues</b>	<b>13,678.0</b>	<b>14,702.8</b>	<b>(7.0)</b>	<b>27,841.0</b>	<b>29,489.3</b>	<b>(5.6)</b>
Merchandise and service gross profit <sup>(1)</sup> :						
United States	891.8	880.1	1.3	1,796.7	1,754.9	2.4
Europe	136.9	139.8	(2.1)	283.4	296.1	(4.3)
Canada	185.1	176.8	4.7	374.6	364.7	2.7
CAPL	2.2	6.6	(66.7)	6.8	13.0	(47.7)
Elimination of intercompany transactions with CAPL	(0.3)	(0.7)	(57.1)	(0.8)	(1.3)	(38.5)
Total merchandise and service gross profit	1,215.7	1,202.6	1.1	2,460.7	2,427.4	1.4
Road transportation fuel gross profit:						
United States	698.4	547.0	27.7	1,370.9	1,107.0	23.8
Europe	226.2	235.9	(4.1)	448.4	482.4	(7.0)
Canada	86.4	93.8	(7.9)	167.9	193.8	(13.4)
CAPL	23.9	26.6	(10.2)	47.0	53.2	(11.7)
Total road transportation fuel gross profit	1,034.9	903.3	14.6	2,034.2	1,836.4	10.8
Other revenues gross profit <sup>(2)</sup> :						
United States	8.1	5.2	55.8	15.0	10.5	42.9
Europe	31.9	37.5	(14.9)	63.2	74.3	(14.9)
Canada	5.2	6.2	(16.1)	10.0	12.4	(19.4)
CAPL	27.0	15.2	77.6	52.8	30.4	73.7
Elimination of intercompany transactions with CAPL	(3.5)	(4.4)	(20.5)	(7.6)	(8.7)	(12.6)
Total other revenues gross profit	68.7	59.7	15.1	133.4	118.9	12.2
<b>Total gross profit</b>	<b>2,319.3</b>	<b>2,165.6</b>	<b>7.1</b>	<b>4,628.3</b>	<b>4,382.7</b>	<b>5.6</b>
Operating, selling, administrative and general expenses						
Excluding CAPL	1,212.9	1,284.6	(5.6)	2,437.2	2,579.3	(5.5)
CAPL	18.3	15.8	15.8	38.5	38.4	0.3
Elimination of intercompany transactions with CAPL	(3.7)	(4.9)	(24.5)	(8.1)	(9.7)	(16.5)
Total Operating, selling, administrative and general expenses	1,227.5	1,295.5	(5.2)	2,467.6	2,608.0	(5.4)
Restructuring costs	1.9	4.8	(60.4)	1.9	6.3	(69.8)
Loss on disposal of property and equipment and other assets	1.0	0.5	100.0	11.1	0.7	1,485.7
Depreciation, amortization and impairment						
Excluding CAPL	292.9	204.3	43.4	577.1	417.5	38.2
CAPL	23.3	18.2	28.0	46.2	106.5	(56.6)
<b>Total depreciation, amortization and impairment</b>	<b>316.2</b>	<b>222.5</b>	<b>42.1</b>	<b>623.3</b>	<b>524.0</b>	<b>19.0</b>
<b>Operating income</b>						
Excluding CAPL	763.0	628.2	21.5	1,506.0	1,244.5	21.0
CAPL	9.8	14.3	(31.5)	18.7	(0.5)	(3,840.0)
Elimination of intercompany transactions with CAPL	(0.1)	(0.2)	(50.0)	(0.3)	(0.3)	-
Total operating income	772.7	642.3	20.3	1,524.4	1,243.7	22.6
Net financial expenses	60.1	73.7	(18.5)	147.1	151.4	(2.8)
<b>Net earnings including non-controlling interests</b>	<b>579.4</b>	<b>477.0</b>	<b>21.5</b>	<b>1,115.4</b>	<b>919.6</b>	<b>21.3</b>
Net (earnings) loss attributable to non-controlling interests	(0.8)	(3.9)	(79.5)	2.0	9.1	(78.0)
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>578.6</b>	<b>473.1</b>	<b>22.3</b>	<b>1,117.4</b>	<b>928.7</b>	<b>20.3</b>
<b>Per Share Data:</b>						
Basic net earnings per share (dollars per share)	0.51	0.42	21.4	0.99	0.82	20.7
Diluted net earnings per share (dollars per share)	0.51	0.42	21.4	0.99	0.82	20.7
Adjusted diluted net earnings per share (dollars per share) <sup>(13)</sup>	0.51	0.41	24.4	0.99	0.85	16.5

	12-week periods ended			24-week periods ended		
	October 13, 2019	October 14, 2018	Variation %	October 13, 2019	October 14, 2018	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>						
<b>Other Operating Data – excluding CAPL:</b>						
Merchandise and service gross margin <sup>(1)</sup> :						
Consolidated	34.4%	34.8%	(0.4)	34.5%	34.7%	(0.2)
United States	33.9%	34.3%	(0.4)	34.0%	33.9%	0.1
Europe	41.3%	41.1%	0.2	41.4%	41.8%	(0.4)
Canada	32.6%	33.7%	(1.1)	32.7%	34.1%	(1.4)
Growth of same-store merchandise revenues <sup>(3)</sup> :						
United States <sup>(4)</sup>	3.2%	4.4%	(1.2)	2.9%	4.3%	(1.4)
Europe	3.3%	4.6%	(1.3)	2.0%	6.0%	(4.0)
Canada <sup>(4)</sup>	2.1%	5.1%	(3.0)	1.2%	5.9%	(4.7)
Road transportation fuel gross margin:						
United States (cents per gallon) <sup>(4)</sup>	28.29	21.88	29.3	27.57	22.29	23.7
Europe (cents per liter)	8.34	8.75	(4.7)	8.39	8.98	(6.6)
Canada (CA cents per liter) <sup>(4)</sup>	7.89	8.42	(6.3)	7.64	8.67	(11.9)
Total volume of road transportation fuel sold:						
United States (millions of gallons)	2,601.8	2,627.8	(1.0)	5,192.4	5,202.4	(0.2)
Europe (millions of liters)	2,713.2	2,696.9	0.6	5,346.8	5,373.3	(0.5)
Canada (millions of liters)	1,458.4	1,457.8	-	2,931.0	2,927.0	0.1
Growth of (decrease in) same-store road transportation fuel volume <sup>(4)</sup> :						
United States	0.6%	1.2%	(0.6)	0.6%	0.9%	(0.3)
Europe	(0.6%)	0.1%	(0.7)	(1.1%)	0.0%	(1.1)
Canada	0.2%	(2.2%)	2.4	0.3%	(2.7%)	3.0

*(in millions of US dollars, unless otherwise stated)*

**Balance Sheet Data<sup>(5)</sup>:**

	October 13, 2019	April 28, 2019	Variation \$
Total assets (including \$1.2 billion and \$1.1 billion for CAPL as at October 13, 2019 and as at April 28, 2019, respectively)	25,248.1	25,033.0	215.1
Interest-bearing debt (including \$676.7 million and \$696.0 million for CAPL as at October 13, 2019 and as at April 28, 2019, respectively) <sup>(6)</sup>	9,175.7	9,575.3	(399.6)
Equity attributable to shareholders of the Corporation	9,675.2	8,913.7	761.5

**Indebtedness Ratios<sup>(7)</sup>:**

Net interest-bearing debt/total capitalization <sup>(6)(8)</sup>	0.43 : 1	0.48 : 1
Leverage ratio <sup>(9)</sup>	1.80 : 1	2.09 : 1
Adjusted leverage ratio <sup>(10)</sup>	1.86 : 1	2.18 : 1

**Returns<sup>(7)</sup>:**

Return on equity <sup>(11)</sup>	22.4%	21.9%
Return on capital employed <sup>(12)</sup>	13.9%	12.6%

- (1) Includes revenues derived from franchise fees, royalties, suppliers' rebates on some purchases made by franchisees and licensees, as well as from wholesale of merchandise.
- (2) Includes revenues from the rental of assets and from the sale of aviation fuel, energy for stationary engines and marine fuel (until November 30, 2018).
- (3) Does not include services and other revenues (as described in footnotes 1 and 2 above). Growth in Canada and in Europe is calculated based on local currencies.
- (4) For company-operated stores only.
- (5) The balance sheet data as at April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16.
- (6) This measure is presented including the following balance sheet accounts: Current portion of long-term debt, Long-term debt, Current portion of lease liabilities, and Lease liabilities.
- (7) These measures are presented as if our investment in CAPL was reported using the equity method as we believe it allows a more relevant presentation of the underlying performance of the Corporation.
- (8) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and interest-bearing debt, net of cash and cash equivalents and temporary investments. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 0.39 : 1. We believe this measure is useful to investors and analysts.
- (9) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt, net of cash and cash equivalents and temporary investments divided by EBITDA (Earnings before Interest, Tax, Depreciation, Amortization and Impairment) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 1.61 : 1. We believe this measure is useful to investors and analysts.
- (10) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt plus the product of eight times rent expense, net of cash and cash equivalents and temporary investments divided by EBITDAR (Earnings before Interest, Tax, Depreciation, Amortization, Impairment and Rent expense) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's interest bearing debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 2.29 : 1. We believe this measure is useful to investors and analysts.
- (11) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity for the corresponding period. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 22.3%. We believe this measure is useful to investors and analysts.
- (12) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: earnings before income taxes and interests divided by average capital employed for the corresponding period. Capital employed represents total assets less short-term liabilities not bearing interests. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 14.1%. We believe this measure is useful to investors and analysts.
- (13) These performance measures, for the 12 and 24-week period ended October 14, 2018, have been adjusted for the estimated pro forma impact of IFRS 16 and the previously reported adjusted net earnings per share were \$0.42 and \$0.86, respectively.

## Revenues

Our revenues were \$13.7 billion for the second quarter of fiscal 2020, down by \$1.0 billion, a decrease of 7.0% compared with the corresponding quarter of fiscal 2019, mainly attributable to a lower road transportation fuel average selling price, to the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, and the disposal of our marine fuel business, partly offset by organic growth.

For the first half-year of fiscal 2020, our revenues decreased by \$1.6 billion or 5.6% compared with the first half-year of fiscal 2019, mainly attributable to similar factors as those of the second quarter.

### Merchandise and service revenues

Total merchandise and service revenues for the second quarter of fiscal 2020 were \$3.5 billion, an increase of \$78.3 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately \$123.0 million or 3.6%. This increase is primarily attributable to continued strong organic growth, partly offset by the impact of the conversion of corporate stores into dealer stores in connection with the asset exchange with CAPL. Same-store merchandise revenues increased by 3.3% in Europe, by 3.2% in the United States, and by 2.1% in Canada, even as we cycled strong performances last year.

For the first half-year of fiscal 2020, the growth in merchandise and service revenues was \$136.3 million. Excluding CAPL's revenues as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by \$218.5 million or 3.1%. Same-store merchandise revenues grew by 2.9% in the United States, by 2.0% in Europe, and by 1.2% in Canada.

### Road transportation fuel revenues

Total road transportation fuel revenues for the second quarter of fiscal 2020 were \$9.9 billion, a decrease of \$955.0 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by approximately \$718.0 million or 6.9%. This decrease was attributable to a lower road transportation fuel average selling price, which had a negative impact of approximately \$661.0 million. Same-store road transportation fuel volume in the United States increased by 0.6%. In Europe, same-store road transportation fuel volume decreased by 0.6% while in Canada, they increased by 0.2%, both regions showing improving trends on a two-year basis.

For the first half-year of fiscal 2020, the road transportation fuel revenues decreased by \$1.5 billion. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by approximately \$1.1 billion or 5.1%. This decrease is attributable to a lower road transportation fuel average selling price, which had a negative impact of approximately \$1.0 billion. Same-store road transportation fuel volume increased by 0.6% in the United States, by 0.3% in Canada, and decreased by 1.1% in Europe, due to a competitive landscape and unfavorable weather.

