# ANNUAL REPORT 2019

## ALIMENTATION COUCHE-TARD INC.

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## OUR PEOPLE 2019

**133,000**

North America
109,000

Europe
24,000

## OUR SITES 2019

**16,000**

Europe
2,700

North America
11,150

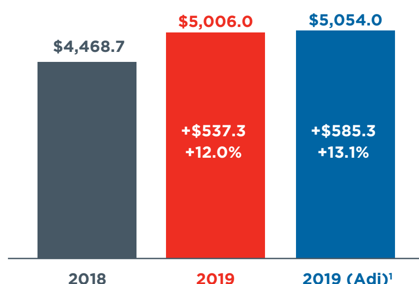
International
2,150

Numbers on this page are approximate figures.

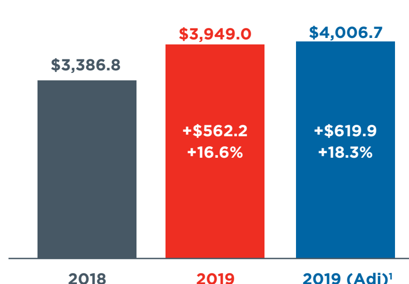
# HIGHLIGHTS

| 2019 | US | EUROPE | CANADA |
|---|---|---|---|
| Growth of Same-Store Merchandise Revenues | 4.1% | 4.8% | 5.2% |
| Growth of (Decrease in) Same-Store Road Transportation Fuel Volume | 0.7% | (0.9%) | (1.6%) |

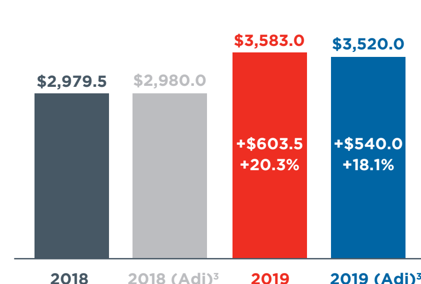
### Merchandise and Service Gross Profit



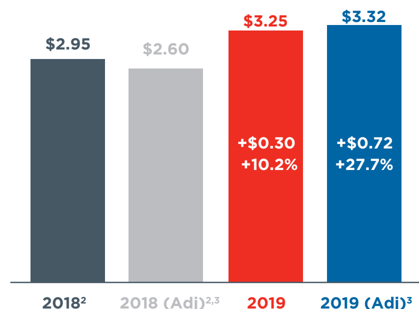

### Road Transportation Fuel Gross Profit



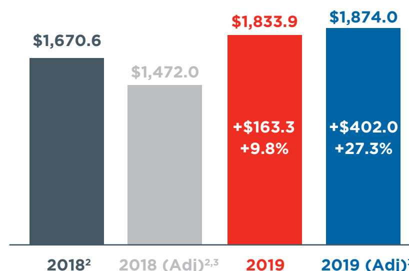

### EBITDA and Adjusted EBITDA



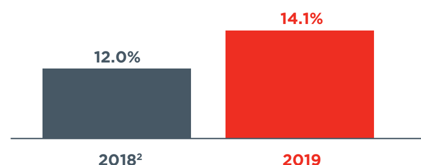

### Diluted net earnings per share and adjusted diluted net earnings per share



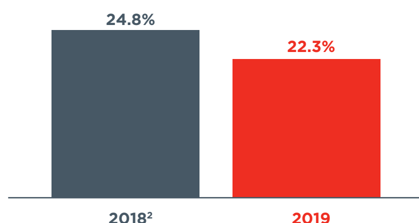

### Net earnings attributable to shareholders of the Corporation and adjusted net earnings attributable to shareholders of the Corporation