The following table shows the average selling price of road transportation fuel in our various markets, starting with the third quarter of the fiscal year ended April 29, 2018:

Quarter	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	Weighted average
<u>52-week period ended October 13, 2019</u>					
United States (US dollars per gallon) – excluding CAPL	2.42	2.51	2.66	2.55	2.53
Europe (US cents per liter)	75.28	74.59	77.35	70.86	74.55
Canada (CA cents per liter)	97.59	103.45	111.16	105.14	103.86
<u>52-week period ended October 14, 2018</u>					
United States (US dollars per gallon) – excluding CAPL	2.30	2.51	2.76	2.72	2.56
Europe (US cents per liter)	71.19	78.32	75.07	80.56	76.03
Canada (CA cents per liter)	108.11	110.39	117.95	115.22	112.63

## Other revenues

Total other revenues for the second quarter and first half-year of fiscal 2020 were \$198.7 million and \$387.2 million, respectively, a decrease of \$148.1 million and \$301.1 million compared with the corresponding periods of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues decreased by \$140.8 million and by \$287.8 million in the second quarter and first half-year of fiscal 2020, respectively, primarily driven by the disposal of our marine fuel business during the third quarter of fiscal 2019, which had an impact of approximately \$109.0 million, and \$187.0 million, respectively, as well as by lower aviation fuel revenues, which had a minimal impact on gross profit.

## **Gross profit**

Our gross profit was \$2.3 billion for the second quarter of fiscal 2020, up by \$153.7 million, an increase of 7.1% compared with the corresponding quarter of fiscal 2019, mainly attributable to higher fuel margins in the United States and Europe, and to organic growth, partly offset by the net negative impact from the translation of our Canadian and European operations into US dollars, which totaled approximately \$30.0 million.

For the first half-year of fiscal 2020, our gross profit increased by \$245.6 million or 5.6% compared with the first half-year of fiscal 2019, mainly attributable to similar factors as those of the second quarter.

## Merchandise and service gross profit

In the second quarter of fiscal 2020, our merchandise and service gross profit was \$1.2 billion, an increase of \$13.1 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit increased by approximately \$28.0 million or 2.3%, partly attributable to our organic growth. Our gross margin decreased by 0.4% in the United States to 33.9%, mainly driven by cost increases in cold dispensed beverage not immediately passed on to customers. In Europe, our gross margin increased by 0.2% to 41.3%, while, in Canada, it decreased by 1.1% to 32.6%, completely attributable to the conversion of our Esso stores from the agent model to the corporate model.

During the first half-year of fiscal 2020, the consolidated merchandise and service gross profit was \$2.5 billion, an increase of \$33.3 million compared with the corresponding period of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, consolidated merchandise and service gross profit increased by approximately \$63.0 million or 2.6%. The gross margin was 34.0% in the United States, an increase of 0.1%, it was 41.4% in Europe, a decrease of 0.4%, and it was 32.7% in Canada, a decrease of 1.4%.

## Road transportation fuel gross profit

In the second quarter of fiscal 2020, our road transportation fuel gross profit was \$1.0 billion, an increase of \$131.6 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, our second quarter of fiscal 2020 road transportation fuel gross profit increased by approximately \$151.0 million or 17.2%. Our road transportation fuel gross margin was 28.29¢ per gallon in the United States, an increase of 6.41¢ per gallon, supported by the volatility in crude oil prices as well as improved sourcing conditions. In Europe, the road transportation fuel gross margin was US 8.34¢ per liter, a decrease of US 0.41¢ per liter, entirely as a result of the net negative impact from the translation of our European operations into US dollars, and in Canada, the road transportation fuel gross margin was CA 7.89¢ per liter, a decrease of CA 0.53¢ per liter due to competitive pressure in some of our markets.

During the first half-year of fiscal 2020, the consolidated road transportation fuel gross profit was \$2.0 billion, an increase of \$197.8 million compared with the corresponding period of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, consolidated road transportation fuel gross profit increased by approximately \$237.0 million or 13.3%. The road transportation fuel gross margin was 27.57¢ per gallon in the United States, US 8.39¢ per liter in Europe and CA 7.64¢ per liter in Canada.

The road transportation fuel gross margin of our company-operated stores in the United States and the impact of expenses related to electronic payment modes for the last eight quarters, starting with the third quarter of the fiscal year ended April 29, 2018, were as follows:

(US cents per gallon)

Quarter	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	Weighted average
52-week period ended October 13, 2019					
Before deduction of expenses related to electronic payment modes	29.42	18.51	26.86	28.29	26.00
Expenses related to electronic payment modes <sup>(1)</sup>	4.31	4.40	4.70	4.63	4.50
After deduction of expenses related to electronic payment modes	25.11	14.11	22.16	23.66	21.50
52-week period ended October 14, 2018					
Before deduction of expenses related to electronic payment modes	15.66	17.29	22.70	21.88	19.20
Expenses related to electronic payment modes <sup>(1)</sup>	4.06	3.86	4.67	4.55	4.30
After deduction of expenses related to electronic payment modes	11.60	13.43	18.03	17.33	14.90

(1) Please note that this information has been restated to reflect the cost of electronic payment expenses per corporate-store road transportation fuel gallons instead of per total road transportation fuel gallons.

As demonstrated by the table above, road transportation fuel margins in the United States can be volatile from one quarter to another but tend to be relatively stable over longer periods. Margin volatility and expenses related to electronic payment modes are not as significant in Europe and Canada.

### Other revenues gross profit

In the second quarter and first half-year of fiscal 2020, other revenues gross profit was \$68.7 million and \$133.4 million, respectively, an increase of \$9.0 million and \$14.5 million, compared with the corresponding periods of fiscal 2019, respectively. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues gross profit decreased by \$1.2 million and \$4.0 million in the second quarter and first half-year of fiscal 2020, respectively, due to the disposal of our marine fuel business in the third quarter of fiscal 2019, which had an impact of approximately \$4.0 million and \$7.0 million, respectively.

## Operating, selling, administrative and general expenses (“expenses”)

For the second quarter and first half-year of fiscal 2020, expenses decreased by 5.2% and 5.4%, respectively, compared with the corresponding periods of fiscal 2019. If we exclude decrease in rent from the transition to IFRS 16 and certain items that are not considered indicative of future trends, expenses increased by 2.7% and 2.5% respectively:

	12-week period ended October 13, 2019	24-week period ended October 13, 2019
<b>Total variance, as reported</b>	<b>(5.2%)</b>	<b>(5.4%)</b>
Adjusted for:		
Decrease in rent expense from transition to IFRS 16	6.4%	6.4%
Decrease from the net impact of foreign exchange translation	1.2%	1.3%
Compensatory payment to CAPL for divestiture of assets recognized in fiscal 2019	0.5%	0.2%
Disposal of our marine fuel business	0.2%	0.1%
Increase in CAPL's expenses	(0.2%)	-
Increase from higher electronic payment fees, excluding acquisitions	(0.2%)	(0.1%)
<b>Remaining variance</b>	<b>2.7%</b>	<b>2.5%</b>

Excluding the conversion of our Esso stores from the agent model to the corporate model, the remaining variance for the second quarter of fiscal 2020 would have been only 2.2%. Growth in expenses was primarily driven by normal inflation, the higher expenses needed to support our organic growth, and higher minimum wages in certain regions. We continue to favor a rigorous control of costs throughout our organization, while ensuring we maintain the quality of service we offer to our customers.

## Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA) and adjusted EBITDA

During the second quarter of fiscal 2020, EBITDA increased from \$870.2 million to \$1,095.4 million, a growth of 25.9% compared with the same quarter last year. Excluding the specific items shown in the table below from EBITDA of the second quarter of fiscal 2020 and of the corresponding period of fiscal 2019, the adjusted EBITDA for the second quarter of fiscal 2020 increased by \$129.3 million or 13.7% compared with the corresponding period of the previous fiscal year, mainly through the contribution from higher fuel margins in the U.S. and organic growth, partly offset by the net negative impact from the translation of the results of our Canadian and European operations into US dollars. The variation in exchange rates had a net negative impact of approximately \$13.0 million.

During the first half-year of fiscal 2020, EBITDA increased from \$1.8 billion to \$2.2 billion, a growth of 21.4% compared with the same period last year. Excluding the specific items shown in the table below from EBITDA of the first half-year of fiscal 2020 and of the first half-year of fiscal 2019, the adjusted EBITDA for the first half-year of fiscal 2020 increased by \$187.6 million or 9.7% compared with the corresponding period of the previous fiscal year, mainly attributable to similar factors as those of the second quarter. The variation in exchange rates had a net negative impact of approximately \$28.0 million.

It should be noted that EBITDA and adjusted EBITDA are not performance measures defined by IFRS, but we, as well as investors and analysts, consider that those performance measures facilitate the evaluation of our ongoing operations and our ability to generate cash flows to fund our cash requirements, including our capital expenditures program and payment of dividends. Note that our definition of these measures may differ from the one used by other public corporations.

(in millions of US dollars)	12-week periods ended		24-week periods ended	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
Net earnings including non-controlling interests, as reported	579.4	477.0	1,115.4	919.6
Add:				
Income taxes	139.7	97.0	275.0	185.2
Net financial expenses	60.1	73.7	147.1	151.4
Depreciation, amortization and impairment	316.2	222.5	623.3	524.0
<b>EBITDA</b>	<b>1,095.4</b>	<b>870.2</b>	<b>2,160.8</b>	<b>1,780.2</b>
Adjusted for:				
EBITDA attributable to non-controlling interests	(25.8)	(25.7)	(50.6)	(40.2)
Restructuring costs attributable to shareholders of the Corporation	1.9	4.8	1.9	6.3
Acquisition costs	0.8	0.7	1.0	1.2
Compensatory payment to CAPL for divestiture of assets, net of non-controlling interests	-	5.0	-	5.0
<b>Adjusted EBITDA, as previously reported</b>	<b>1,072.3</b>	<b>855.0</b>	<b>2,113.1</b>	<b>1,752.5</b>
Estimated pro forma impact from transition to IFRS 16 attributable to shareholders of the Corporation	-	88.0	-	173.0
<b>Adjusted EBITDA</b>	<b>1,072.3</b>	<b>943.0</b>	<b>2,113.1</b>	<b>1,925.5</b>

## Depreciation, amortization and impairment (“depreciation”)

For the second quarter and first half-year of fiscal 2020, our depreciation expense increased by \$93.7 million and \$99.3 million, respectively. Excluding CAPL’s results, as well as the \$55.0 million impairment charge on CAPL’s goodwill recorded in the first quarter of fiscal 2019, the depreciation expense increased by \$88.6 million and by \$159.6 million for the second quarter and first half-year of fiscal 2020, respectively, mainly driven by the additional depreciation expense arising from right-of-use assets due to the adoption of IFRS 16, which had an impact of approximately \$83.0 million and \$164.0 million, and the replacement of equipment, partly offset by the divestiture of stores and our marine fuel business.

## Net financial expenses

Net financial expenses for the second quarter of fiscal 2020 were \$60.1 million, a decrease of \$13.6 million compared with the second quarter of fiscal 2019. Excluding the items shown in the table below, net financial expenses decreased by \$21.9 million, mainly attributable to our lower average long-term debt driven by repayments made.

Net financial expenses for the first half-year of fiscal 2020 were \$147.1 million, a decrease of \$4.3 million compared with the first half-year of fiscal 2019. Excluding the items shown in the table below, net financial expenses for the first half-year of fiscal 2020 decreased by \$36.4 million for similar factors as those of the second quarter.

(in millions of US dollars)	12-week periods ended		24-week periods ended	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
Net financial expenses, as reported	60.1	73.7	147.1	151.4
Adjusted for:				
Net foreign exchange gain	11.8	3.7	5.3	2.7
CAPL’s financial expenses	(9.5)	(7.1)	(20.8)	(14.1)
Estimated pro forma impact from transition to IFRS 16	-	14.0	-	28.0
<b>Net financial expenses excluding items above</b>	<b>62.4</b>	<b>84.3</b>	<b>131.6</b>	<b>168.0</b>

## Income taxes

The income tax rate for the second quarter of fiscal 2020 was 19.4% compared with an income tax rate of 16.9% for the second quarter of fiscal 2019. Excluding the items shown in the table below, the income tax rates would have been 19.5% and 18.0%, respectively.

The income tax rate for the first half-year of fiscal 2020 was 19.8% compared with an income tax rate of 16.8% for the first half-year of fiscal 2019. Excluding the items shown in the table below, the income tax rates would have been 19.6% and 17.3%, respectively. The increase for both the second quarter and first half-year is mainly stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

	12-week periods ended		24-week periods ended	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
Income tax, as reported	19.4%	16.9%	19.8%	16.8%
Adjusted for:				
Income tax benefit (expense) following the Asset Exchange transactions with CAPL	0.1%	-	(0.2%)	-
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	-	1.1%	-	0.5%
Net income tax excluding items above	19.5%	18.0%	19.6%	17.3%

## Net earnings attributable to shareholders of the Corporation (“net earnings”) and adjusted net earnings attributable to shareholders of the Corporation (“adjusted net earnings”)

Net earnings for the second quarter of fiscal 2020 were \$578.6 million, compared with \$473.1 million for the second quarter of the previous fiscal year, an increase of \$105.5 million or 22.3%. Diluted net earnings per share stood at \$0.51, compared with \$0.42 the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net negative impact of approximately \$9.0 million on net earnings of the second quarter of fiscal 2020.

Excluding the items shown in the table below from net earnings of the second quarter of fiscal 2020 and of fiscal 2019, adjusted net earnings for the second quarter of fiscal 2020 would have been approximately \$571.0 million, compared with \$466.0 million for the second quarter of fiscal 2019, an increase of \$105.0 million or 22.5%. Adjusted diluted net earnings per share would have been \$0.51 for the second quarter of fiscal 2020 compared with \$0.41 for the corresponding period of fiscal 2019, an increase of 24.4%.

For the first half-year of fiscal 2020, net earnings were \$1,117.4 million, compared with \$928.7 million for the comparable period of fiscal 2019, an increase of \$188.7 million or 20.3%. Diluted net earnings per share stood at \$0.99, compared with \$0.82 the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net negative impact of approximately \$19.0 million on net earnings of the first half-year of fiscal 2020.

Excluding the items shown in the table below from net earnings of the first half-year of fiscal 2020 and fiscal 2019, net earnings for the first half-year of fiscal 2020 would have been approximately \$1,118.0 million, compared with \$955.0 million for the comparable period of the previous year, an increase of \$163.0 million or 17.1%. Adjusted diluted net earnings per share would have remained at \$0.99 for the first half-year of fiscal 2020, compared with \$0.85 for the corresponding period of fiscal 2019, an increase of 16.5%.



The table below reconciles reported net earnings to adjusted net earnings:

(in millions of US dollars)	12-week periods ended		24-week periods ended	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
Net earnings attributable to shareholders of the Corporation, as reported	<b>578.6</b>	473.1	<b>1,117.4</b>	928.7
Adjusted for:				
Net foreign exchange gain	<b>(11.8)</b>	(3.7)	<b>(5.3)</b>	(2.7)
Restructuring costs – attributable to shareholders of the Corporation	<b>1.9</b>	4.8	<b>1.9</b>	6.3
Acquisition costs	<b>0.8</b>	0.7	<b>1.0</b>	1.2
Income tax (benefit) expense following the Asset Exchange transactions	<b>(0.7)</b>	-	<b>2.7</b>	-
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	-	(6.2)	-	(6.2)
Compensatory payment to CAPL for divestiture of assets, net of non-controlling interests	-	5.0	-	5.0
Impairment charge on CAPL's goodwill	-	-	-	55.0
Tax impact of the items above and rounding	<b>2.2</b>	(0.7)	<b>0.3</b>	(17.3)
Adjusted net earnings attributable to shareholders of the Corporation, as previously reported	<b>571.0</b>	473.0	<b>1,118.0</b>	970.0
Estimated pro forma impact from transition to IFRS 16	-	(7.0)	-	(15.0)
Adjusted net earnings attributable to shareholders of the Corporation	<b>571.0</b>	466.0	<b>1,118.0</b>	955.0

It should be noted that adjusted net earnings are not a performance measure defined by IFRS, but we, as well as investors and analysts, consider this measure useful for evaluating the underlying performance of our operations on a comparable basis. Note that our definition of this measure may differ from the one used by other public corporations.

## Financial Position as at October 13, 2019

As shown by our indebtedness ratios included in the “Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2020” section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to \$25.2 billion as at October 13, 2019, an increase of \$2.6 billion over the balance as at April 28, 2019, primarily due to the adoption of IFRS 16. It should be noted that, as permitted under the specific transition provisions in the standard, we did not adjust our balance sheet as at April 28, 2019, to reflect the impact of IFRS 16 on our assets and liabilities.

During the 52-week periods ended October 13, 2019, and April 28, 2019, we recorded a return on capital employed<sup>1</sup> of 13.9% and of 12.6%, respectively.

Significant balance sheet variations are explained as follows:

### Property and equipment

Property and equipment decreased by \$311.9 million, from \$11.1 billion as at April 28, 2019, to \$10.8 billion as at October 13, 2019, mainly as a result of the adoption of IFRS 16, as finance leases are now part of the Right-of-use assets, the depreciation, amortization and impairment expenses of the first half-year of fiscal 2020, as well as the net negative impact of approximately \$32.0 million from the exchange rates variation at the balance sheet date. These were partly offset by the investment we made to our network.

### Right-of-use assets

Right-of-use assets stood at \$2.7 billion as at October 13, 2019, following the adoption of IFRS 16, partly offset by depreciation, amortization and impairment expenses of the first half-year of fiscal 2020.

### Long-term debt and current portion of long-term debt

Long-term debt and current portion of long-term debt decreased by \$623.6 million, from \$7.0 billion as at April 28, 2019 to \$6.3 billion as at October 13, 2019, mainly as a result of the adoption of IFRS 16, as our finance lease obligations are now part of the Lease liabilities, as well as the repayment of \$300.0 million made on our senior unsecured notes, partly offset by the net impact of the strengthening of the Canadian dollar and weakening of the Euro against the US dollar, which was approximately \$16.0 million.

### Lease liabilities and current portion of lease liabilities

Long-term lease liabilities and current portion of lease liabilities stood at \$2.8 billion as at October 13, 2019, following the adoption of IFRS 16, partly offset by the principal portion of the lease payment made during the first half-year of fiscal 2020.

### Equity

Equity attributable to shareholders of the Corporation amounted to \$9.7 billion as at October 13, 2019, up \$752.0 million compared with April 28, 2019, mainly reflecting net earnings for the first half-year of fiscal 2020, partly offset by the impact of share repurchases, the dividends declared during the first half-year of fiscal year 2020, as well as by the other comprehensive loss. For the 52-week periods ended October 13, 2019 and April 28, 2019, we recorded a return on equity<sup>2</sup> of 22.4% and 21.9%, respectively.

As at October 13, 2019, non-controlling interests amounted to \$235.2 million, a decrease of \$22.7 million compared to April 28, 2019, mainly reflecting non-controlling interests' shares in CAPL's losses and distributions for the first half-year of fiscal 2020.

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<sup>1</sup> Please refer to the section “Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2020” of this MD&A for additional information on this performance measure not defined by IFRS. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated impact of IFRS 16, the previously reported return on capital employed was 14.1%.

<sup>2</sup> Please refer to the section “Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2020” of this MD&A for additional information on this performance measure not defined by IFRS.

## Liquidity and Capital Resources

Our principal sources of liquidity are our net cash provided by operating activities and borrowings available under our revolving unsecured credit facilities. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends and repurchase shares, as well as to provide for working capital. We expect that cash generated from operations and borrowings available under our revolving unsecured credit facilities will be adequate to meet our liquidity needs in the foreseeable future.

Our revolving credit facilities are detailed as follows:

### *Term revolving unsecured operating credit, maturing in December 2023 (“operating credit D”)*

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2,525.0 million. As at October 13, 2019, \$36.0 million of our operating credit D had been used. As at the same date, the weighted average effective interest rate was 3.156% and standby letters of credit in the amount of \$12.2 million were outstanding.

### *CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation, maturing in April 2024*

CAPL has a credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of \$750.0 million, maturing on April 25, 2024, under which swing-line loans may be drawn up to \$35.0 million and standby letters of credit may be issued up to an aggregate of \$65.0 million. This facility is without recourse to the Corporation.

As at October 13, 2019, the effective interest rate was 4.310% and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

### *Available liquidities*

As at October 13, 2019, excluding CAPL’s US dollar-denominated senior secured revolving credit facility, a total of approximately \$2.5 billion was available under our revolving unsecured operating credit facility and we were in compliance with the restrictive covenants and ratios imposed by the credit agreement at that date. Thus, as at the same date, excluding CAPL’s cash and revolving credit facility, we had access to approximately \$3.6 billion through our available cash and revolving unsecured operating credit facility.

## Selected Consolidated Cash Flow Information

(in millions of US dollars)	12-week periods ended			24-week periods ended		
	October 13, 2019	October 14, 2018	Variation	October 13, 2019	October 14, 2018	Variation
<b>Operating activities</b>						
Net cash provided by operating activities	<b>910.5</b>	667.7	242.8	<b>1,776.3</b>	1,382.2	394.1
<b>Investing activities</b>						
Purchase of property and equipment, intangible assets and other assets	<b>(329.1)</b>	(206.4)	(122.7)	<b>(575.9)</b>	(408.4)	(167.5)
Restricted cash	<b>26.1</b>	16.0	10.1	<b>31.7</b>	10.5	21.2
Investment in Fire & Flower	<b>(19.5)</b>	-	(19.5)	<b>(19.5)</b>	-	(19.5)
Proceeds from disposal of property and equipment and other assets	<b>17.9</b>	26.7	(8.8)	<b>26.8</b>	80.9	(54.1)
Business acquisitions	<b>(0.6)</b>	(4.7)	4.1	<b>(7.6)</b>	(4.7)	(2.9)
<b>Net cash used in investing activities</b>	<b>(305.2)</b>	(168.4)	(136.8)	<b>(544.5)</b>	(321.7)	(222.8)
<b>Financing activities</b>						
Share repurchase	<b>(158.3)</b>	-	(158.3)	<b>(172.7)</b>	-	(172.7)
Repayment of senior unsecured notes	<b>(150.0)</b>	-	(150.0)	<b>(300.0)</b>	-	(300.0)
Cash dividends paid	<b>(106.7)</b>	(86.5)	(20.2)	<b>(106.7)</b>	(86.5)	(20.2)
Principal elements of lease payments and net decrease in other debts	<b>(101.3)</b>	(15.4)	(85.9)	<b>(180.3)</b>	(23.7)	(156.6)
Net increase (decrease) in term revolving unsecured operating credit D	<b>36.0</b>	(504.0)	540.0	<b>(4.0)</b>	(962.8)	958.8
CAPL distributions paid to non-controlling interests	<b>(14.1)</b>	(14.1)	-	<b>(28.4)</b>	(28.1)	(0.3)
Net (decrease) increase in CAPL senior secured revolving credit facility	<b>(6.3)</b>	(0.5)	(5.8)	<b>(15.5)</b>	4.6	(20.1)
Exercise of stock options	-	0.1	(0.1)	-	0.1	(0.1)
Settlement of derivative financial instruments	-	-	-	-	3.0	(3.0)
<b>Net cash used in financing activities</b>	<b>(500.7)</b>	(620.4)	119.7	<b>(807.6)</b>	(1,093.4)	285.8
<b>Credit ratings</b>						
S&P Global Ratings – Corporate credit rating				<b>BBB</b>	BBB	
Moody's - Senior unsecured notes credit rating				<b>Baa2</b>	Baa2	

### Operating activities

During the second quarter of fiscal 2020, net cash from our operations reached \$910.5 million, up \$242.8 million compared with the second quarter of fiscal 2019, mainly due to higher net earnings as well as to the impact of the payment on principal elements of leases now classified as financing activities. During the first half-year of fiscal 2020, net cash from our operations reached \$1,776.3 million, up \$394.1 million compared with the corresponding period of fiscal year 2019, mainly due to reasons similar to those of the second quarter.

### Investing activities

During the second quarter of fiscal 2020, net investments in property and equipment, intangible assets and other assets amounted to \$311.2 million. During the first half-year of fiscal 2020, net investments in property and equipment, intangible assets and other assets amounted to \$549.1 million.

The investments were primarily for the replacement of equipment in some of our stores in order to enhance our offering of products and services, for our rebranding project, for the addition of new stores, for the ongoing improvement of our network, as well as for information technology.

### Financing activities

During the second quarter of fiscal 2020, we repurchased Class B subordinate voting shares for net amount of \$158.3 million, repaid \$150.0 million on our senior unsecured notes and we paid dividends in the amount of \$106.7 million. We also repaid \$101.3 million on the principal element of our lease liabilities and other debts.

In the first half-year of fiscal 2020, we repaid \$300.0 million on our senior unsecured notes, repaid \$180.3 million on the principal element of our lease liabilities and other debts, repurchased Class B subordinate voting shares for net amount of \$172.7 million and we paid dividends in the amount of \$106.7 million.

## Contractual Obligations and Commercial Commitments

Other than the impact of IFRS 16, there were no major changes to our contractual obligations and commercial commitments during the 24-week period ended October 13, 2019. For more information, please refer to our 2019 Annual Report and to the notes related to IFRS 16 in our unaudited interim condensed consolidated financial statements.

## Internal Controls over Financial Reporting

We maintain a system of internal controls over financial reporting designed to safeguard assets and ensure that financial information is reliable. We also maintain a system of disclosure controls and procedures designed to ensure, in all material respects, the reliability, completeness and timeliness of the information we disclose in this MD&A and other public disclosure documents. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed with securities regulatory agencies is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As at October 13, 2019, our management, following its assessment, certifies the design and operating effectiveness of the Corporation's disclosure controls and procedures.

As a result of the adoption of IFRS 16, we adjusted our internal controls and implemented processes to enable the adoption of the new standard.

We undertake ongoing evaluations of the effectiveness of our internal controls over financial reporting and implement control enhancements, when appropriate. As at April 28, 2019, our management and our external auditors reported that these internal controls were effective.

## Selected Quarterly Financial Information

Our 52-week reporting cycle is divided into quarters of 12 weeks each except for the third quarter, which comprises 16 weeks. When a fiscal year, such as fiscal 2017, contains 53 weeks, the fourth quarter comprises 13 weeks. The following is a summary of selected consolidated financial information derived from our interim consolidated financial statements for each of the eight most recently completed quarters.

We have adopted IFRS 16 retrospectively from April 29, 2019, but have not restated comparatives for fiscal year 2019, as permitted under the specific transition provisions in the standard. Therefore, the cumulative effect of initially applying the new standard was recognised in the opening balance sheet on April 29, 2019 and comparatives for the 2019 fiscal year continue to be reported under IAS 17.

(in millions of US dollars except for per share data)	24-week period ended		52-week period ended				Extract from 52-week period ended	
	October 13, 2019		April 28, 2019				April 29, 2018	
	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	3 <sup>rd</sup>
Quarter	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks
<b>Revenues</b>	<b>13,678.0</b>	14,163.0	13,113.3	16,515.0	14,702.8	14,786.5	13,614.8	15,791.8
Operating income before depreciation, amortization and impairment	1,088.9	1,058.8	651.7	1,140.2	864.8	902.9	705.2	714.9
Depreciation, amortization and impairment	316.2	307.1	241.5	305.2	222.5	301.5	240.8	290.2
Operating income	772.7	751.7	410.2	835.0	642.3	601.4	464.4	424.7
Share of earnings of joint ventures and associated companies	6.5	6.6	3.6	7.3	5.4	7.1	5.9	9.2
Net financial expenses	60.1	87.0	78.6	90.1	73.7	77.7	75.6	110.9
<b>Net earnings including non-controlling interests</b>	<b>579.4</b>	536.0	289.9	611.8	477.0	442.6	395.2	489.3
Net (earnings) loss attributable to non-controlling interests	(0.8)	2.8	3.2	0.3	(3.9)	13.0	(4.2)	(6.9)
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>578.6</b>	538.8	293.1	612.1	473.1	455.6	391.0	482.4
<b>Net earnings per share</b>								
Basic	\$0.51	\$0.48	\$0.26	\$0.54	\$0.42	\$0.40	\$0.35	\$0.43
Diluted	\$0.51	\$0.48	\$0.26	\$0.54	\$0.42	\$0.40	\$0.35	\$0.43

The volatility of road transportation fuel gross margins, mostly in the United States, seasonality and changes in the exchange rates have an impact on the variability of our quarterly net earnings.

## Outlook

For the remaining portion of fiscal 2020, we want to continue building on our success and drive to attain our very ambitious objective to double our business again in the next five years. We will continue to work on optimizing our global business functions while maintaining our super local focus on regional business units that understand the needs and appetites of our customers. We will keep developing and building upon our global brand, Circle K, throughout our network, leveraging all of our learnings as well as our scale, delivering on local demand while remaining true to our mission – to make our customers' lives a little easier every day.

We will, as always, look for and seize opportunities to grow the business, relying on our customary financial discipline – embedded in our DNA – and always focusing on creating value for our shareholders and employees.

November 26, 2019

## CONSOLIDATED STATEMENTS OF EARNINGS

(in millions of US dollars, except per share amounts, unaudited)

For the periods ended	12 weeks		24 weeks	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
	\$	\$	\$	\$
<b>Revenues</b>	<b>13,678.0</b>	14,702.8	<b>27,841.0</b>	29,489.3
Cost of sales	<b>11,358.7</b>	12,537.2	<b>23,212.7</b>	25,106.6
<b>Gross profit</b>	<b>2,319.3</b>	2,165.6	<b>4,628.3</b>	4,382.7
Operating, selling, administrative and general expenses	<b>1,227.5</b>	1,295.5	<b>2,467.6</b>	2,608.0
Restructuring costs	<b>1.9</b>	4.8	<b>1.9</b>	6.3
Loss on disposal of property and equipment and other assets	<b>1.0</b>	0.5	<b>11.1</b>	0.7
Depreciation, amortization and impairment	<b>316.2</b>	222.5	<b>623.3</b>	524.0
<b>Total operating expenses</b>	<b>1,546.6</b>	1,523.3	<b>3,103.9</b>	3,139.0
<b>Operating income</b>	<b>772.7</b>	642.3	<b>1,524.4</b>	1,243.7
Share of earnings of joint ventures and associated companies	<b>6.5</b>	5.4	<b>13.1</b>	12.5
Financial expenses (Note 7)	<b>79.7</b>	80.6	<b>163.7</b>	160.0
Financial revenues	<b>(7.8)</b>	(3.2)	<b>(11.3)</b>	(5.9)
Foreign exchange gain	<b>(11.8)</b>	(3.7)	<b>(5.3)</b>	(2.7)
<b>Net financial expenses</b>	<b>60.1</b>	73.7	<b>147.1</b>	151.4
Earnings before income taxes	<b>719.1</b>	574.0	<b>1,390.4</b>	1,104.8
Income taxes	<b>139.7</b>	97.0	<b>275.0</b>	185.2
<b>Net earnings including non-controlling interests</b>	<b>579.4</b>	477.0	<b>1,115.4</b>	919.6
Net (earnings) loss attributable to non-controlling interests	<b>(0.8)</b>	(3.9)	<b>2.0</b>	9.1
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>578.6</b>	473.1	<b>1,117.4</b>	928.7
Net earnings per share (Notes 10 and 12)				
Basic	<b>0.51</b>	0.42	<b>0.99</b>	0.82
Diluted	<b>0.51</b>	0.42	<b>0.99</b>	0.82
Weighted average number of shares – basic (in millions)	<b>1,125.3</b>	1,128.5	<b>1,126.8</b>	1,128.5
Weighted average number of shares – diluted (in millions)	<b>1,126.9</b>	1,130.0	<b>1,128.5</b>	1,130.0
Number of shares outstanding at the end of period (in millions)	<b>1,123.2</b>	1,128.6	<b>1,123.2</b>	1,128.6

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of US dollars, unaudited)

For the periods ended	12 weeks		24 weeks	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
	\$	\$	\$	\$
<b>Net earnings including non-controlling interests</b>	<b>579.4</b>	477.0	<b>1,115.4</b>	919.6
<b>Other comprehensive (loss) income</b>				
<b>Items that may be reclassified subsequently to earnings</b>				
<b>Translation adjustments</b>				
Change in cumulative translation adjustments <sup>(1)</sup>	(90.0)	(10.9)	(47.1)	(93.8)
Change in fair value and net interest on cross-currency interest rate swaps designated as a hedge of the Corporation's net investment in certain of its foreign operations <sup>(2)</sup>	(41.8)	21.6	(20.3)	(21.3)
<b>Cash flow hedges</b>				
Change in fair value of financial instruments <sup>(2)</sup>	4.4	(0.3)	4.2	0.4
Loss realized on financial instruments transferred to earnings <sup>(2)</sup>	0.5	0.3	0.5	1.1
<b>Items that will never be reclassified to earnings</b>				
Net actuarial (loss) gain <sup>(3)</sup>	(6.6)	0.3	(8.4)	(7.0)
Gain (loss) on other assets measured at fair value through Other comprehensive income	0.1	-	(0.1)	-
Other comprehensive (loss) income	(133.4)	11.0	(71.2)	(120.6)
<b>Comprehensive income including non-controlling interests</b>	<b>446.0</b>	488.0	<b>1,044.2</b>	799.0
Comprehensive loss (income) attributable to non-controlling interests	(0.8)	(3.9)	2.0	9.1
<b>Comprehensive income attributable to shareholders of the Corporation</b>	<b>445.2</b>	484.1	<b>1,046.2</b>	808.1

- (1) For the 12 and 24-week periods ended October 13, 2019, these amounts include a loss of \$48.2 (net of income taxes of \$7.4) and a gain of \$63.7 (net of income taxes of \$9.7), respectively. For the 12 and 24-week periods ended October 14, 2018, these amounts include a gain of \$90.8 (net of income taxes of \$13.9) and a loss of \$21.7 (net of income taxes of \$3.3), respectively. These losses and gains arise from the translation of long-term debts denominated in foreign currencies.
- (2) For the 12 and 24-week periods ended October 13, 2019, these amounts are net of income taxes of \$1.4 and \$1.6, respectively. For the 12 and 24-week periods ended October 14, 2018, these amounts are net of income taxes of \$4.9.
- (3) For the 12 and 24-week periods ended October 13, 2019, these amounts are net of income taxes of \$1.6 and \$2.1, respectively. For the 12 and 24-week periods ended October 14, 2018, these amounts are net of income taxes of \$0.2 and \$2.3, respectively.

The accompanying notes are an integral part of the interim condensed consolidated financial statements.



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of US dollars, unaudited)

	Attributable to the shareholders of the Corporation					Non-controlling interests	Equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 11)	Total		
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	706.8	19.5	9,053.5	(856.6)	8,923.2	257.9	9,181.1
Adoption of IFRS 16 (Note 2)			(9.5)		(9.5)	-	(9.5)
<b>Adjusted balance, beginning of period</b>	706.8	19.5	9,044.0	(856.6)	8,913.7	257.9	9,171.6
Comprehensive income:							
Net earnings (loss)			1,117.4		1,117.4	(2.0)	1,115.4
Other comprehensive loss				(71.2)	(71.2)	-	(71.2)
Comprehensive income (loss)					1,046.2	(2.0)	1,044.2
Dividends declared			(106.7)		(106.7)		(106.7)
Distributions to non-controlling interests						(28.4)	(28.4)
Assets exchange agreement (Note 5)			(7.7)		(7.7)	7.7	-
Stock option-based compensation expense		2.4			2.4		2.4
Repurchase and cancellation of shares (Note 12)	(4.6)		(168.1)		(172.7)		(172.7)
Exercise of stock options	1.3	(1.3)			-		-
<b>Balance, end of period</b>	703.5	20.6	9,878.9	(927.8)	9,675.2	235.2	9,910.4

	Attributable to the shareholders of the Corporation					Non-controlling interests	Equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 11)	Total		
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	704.0	17.7	7,405.0	(566.3)	7,560.4	327.0	7,887.4
Adoption of IFRS 15			(4.1)		(4.1)	-	(4.1)
<b>Adjusted balance, beginning of period</b>	704.0	17.7	7,400.9	(566.3)	7,556.3	327.0	7,883.3
Comprehensive income:							
Net earnings (loss)			928.7		928.7	(9.1)	919.6
Other comprehensive loss				(120.6)	(120.6)	-	(120.6)
Comprehensive income (loss)					808.1	(9.1)	799.0
Dividends declared			(86.5)		(86.5)		(86.5)
Distributions to non-controlling interests						(28.1)	(28.1)
Stock option-based compensation expense		1.8			1.8		1.8
Exercise of stock options	0.6	(0.5)			0.1		0.1
<b>Balance, end of period</b>	704.6	19.0	8,243.1	(686.9)	8,279.8	289.8	8,569.6

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of US dollars, unaudited)

For the periods ended	12 weeks		24 weeks	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
	\$	\$	\$	\$
<b>Operating activities</b>				
Net earnings including non-controlling interests	579.4	477.0	1,115.4	919.6
Adjustments to reconcile net earnings including non-controlling interests to net cash provided by operating activities				
Depreciation, amortization, impairment and amortization of financing costs	318.2	226.0	628.0	532.4
Deferred income taxes	47.2	56.5	66.2	42.1
Loss on disposal of property and equipment and other assets	1.0	0.5	11.1	0.7
Share of earnings of joint ventures and associated companies, net of dividends received	(0.5)	2.6	(3.3)	(0.1)
Other	20.6	7.3	13.8	8.7
Changes in non-cash working capital	(55.4)	(102.2)	(54.9)	(121.2)
<b>Net cash provided by operating activities</b>	<b>910.5</b>	<b>667.7</b>	<b>1,776.3</b>	<b>1,382.2</b>
<b>Investing activities</b>				
Purchase of property and equipment, intangible assets and other assets	(329.1)	(206.4)	(575.9)	(408.4)
Change in restricted cash	26.1	16.0	31.7	10.5
Investment in Fire & Flower (Note 6)	(19.5)	-	(19.5)	-
Proceeds from disposal of property and equipment and other assets	17.9	26.7	26.8	80.9
Business acquisitions (Note 3)	(0.6)	(4.7)	(7.6)	(4.7)
<b>Net cash used in investing activities</b>	<b>(305.2)</b>	<b>(168.4)</b>	<b>(544.5)</b>	<b>(321.7)</b>
<b>Financing activities</b>				
Share repurchase (Note 12)	(158.3)	-	(172.7)	-
Repayment of senior unsecured notes (Note 8)	(150.0)	-	(300.0)	-
Cash dividends paid	(106.7)	(86.5)	(106.7)	(86.5)
Principal elements of lease payments and net decrease in other debts (Notes 2, 4 and 8)	(101.3)	(15.4)	(180.3)	(23.7)
Net increase (decrease) in term revolving unsecured operating credit D (Note 8)	36.0	(504.0)	(4.0)	(962.8)
CAPL distributions paid to non-controlling interests (Note 5)	(14.1)	(14.1)	(28.4)	(28.1)
Net (decrease) increase in CAPL senior secured revolving credit facility (Note 8)	(6.3)	(0.5)	(15.5)	4.6
Exercise of stock options	-	0.1	-	0.1
Settlements of derivative financial instruments	-	-	-	3.0
<b>Net cash used in financing activities</b>	<b>(500.7)</b>	<b>(620.4)</b>	<b>(807.6)</b>	<b>(1,093.4)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(12.8)	2.4	(1.4)	(12.6)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>91.8</b>	<b>(118.7)</b>	<b>422.8</b>	<b>(45.5)</b>
Cash and cash equivalents, beginning of period	1,037.4	739.4	706.4	666.2
Cash and cash equivalents, end of period	1,129.2	620.7	1,129.2	620.7
<b>Supplemental information:</b>				
Interest paid	86.6	74.4	170.2	159.1
Interest and dividends received	13.2	18.3	22.6	23.7
Income taxes paid	67.3	57.4	94.6	106.8

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

(in millions of US dollars, unaudited)

	As at October 13, 2019	As at April 28, 2019
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,129.2	706.4
Restricted cash	4.8	36.5
Accounts receivable	1,917.1	1,863.9
Inventories	1,500.5	1,467.7
Prepaid expenses	55.2	83.7
Other short-term financial assets (Notes 9 and 14)	7.7	-
Income taxes receivable	46.0	163.1
	<b>4,660.5</b>	<b>4,321.3</b>
Property and equipment	10,818.0	11,129.9
Right-of-use assets (Notes 2 and 4)	2,717.9	-
Intangible assets	810.0	944.4
Goodwill	5,683.9	5,683.1
Other assets	362.2	306.6
Other long-term financial assets (Notes 6 and 14)	16.9	-
Investment in joint ventures and associated companies	139.1	136.0
Deferred income taxes	39.6	86.4
	<b>25,248.1</b>	<b>22,607.7</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	3,774.0	3,917.1
Short-term provisions	151.8	160.0
Other short-term financial liabilities (Note 14)	111.9	123.6
Income taxes payable	59.7	70.6
Current portion of long-term debt (Note 8)	1,164.1	1,310.7
Current portion of lease liabilities (Notes 2 and 4)	401.4	-
	<b>5,662.9</b>	<b>5,582.0</b>
Long-term debt (Note 8)	5,163.7	5,640.7
Lease liabilities (Notes 2 and 4)	2,446.5	-
Long-term provisions	582.0	590.1
Pension benefit liability	88.2	92.6
Other long-term financial liabilities (Note 14)	155.7	135.1
Deferred credits and other liabilities	185.4	349.0
Deferred income taxes	1,053.3	1,037.1
	<b>15,337.7</b>	<b>13,426.6</b>
<b>Equity</b>		
Capital stock (Note 12)	703.5	706.8
Contributed surplus	20.6	19.5
Retained earnings	9,878.9	9,053.5
Accumulated other comprehensive loss (Note 11)	(927.8)	(856.6)
Equity attributable to shareholders of the Corporation	9,675.2	8,923.2
Non-controlling interests (Note 5)	235.2	257.9
	<b>9,910.4</b>	<b>9,181.1</b>
	<b>25,248.1</b>	<b>22,607.7</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

### 1. CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

The unaudited interim condensed consolidated financial statements (the “interim financial statements”) have been prepared by the Corporation in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*.

These interim financial statements have been prepared in accordance with the same accounting policies and methods as the audited annual consolidated financial statements for the year ended April 28, 2019, except for that pertaining to leases as a result of the adoption of IFRS 16 disclosed in Note 2. The interim financial statements do not include all the information required for complete financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Corporation’s 2019 Annual Report. The results of operations for the interim periods presented do not necessarily reflect results expected for the full fiscal year. The Corporation’s business follows a seasonal pattern. The busiest period is the first half-year of each fiscal year, which includes summer’s sales.

On November 26, 2019, the Corporation’s interim financial statements were approved by the Board of Directors.

### 2. ACCOUNTING POLICIES

#### **New accounting policy adopted during the current year**

##### *Leases*

On April 29, 2019, the Corporation adopted IFRS 16, *Leases*, which replaces IAS 17, *Leases*. This new standard requires lessees to recognize and record on the balance sheet a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts except with respect to lease contracts that meet limited exception criteria.

The Corporation has adopted IFRS 16 retrospectively from April 29, 2019, but has not restated comparative figures for fiscal year 2019, as permitted under the specific transition provisions in the standard. Therefore, the cumulative effect of initially applying the new standard was recognized in the opening balance sheet on April 29, 2019 and comparative figures for fiscal year 2019 continue to be reported under IAS 17 and related interpretations, including IFRIC 4, *Determining Whether an Arrangement Contains a Lease*.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirement for lessor accounting have remained largely unchanged.

##### Impact of the new definition of a lease

The Corporation has made use of the practical expedient available upon transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the Corporation continues to apply the definition of a lease in accordance with IAS 17 and IFRIC 4 to those leases entered into or modified before April 29, 2019.

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation assesses whether a contract is or contains a lease in accordance with the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after April 29, 2019.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

### Impact on accounting policies when the Corporation is the lessee

*Leases previously classified as operating leases and lease contracts entered into or modified on or after April 29, 2019*

IFRS 16 changes how the Corporation accounts for leases previously classified as operating leases under IAS 17, which were not recognized in the Corporation's consolidated balance sheet.

Applying IFRS 16, for all leases (except those meeting limited exception criteria, see below), the Corporation:

- Recognizes right-of-use assets and lease liabilities in the consolidated balance sheet;
- Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of earnings; and
- Separates the total amount paid in cash into a principal portion (presented within financing activities) and an interest portion (presented within operating activities) in the consolidated statement of cash flows.

The lease liability is initially measured at the net present value of future lease payments, discounted using the implicit interest rate of the lease, if that rate can be readily determined, or the Corporation's incremental borrowing rate. Future lease payments included in the measurement of the lease liability comprise of:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the Corporation under residual value guarantees;
- The exercise price of a purchase option if the Corporation is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising that option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. The interest expense is charged to Financial expenses on the consolidated statement of earnings over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Any restoration costs of the underlying asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation, amortization and impairment and are depreciated over the shorter period of the lease term and useful life of the underlying asset.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognize a provision for onerous lease contracts.

Lease incentives are recognized as part of the measurement of the right-of-use asset and lease liability whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expenses on a straight-line basis.

Variable lease payments that are not based on an index or a rate are not included in the measurement of both the lease liabilities and the right-of-use assets. The related payments are recognized as an expense in the period in which the conditions that trigger those payments occur and are recorded as Operating, selling, administrative and general expenses in the consolidated statement of earnings.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Corporation has opted to recognize a lease expense on a straight-line basis over the lease term as permitted by IFRS 16. This expense is presented within Operating, selling, administrative and general expenses in the consolidated statement of earnings.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of use asset) whenever:

- The lease term, assessment of a purchase option or termination penalties have changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- Change in the future lease payments resulting from changes in an index or rate or change in amounts expected to be payable under residual value guarantees, in which cases the lease liability is remeasured by discounting the revised lease payments using the same discount rate used when initially setting up the liability.

In determining the lease term, the Corporation considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods subject to termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Corporation's control.

### *Leases previously classified as finance leases*

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Corporation recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This difference did not have a material effect on the Corporation's interim financial statements.

### Impact on accounting policies when the Corporation is the lessor

The Corporation enters into lease agreements as a lessor with respect to properties. IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types differently. Whenever the terms of the lease transfer substantially all the risks and reward of the ownership of the underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Whenever it is determined that a lease where the Corporation is the lessor is a finance lease, the present value of the amounts due from the lessee are recognized as the Corporation's net investment in the lease which is recorded under Other assets on the consolidated balance sheet. The net investment in the lease is subsequently measured by increasing the carrying amount to reflect interest revenue reflecting a constant periodic rate of return and by reducing the carrying amount of the net investment to reflect the lease payments received. Payments received in relation with operating leases are recognized as Other revenues on a straight-line basis over the term of the relevant lease in the consolidated statement of earnings.

Under IFRS 16, when the Corporation is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as it was the case under IAS 17).

### Impact of the adoption of the new standard on the Corporation's interim financial statements

Upon adoption of IFRS 16, the Corporation recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the net present value of the remaining lease payments that are not paid at adoption date, discounted using the Corporation's incremental borrowing rate as of April 29, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on April 29, 2019 was 3.31%.

	<u>As at April 29, 2019</u>
	\$
Operating lease commitments disclosed as at April 28, 2019	3,260.7
Discounted using the Corporation's incremental borrowing rate as at April 29, 2019	2,769.3
Add: finance lease liabilities recognized as at April 28, 2019	328.3
(Less): short-term leases recognized on a straight-line basis as expense	(132.5)
(Less): low-value assets leases recognized on a straight-line basis as expense	(2.0)
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	(7.9)
Other	(3.0)
<b>Lease liabilities recognized as at April 29, 2019</b>	<b>2,952.2</b>
Of which are:	
Current lease liabilities	382.9
Non-current lease liabilities	2,569.3

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

The associated rights-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at April 28, 2019.

As at April 29, 2019, the recognized right-of-use assets relate to the following underlying asset classes:

	<u>As at April 29, 2019</u>
	\$
Properties	2,789.8
Motor vehicles	37.6
Equipment	7.6
	<u>2,835.0</u>

The adoption of IFRS 16 affected the following items in the opening balance sheet on April 29, 2019:

	<u>Balance, beginning of period</u>	<u>Adoption of IFRS 16</u>	<u>Adjusted balance, beginning of period</u>
	\$	\$	\$
<b>Assets</b>			
Current assets			
Prepaid expenses	83.7	(26.4)	57.3
Property and equipment <sup>(a)</sup>	11,129.9	(306.5)	10,823.4
Right-of-use assets	-	2,835.0	2,835.0
Intangible assets	944.4	(104.5)	839.9
Other assets	306.6	27.7	334.3
<b>Total assets</b>	<b>22,607.7</b>	<b>2,425.3</b>	<b>25,033.0</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	3,917.1	(24.6)	3,892.5
Current portion of long-term debt	1,310.7	(40.5)	1,270.2
Current portion of lease liabilities	-	382.9	382.9
Long-term debt	5,640.7	(287.8)	5,352.9
Lease liabilities	-	2,569.3	2,569.3
Long-term provisions	590.1	(3.0)	587.1
Deferred credits and other liabilities	349.0	(158.3)	190.7
Deferred income taxes	1,037.1	(3.2)	1,033.9
<b>Total liabilities</b>	<b>13,426.6</b>	<b>2,434.8</b>	<b>15,861.4</b>
<b>Equity</b>			
Retained earnings	9,053.5	(9.5)	9,044.0
<b>Total equity</b>	<b>9,181.1</b>	<b>(9.5)</b>	<b>9,171.6</b>

(a) Adoption of IFRS 16 had an impact of \$143.2 on Land, \$105.2 on Buildings and building components and \$58.1 on Equipment.

In applying IFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard for certain of its leases:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The use of the provision for onerous leases as an alternative to performing an impairment review;
- The accounting for operating leases with a remaining lease term of less than 12 months as at April 29, 2019 as short-term leases;
- The right to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Corporation has also selected to use the practical expedient permitting not to separate non-lease components, and to instead account for any lease and associated non-lease components as a single lease component. Non-lease components include, but are not limited to, utility charges and common area maintenance charges when those charges are fixed over the term of the lease.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

### 3. BUSINESS ACQUISITIONS

During the 24-week period ended October 13, 2019, the Corporation acquired nine company-operated stores through distinct transactions. The Corporation owns the land and building for three sites and leases the land and the building for the remaining six sites. These transactions were settled for a total consideration of \$7.6 using available cash and existing credit facilities and generated goodwill for an amount of \$3.3.

Acquisition costs of \$1.0 in connection with these acquisitions and other unrealized and ongoing acquisitions are included in Operating, selling, administrative and general expenses for the 24-week period ended October 13, 2019.

On October 29, 2019, subsequent to the end of the second quarter of fiscal 2020, the Corporation reached an agreement to acquire 17 stores from a franchise operator. These convenience stores operate under the Holiday banner in South Dakota and Minnesota, within the United States. Under the agreement, the Corporation will own the land and the building for 16 locations and will lease the land and building for the remaining location. The transaction is anticipated to close in the third quarter of fiscal year 2020 and is subject to the standard regulatory approvals and closing conditions. The Corporation expects to finance this transaction using its available cash and existing credit facilities.

### 4. LEASES

Information about leases for which the Corporation is a lessee is presented below:

#### Right-of-use assets

As at October 13, 2019, the right-of-use assets were attributable to the following underlying asset classes:

	<u>As at October 13, 2019</u>
Properties	2,681.4
Motor vehicles	29.2
Equipment	7.3
	<u>2,717.9</u>

During the 12 and 24-week periods ended October 13, 2019, additions to the right-of-use assets amounted to \$14.2 and \$29.0, respectively.

#### Amounts recognized in the consolidated statement of earnings

<u>For the periods ended October 13, 2019</u>	<u>12 weeks</u>	<u>24 weeks</u>
	\$	\$
Depreciation and amortization of right-of-use assets by class of underlying asset:		
Properties	97.1	187.2
Motor vehicles	3.2	4.6
Equipment	0.3	0.4
Interest expense on lease liabilities	22.0	43.9
Expenses relating to short-term leases	2.5	4.7
Expenses relating to leases of low-value assets	0.8	1.0
Expenses relating to variable lease payments not included in the measurement of lease liabilities	6.7	10.7
Income from subleasing right-of-use assets	9.1	21.3

#### Amounts recognized in the consolidated statement of cash flows

<u>For the periods ended October 13, 2019</u>	<u>12 weeks</u>	<u>24 weeks</u>
	\$	\$
Total cash outflow for leases	133.0	239.4

As at October 13, 2019, the Corporation leases mainly lands, buildings, building components, equipment and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease terms, for the majority of leases in North America, vary between 5 and 20 years, which include the initial base term and renewal option(s) when applicable. In Europe, the lease terms range from less than 12 months contracts to contracts with maturities up to more than 50 years and also include options to renew at market prices when applicable. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.



## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

Some of property leases contain variable payment term that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depends on sales are recognized in earnings in the period in which the conditions that triggers those payments occurs.

Extension and termination options are included in a number of leases across the Corporation. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Corporation and not by the respective lessor.

### 5. CROSSAMERICA PARTNERS LP (“CAPL”)

As at October 13, 2019, the Corporation owns 100% of the equity interests of the sole member of the General Partner, 100% of the incentive distribution rights (“IDRs”) and 21.72% of the outstanding common units of CAPL.

CAPL’s accounting periods do not coincide with the Corporation’s accounting periods. The consolidated statement of earnings, comprehensive income, changes in equity and cash flows for the 24-week period ended October 13, 2019 include those of CAPL for the period beginning April 1, 2019 and ending September 30, 2019, adjusted for significant transactions, if any. The consolidated balance sheet as at October 13, 2019 includes the balance sheet of CAPL as at September 30, 2019, adjusted for significant transactions, if any.

The table below highlights the results of CAPL’s operations and certain of its financial metrics which are in accordance with IFRS:

	April 1, 2019 to September 30, 2019	April 1, 2018 to September 30, 2018
<b>Statements of Earnings for the periods from<sup>(1)</sup></b>		
Revenues	\$ 1,179.9	\$ 1,348.1
Gross profit	106.6	96.5
Total operating expenses (excluding depreciation, amortization and impairment)	41.7	45.6
Depreciation, amortization and impairment	46.2	106.5
Net financial expenses	20.9	14.1
Loss before income taxes	(2.2)	(69.7)
Income tax expense (recovery)	0.3	(3.0)
Net loss	(2.5)	(66.7)
<b>Statements of Cash Flows for the periods from<sup>(1)</sup></b>		
Net cash provided by operating activities	\$ 60.6	\$ 42.2
Net cash used in investing activities	(4.0)	(4.4)
Net cash used in by financing activities, including \$7.8 and \$7.8 of distributions paid to the Corporation, respectively	(57.5)	(35.7)
<b>Balance Sheets as at<sup>(1)</sup></b>		
Cash and cash equivalents	\$ 5.4	\$ 6.3
Current assets (other than cash and cash equivalents)	52.7	49.5
Long-term assets	1,183.7	1,089.6
Current liabilities	88.1	64.7
Long-term liabilities	792.6	676.0

(1) Adjusted for significant transactions, if any.

### Asset exchange agreement

On December 17, 2018, the Corporation entered into an asset exchange agreement with CAPL under which 192 of the Circle K U.S. company-operated stores will be exchanged against the real estate property held by CAPL for 56 U.S. company-operated stores leased and operated by the Corporation pursuant to a master lease that CAPL had previously purchased jointly with or from CST Brands Inc., and 17 company-operated stores owned and operated by CAPL in the U.S. Upper Midwest (“December 2018 asset exchange agreement”). The aggregate value of this agreement is approximately \$185.0.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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In May 2019, the Corporation closed the first transaction of the December 2018 asset exchange agreement between CAPL and the Corporation's wholly owned operations. In this first transaction, 60 Circle K U.S. stores have been exchanged against 17 company-operated stores owned and operated by CAPL and the real estate for 8 properties held by CAPL, for a total value of approximately \$58.0. In September 2019, the Corporation closed the second transaction. In this second transaction, the Corporation transferred 56 Circle K U.S. stores for a total value of approximately \$50.0. In exchange, CAPL transferred the real estate for 19 properties for a total value of approximately \$51.0. Following these exchange transactions, the Corporation performed a re-evaluation of its deferred tax assets and liabilities which generated a net income tax expense of \$4.4, of which \$2.8 are attributable to shareholders of the Corporation.

These transactions resulted in a reclassification of \$7.7 between equity attributable to the shareholders of the Corporation and equity attributable to the non-controlling interests. The remaining tranche is expected to be completed by the end of the first quarter of calendar year 2020.

### Subsequent events

On November 19, 2019, subsequent to the end of the second quarter of fiscal 2020, the Corporation announced the closing of the sale of its interest in CAPL, representing 100% of the equity interests of the sole member of the General Partner, 100% of the IDRs and 21.72% of the outstanding common units of CAPL to investment entities controlled by Joe Topper, the founder of CAPL and a current member of the board of directors of its General Partner. The decision to divest the Corporation's interest in CAPL was based on the outcome of a strategic review.

On the same date and in line with the strategic review mentioned above, the Corporation announced an asset exchange agreement with CAPL under which the Corporation will transfer a portion of its U.S. wholesale road transportation fuel operations, which consists of wholesale fuel supply contracts covering 387 sites and 45 fee and leasehold properties, against CAPL's 17.5% limited partnership interest in CST Fuel Supply LP ("November 2019 asset exchange agreement"). Subject to regulatory approvals, the November 2019 asset exchange agreement is expected to be completed by the end of the first quarter of calendar 2020.

Following the November 2019 asset exchange agreement, the Corporation will retain its agreements with independent operators in California and those operated through its RDK Ventures LLC joint venture as well as other strategic wholesale road transportation fuel operations assets across different parts of the United States and will have a 100.0% limited partnership interest in CST Fuel Supply LP. The Corporation is currently evaluating the impact of these transactions.

### 6. INVESTMENT IN FIRE & FLOWER HOLDINGS CORP.

On August 7, 2019, the Corporation invested an amount of CA \$26.0 (\$19.5) in Fire & Flower Holdings Corp. ("Fire & Flower"), a leading independent cannabis retailer listed on the Toronto Stock Exchange and based in Alberta, Canada. This investment is composed of the following:

- Unsecured convertible debentures which bear interest at an annual rate of 8% and mature at the earliest on December 31, 2020. The maturity date may vary, provided the occurrence or non-occurrence of certain events. Interests are payable semi-annually on June 30 and December 31. At the option of the Corporation, the unsecured convertible debentures can be converted into common shares of Fire & Flower, at a conversion price of CA \$1.07, at any time between the issuance and the maturity date. The full conversion of the unsecured convertible debentures would result in a 9.9% ownership interest in Fire & Flower upon conversion. The unsecured convertible debentures are measured at fair value through earnings. As at October 13, 2019, the unsecured convertible debentures were not converted.
- Common share purchase warrants which consist of the Series A Warrants, the Series B Warrants and the Series C Warrants, with each series having their own terms and conditions, as follows:
  - The Series A Warrants, if exercised in accordance with the terms thereof, would subsequently increase the Corporation's interest in Fire & Flower up to 19.9%. The Series A Warrants expire 90 days following the maturity date of the unsecured convertible debentures. The Series A Warrants must be exercised before the Series B Warrants can be exercised.
  - The Series B Warrants, if exercised in accordance with the terms thereof, would subsequently increase the Corporation's interest in Fire & Flower up to 33.4%. They expire 12 months from the date that all Series A Warrants have been exercised, unless the Series A Warrants expire, in which case the Series B Warrants will also expire. The Series B Warrants must be exercised before the Series C Warrants can be exercised.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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- The Series C Warrants, if exercised in accordance with the terms thereof, would subsequently increase the Corporation's interest in Fire & Flower up to 50.1%. They expire 12 months from the date all Series B Warrants have been exercised, unless the Series B Warrants expire, in which case the Series C Warrants will also expire.

The common share purchase warrants are measured at fair value through earnings. As at October 13, 2019, no common share purchase warrants were exercised.

The estimated fair value at initial recognition for the unsecured convertible debentures and the common share purchase warrants differed from the transaction price. As further described below, such fair values were evidenced by entity-specific inputs and not solely by a quoted price in an active market for an identical asset or liability or by a valuation technique that uses only data from observable markets. Such estimated fair values are thus Level 3 measurements (Note 14). Therefore, the initial measurement of these financial assets was adjusted to defer the difference between the fair value at initial recognition and the transaction price. Since these differences stem mainly from the time component input of each valuation model, such initial differences will be recognized gradually over the expected life of each asset using the straight-line method. The table below shows the amounts presented in Other long-term financial assets on the consolidated balance sheet:

	Estimated fair value of the convertible debentures	Estimated fair value of the common share purchase warrants	Estimated total fair value of the other long-term financial assets	Deferred differences	Net carrying amount
	\$	\$	\$	\$	\$
Initial measurement as at August 7, 2019	27.6	39.9	67.5	(48.0)	19.5
Revenues (expenses) recognized to Net financial expenses	(3.6)	(14.2)	(17.8)	15.2	(2.6)
Effect of exchange rate variations	-	-	-	-	-
<b>Balance as at October 13, 2019</b>	<b>24.0</b>	<b>25.7</b>	<b>49.7</b>	<b>(32.8)</b>	<b>16.9</b>

The estimated fair value of the unsecured convertible debentures is determined using a one-factor model, where the stock price is assumed to follow a Black-Scholes, lognormal stock process and the estimated fair value of the common share purchase warrants is determined using the Black-Scholes option pricing model. The following key unobservable inputs were used in establishing the fair value of these financial assets and there were no changes in the valuation techniques used since initial measurement:

	As at August 7, 2019	As at October 13, 2019
Expected volatility <sup>(a)</sup>	60.0%	60.0%
Credit spread over Government of Canada rate (applicable solely to the unsecured convertible debentures) <sup>(b)</sup>	25.0%	25.0%
Expected contractual life <sup>(c)</sup>	From 17 to 44 months	From 15 to 42 months

### (a) Expected volatility

Sensitivity to volatility stems mainly from the limited availability of Fire & Flower historical data since it is listed on the Toronto Stock Exchange since February 2019, as well as the emerging market in which it operates.

As at August 7, 2019 and as at October 13, 2019, with all other variables held constant, a 5% increase in the expected volatility would have increased by \$0.3 and \$0.5 the fair value of the unsecured convertible debentures, respectively. As at the same dates, a 5% decrease in the expected volatility would have decreased by \$0.3 and \$0.1 the fair value of the unsecured convertible debentures, respectively.

As at August 7, 2019 and as at October 13, 2019, with all other variables held constant, a 5% increase in the expected volatility would have increased by \$6.3 and \$4.9 the fair value of the common share purchase warrants, respectively. As at the same dates, a 5% decrease in the expected volatility would have decreased by \$6.0 and \$4.5 the fair value of the common share purchase warrants, respectively.

### (b) Credit spread

Sensitivity to credit spread stems mainly from the nature of the financial instrument issued as well as the emerging market in which Fire & Flower operates.

As at August 7, 2019 and as at October 13, 2019, with all other variables held constant, a 5% increase in the credit spread would have decreased by \$0.3 and \$0.2 the fair value of the unsecured convertible debentures, respectively. As at the same dates, a 5% decrease in the credit spread would have increased by \$0.4 and \$0.7 the fair value of the unsecured convertible debentures, respectively.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

### (c) Expected contractual life

Sensitivity to contractual life stems mainly from the fact that the maturity date of each financial asset may vary according to the realization of certain events per the contractual terms.

As at August 7, 2019 and as at October 13, 2019, with all other variables held constant, a six months increase in the expected contractual life would have increased by \$0.5 and \$0.6 the fair value of the unsecured convertible debentures, respectively.

As at August 7, 2019 and as at October 13, 2019, with all other variables held constant, a six months increase in the expected contractual life would have increased by \$6.5 and \$5.6 the fair value of the common share purchase warrants, respectively.

### Valuation process

The Corporation performs the valuations of its financial instruments required for financial reporting purposes, including Level 3 fair values. Changes in Level 2 and Level 3 fair values are analyzed at the end of each reporting period by the Corporation and reports explaining the reasons for the fair value movements are presented to the Corporation's management.

## 7. FINANCIAL EXPENSES

For the periods ended	12 weeks		24 weeks	
	October 13, 2019	October 14, 2018	October 13, 2019	October 14, 2018
	\$	\$	\$	\$
Interest on long-term debt	48.8	63.2	102.4	128.7
Interest on lease liabilities (Interest on finance lease obligations for the periods ended October 14, 2018) (Note 4)	22.0	6.7	43.9	12.6
Accretion of provisions	4.4	7.1	8.2	10.9
Interest on bank overdrafts and bank loans	0.8	0.8	1.5	1.4
Net interest on defined benefit plans	0.5	0.4	0.9	0.8
Other finance costs	3.2	2.4	6.8	5.6
	<b>79.7</b>	<b>80.6</b>	<b>163.7</b>	<b>160.0</b>

## 8. LONG-TERM DEBT

	As at October 13, 2019	As at April 28, 2019
	\$	\$
US-dollar-denominated senior unsecured notes, maturing from December 2019 to July 2047 <sup>(a)</sup>	3,084.6	3,379.9
Canadian-dollar-denominated senior unsecured notes, maturing from November 2019 to June 2025 <sup>(b)</sup>	1,801.6	1,774.5
Euro-denominated senior unsecured notes, maturing in May 2026	824.7	831.2
CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation, maturing in April 2024 <sup>(c)</sup>	501.0	514.8
NOK-denominated senior unsecured notes, maturing in February 2026	73.9	77.4
US-dollar-denominated term revolving unsecured operating credit D, maturing in December 2023 <sup>(d)</sup>	36.0	40.0
Other debts (Obligations related to buildings and equipment under finance leases, payable on various dates, and other debts as at April 28, 2019)	6.0	333.6
	<b>6,327.8</b>	<b>6,951.4</b>
Current portion of long-term debt	1,164.1	1,310.7
Long-term portion of long-term debt	<b>5,163.7</b>	<b>5,640.7</b>

### (a) US-dollar-denominated senior unsecured notes

On May 28, 2019, the Corporation repaid, without penalty, \$150.0 on its \$300.0 US-dollar-denominated senior unsecured notes issued on December 14, 2017 and maturing on December 13, 2019.

On August 13, 2019, the Corporation repaid, without penalty, the remaining \$150.0 of these \$300.0 US-dollar-denominated senior unsecured notes.

### (b) Canadian-dollar-denominated senior unsecured notes

On November 1, 2019, subsequent to the end of the second quarter of fiscal 2020, the Corporation fully repaid, at maturity, its CA \$450.0 (\$341.4) Canadian-dollar-denominated senior unsecured notes issued on November 1, 2012.

### (c) CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation

As at October 13, 2019, the effective interest rate was 4.310% and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

### (d) US-dollar-denominated term revolving unsecured operating credit D

As at October 13, 2019, the weighted average effective interest rate was 3.156% and the Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

### 9. INTEREST RATE LOCKS

During the 12-week period ended October 13, 2019, the Corporation entered into interest rate locks at the following conditions:

Notional amount	Interest lock term	Rate	Maturity date
\$500.0	10 years	From 1.566% to 1.626%	March 9, 2020

The instruments allow the Corporation to hedge the variability of anticipated interest payments due to changes in the US Treasury rates. Therefore, these instruments are designated as a cash flow hedge of the Corporation's interest rate risk and, as a result, during the 12-week period ended October 13, 2019, a gain of \$6.7 was recognized in Accumulated other comprehensive loss to reflect the fluctuation in the interest rate locks' fair value.

### 10. NET EARNINGS PER SHARE

The following table presents the information for the computation of basic and diluted net earnings per share:

	12-week period ended October 13, 2019			12-week period ended October 14, 2018		
	Net earnings \$	Weighted average number of shares (in millions)	Net earnings per share \$	Net earnings \$	Weighted average number of shares (in millions)	Net earnings per share \$
Basic net earnings attributable to Class A and B shareholders	578.6	1,125.3	0.51	473.1	1,128.5	0.42
Dilutive effect of stock options	-	1.6	-	-	1.5	-
Diluted net earnings available for Class A and B shareholders	578.6	1,126.9	0.51	473.1	1,130.0	0.42
	24-week period ended October 13, 2019			24-week period ended October 14, 2018		
	Net earnings \$	Weighted average number of shares (in millions)	Net earnings per share \$	Net earnings \$	Weighted average number of shares (in millions)	Net earnings per share \$
Basic net earnings attributable to Class A and B shareholders	1,117.4	1,126.8	0.99	928.7	1,128.5	0.82
Dilutive effect of stock options	-	1.7	-	-	1.5	-
Diluted net earnings available for Class A and B shareholders	1,117.4	1,128.5	0.99	928.7	1,130.0	0.82

When they have an antidilutive effect, stock options must be excluded from the calculation of the diluted net earnings per share. For each of the 12 and 24-week periods ended October 13, 2019, 246,668 stock options were excluded, and 650,550 and 1,085,316 stock options were excluded for the 12 and 24-week periods ended October 14, 2018, respectively.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

### 11. ACCUMULATED OTHER COMPREHENSIVE LOSS

As at October 13, 2019

	Attributable to shareholders of the Corporation					
	Items that may be reclassified to earnings			Will never be reclassified to earnings		
	Cumulative translation adjustments	Net investment hedge	Cash flow hedge	Cumulative net actuarial loss	Other assets measured at fair value through Other comprehensive income	Accumulated other comprehensive loss
	\$	\$	\$	\$	\$	\$
Balance, before income taxes	(543.2)	(374.4)	(0.9)	(17.4)	(0.1)	(936.0)
Less: Income taxes	-	(5.9)	2.7	(5.0)	-	(8.2)
Balance, net of income taxes	(543.2)	(368.5)	(3.6)	(12.4)	(0.1)	(927.8)

As at October 14, 2018

	Attributable to shareholders of the Corporation					
	Items that may be reclassified to earnings			Will never be reclassified to earnings		
	Cumulative translation adjustments	Net investment hedge	Cash flow hedge	Cumulative net actuarial loss	Other assets measured at fair value through Other comprehensive income	Accumulated other comprehensive loss
	\$	\$	\$	\$	\$	\$
Balance, before income taxes	(381.2)	(293.0)	(12.1)	(12.4)	-	(698.7)
Less: Income taxes	-	(8.0)	(0.1)	(3.7)	-	(11.8)
Balance, net of income taxes	(381.2)	(285.0)	(12.0)	(8.7)	-	(686.9)

### 12. CAPITAL STOCK

#### Issued and outstanding shares

As at October 13, 2019, the Corporation had 253,807,600 issued and outstanding Class A multiple-voting shares (253,817,900 as at April 28, 2019), with each share comprising 10 votes, and 869,410,366 issued and outstanding Class B subordinate voting shares (875,003,820 as at April 28, 2019), with each share comprising 1 vote.

The changes in the number of outstanding shares are as follows:

	<u>October 13, 2019</u>
<b>Class A multiple voting shares (in thousands)<sup>(a)</sup></b>	
Balance, beginning of year	253,818
Conversion into Class B shares	(10)
Balance, end of the period	<u>253,808</u>
<b>Class B subordinate voting shares (in thousands)<sup>(a)</sup></b>	
Balance, beginning of year	875,004
Issued on conversion of Class A shares	10
Repurchased and cancelled shares <sup>(b)</sup>	(5,661)
Issuance of shares on stock options exercised	57
Balance, end of the period	<u>869,410</u>
	<u>1,123,218</u>

#### (a) Class A multiple-voting shares and Class B subordinate voting shares split

On September 4, 2019, the Board of Directors approved a two-for-one split of all the Corporation's issued and outstanding Class A multiple-voting shares and Class B subordinate voting shares as at September 20, 2019. This share split was approved by regulatory authorities and occurred on September 27, 2019. All share and per-share information in these interim financial statements has been adjusted retroactively to reflect this share split.

#### (b) Share repurchase program

During the 12 and 24-week periods ended October 13, 2019, the Corporation repurchased 4,132,620 and 5,660,968 Class B subordinate voting shares, respectively. These repurchases were settled for net amounts of \$126.5 and \$172.7, respectively.

All shares repurchased were cancelled. The description of the Corporation's share repurchase program is included in Note 24 of the audited annual consolidated financial statements presented in the Corporation's 2019 Annual Report.

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### Stock options

For the 12-week period ended October 13, 2019, a total of 3,600 stock options were exercised (175,660 for the 12-week period ended October 14, 2018). For the 24-week period ended October 13, 2019, a total of 60,128 stock options were exercised (191,860 for the 24-week period ended October 14, 2018).

For the 12 and 24-week periods ended October 13, 2019, a total of nil and 246,668 stock options were granted, respectively (nil and 327,186 for the 12 and 24-week periods ended October 14, 2018, respectively). The description of the Corporation's stock-based compensation plan is included in Note 25 of the audited annual consolidated financial statements presented in the Corporation's 2019 Annual Report.

The weighted average fair value of stock options granted for the 24-week period ended October 13, 2019 was CA \$10.48 per option, which was estimated at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the stock options granted during the period:

- Expected quarterly dividend of CA \$0.0625 per share;
- Expected volatility of 23%;
- Risk-free interest rate of 1.56%;
- Expected life of 8 years.

### 13. SEGMENTED INFORMATION

The Corporation operates convenience stores in the United States, in Europe and in Canada. It operates in one reportable segment, the sale of goods for immediate consumption, road transportation fuel and other products mainly through company-operated and franchised stores. The Corporation operates its convenience store chain under several banners, including Circle K, Corner Store, Couche-Tard, Holiday, Ingo and Mac's. Revenues from external customers mainly fall into three categories: merchandise and services, road transportation fuel and other.

Information on the principal revenue categories as well as geographic information is as follows:

	12-week period ended October 13, 2019				12-week period ended October 14, 2018			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>External customer revenues<sup>(a)</sup></b>								
Merchandise and services	2,639.3	331.3	568.4	3,539.0	2,596.0	340.5	524.2	3,460.7
Road transportation fuel	6,933.0	1,876.5	1,130.8	9,940.3	7,568.3	2,071.5	1,255.5	10,895.3
Other	31.6	161.8	5.3	198.7	15.9	324.7	6.2	346.8
	<b>9,603.9</b>	<b>2,369.6</b>	<b>1,704.5</b>	<b>13,678.0</b>	<b>10,180.2</b>	<b>2,736.7</b>	<b>1,785.9</b>	<b>14,702.8</b>
<b>Gross Profit</b>								
Merchandise and services	893.7	136.9	185.1	1,215.7	886.0	139.8	176.8	1,202.6
Road transportation fuel	722.3	226.2	86.4	1,034.9	573.6	235.9	93.8	903.3
Other	31.6	31.9	5.2	68.7	16.0	37.5	6.2	59.7
	<b>1,647.6</b>	<b>395.0</b>	<b>276.7</b>	<b>2,319.3</b>	<b>1,475.6</b>	<b>413.2</b>	<b>276.8</b>	<b>2,165.6</b>
<b>Total long-term assets<sup>(b)</sup></b>	<b>14,104.8</b>	<b>3,767.0</b>	<b>2,598.9</b>	<b>20,470.7</b>	<b>12,484.9</b>	<b>3,372.6</b>	<b>2,365.3</b>	<b>18,222.8</b>
	24-week period ended October 13, 2019				24-week period ended October 14, 2018			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>External customer revenues<sup>(a)</sup></b>								
Merchandise and services	5,316.4	684.4	1,144.0	7,144.8	5,230.7	709.2	1,068.6	7,008.5
Road transportation fuel	14,180.5	3,796.3	2,332.2	20,309.0	15,221.2	4,024.0	2,547.3	21,792.5
Other	60.2	316.9	10.1	387.2	32.2	643.7	12.4	688.3
	<b>19,557.1</b>	<b>4,797.6</b>	<b>3,486.3</b>	<b>27,841.0</b>	<b>20,484.1</b>	<b>5,376.9</b>	<b>3,628.3</b>	<b>29,489.3</b>
<b>Gross Profit</b>								
Merchandise and services	1,802.7	283.4	374.6	2,460.7	1,766.6	296.1	364.7	2,427.4
Road transportation fuel	1,417.9	448.4	167.9	2,034.2	1,160.2	482.4	193.8	1,836.4
Other	60.2	63.2	10.0	133.4	32.2	74.3	12.4	118.9
	<b>3,280.8</b>	<b>795.0</b>	<b>552.5</b>	<b>4,628.3</b>	<b>2,959.0</b>	<b>852.8</b>	<b>570.9</b>	<b>4,382.7</b>

(a) Geographic areas are determined according to where the Corporation generates operating income (where the sale takes place) and according to the location of the long-term assets.

(b) Excluding financial instruments, deferred tax assets and post-employment benefit assets.

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### 14. FAIR VALUE

The fair value of Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable and Accounts payable and accrued liabilities is comparable to their carrying amounts given their short maturity. The carrying values of the term revolving unsecured operating credit D and the CAPL senior secured revolving credit facility approximate their fair values given that their credit spreads are similar to the credit spread the Corporation would obtain under similar conditions at the reporting date.

#### Fair value hierarchy

Fair value measurements are categorized in accordance with the following levels:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 but which are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability which are not based on observable market data.

The estimated fair value of each class of financial instrument, the methods and assumptions that were used to determine them and their fair value hierarchy are as follows:

#### Financial instruments at fair value on the consolidated balance sheets:

- The fair value of the indexed deposit contract, which is mainly based on the fair market value of the Corporation's Class B shares, was \$58.5 as at October 13, 2019 (\$49.5 as at April 28, 2019) (Level 2). As at October 13, 2019, they are presented as Accounts receivable for an amount of \$20.3 (\$9.8 as at April 28, 2019) and Other assets for an amount of \$38.2 (\$39.7 as at April 28, 2019) on the consolidated balance sheets; and
- The fair value of the cross-currency interest rate swaps, which is determined based on market rates, was \$266.6 as at October 13, 2019 (\$250.1 as at April 28, 2019) (Level 2). As at October 13, 2019, they are presented as Other short term financial liabilities for an amount of \$110.9 (\$115.0 as at April 28, 2019) and Other long-term financial liabilities for an amount of \$155.7 (\$135.1 as at April 28, 2019) on the consolidated balance sheets; and
- The fair value of the fixed-to-floating interest rate swaps, which is determined based on market rates, was \$1.0 as at October 13, 2019 (\$3.9 as at April 28, 2019) (Level 2). They are presented as Other short-term financial liabilities on the consolidated balance sheets; and
- The fair value of the fuel swaps, which is determined based on market rates, was \$1.0 as at October 13, 2019 (\$4.7 as at April 28, 2019) (Level 2). They are presented as Other short-term financial assets as at October 13, 2019 and as Other short-term financial liabilities as at April 28, 2019 on the consolidated balance sheets; and
- The fair value of the interest rate locks, which is determined based on market rates obtained from the Corporation's financial institutions for similar financial instruments, was \$6.7 as at October 13, 2019 (nil as at April 28, 2019) (Level 2). They are presented as Other short-term financial assets on the consolidated balance sheet.

#### Financial instruments not at fair value on the consolidated balance sheets:

- The table below presents the fair value, which is based on observable market data (Level 2), and the carrying value of the Corporation's senior unsecured notes which are not measured at fair value on the consolidated balance sheets:

	As at October 13, 2019		As at April 28, 2019	
	Carrying value	Fair value	Carrying value	Fair value
US-dollar-denominated senior unsecured notes	\$ 3,084.6	\$ 3,185.4	\$ 3,379.9	\$ 3,347.6
Canadian-dollar-denominated senior unsecured notes	1,801.6	1,842.2	1,774.5	1,815.0
Euro-denominated senior unsecured notes	824.7	898.5	831.2	869.2
NOK-denominated senior unsecured notes	73.9	81.6	77.4	86.0

- See Note 6 for information on the measurement of the investment in Fire & Flower.



## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars unless otherwise noted, except per share amounts)

### 15. SUBSEQUENT EVENTS

#### Dividends

During its November 26, 2019 meeting, the Board of Directors declared a quarterly dividend of CA 6.25¢ per share for the second quarter of fiscal 2020 to shareholders on record as at December 5, 2019, and approved its payment for December 19, 2019. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

#### Cross-currency interest rate swaps

On November 1, 2019, subsequent to the end of the second quarter of fiscal 2020, the Corporation settled, at maturity, the following cross-currency interest rate swaps:

Receive – Notional	Receive – Rate	Pay – Notional	Pay – Rate
CA \$305.0 (\$231.4)	3.319%	US \$305.9	2.740%
CA \$125.0 (\$94.8)	3.319%	US \$125.4	2.733%
CA \$20.0 (\$15.2)	3.319%	US \$20.1	2.738%