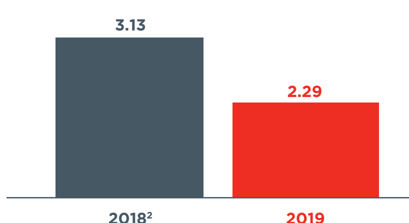

### Return on Capital Employed[4,5,6]



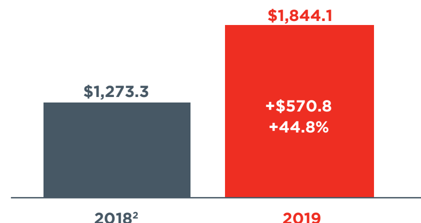

### Return on Equity[4,6,7]




### Adjusted Leverage Ratio[4,8]



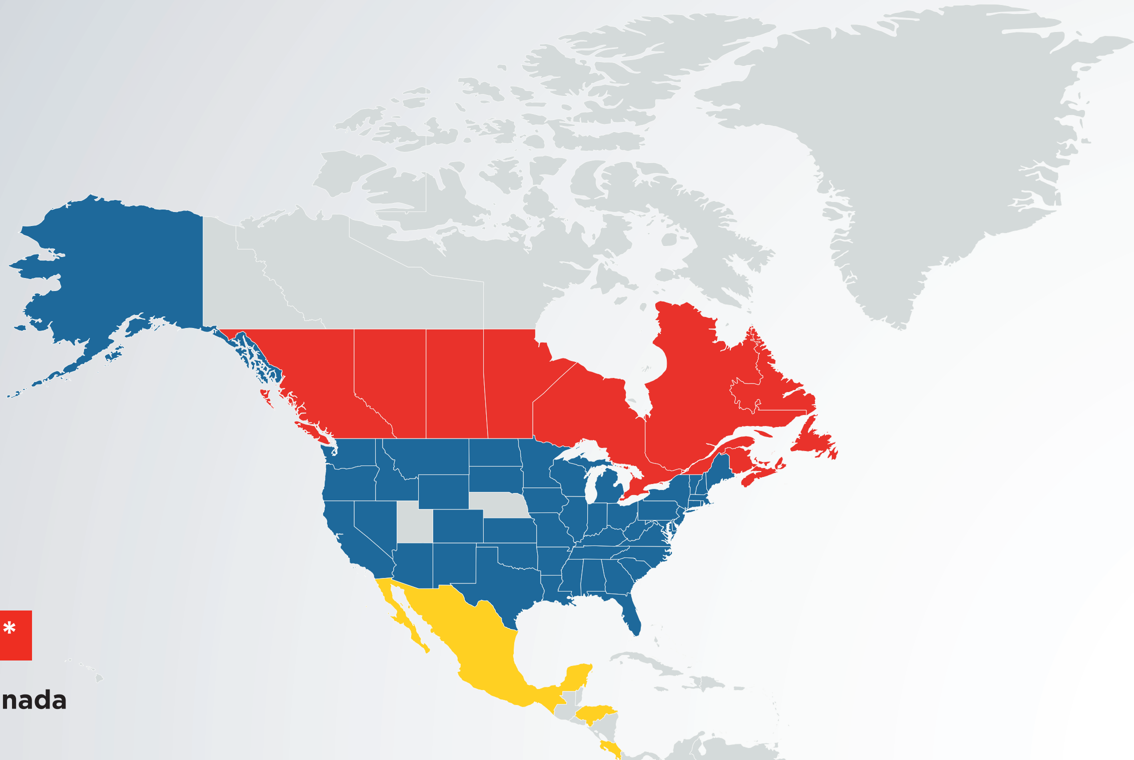

### Adjusted Free Cash Flow[9]




**All dollar figures are in USD millions, except per share amounts which are in USD.**

1. Adjusted for the net negative impact from the translation of our Canadian and European operations into US dollars.
2. The information as at April 29, 2018, has been adjusted based on the fair value of the assets acquired, the liabilities assumed and the goodwill for the Holiday acquisition.
3. For more information on those performance measures not defined by IFRS, please refer to sections "Earnings before interests, taxes, depreciation, amortization and impairment (EBITDA) and adjusted EBITDA" and "Net earnings attributable to shareholders of the Corporation ("net earnings") and adjusted net earnings attributable to shareholders of the Corporation ("adjusted net earnings")" in the Management's Discussions and Analysis of this annual report.
4. As at April 29, 2018, these measures are presented for the 52-week period ended April 29, 2018, on a pro forma basis for the acquisition of CST and Holiday. CST's and Holiday's historical earnings and balance sheet figures have been adjusted to make their presentation in line with our policies.
5. 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.
6. 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.
7. 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.
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: long term 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 long-term debt is excluded as it is a non-recourse debt to the Corporation.
9. The Adjusted Free Cash flow is presented for information purposes only and exclude CrossAmerica Partners LP ("CAPL"). It represents the following calculation: adjusted EBITDA (Earnings Before Interest, Income tax, Depreciation, Amortization and Impairment) minus Net CAPEX, Interest paid, Income taxes paid, Dividends paid; plus Proceeds from disposal of assets, CAPL's distribution received and Incentive Distribution Rights received from CAPL. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.

# MAP OF THE BUSINESS



## Canada*

**Central Canada**
Ontario

**Québec East and Atlantic**
Québec, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince-Edward Island

**Québec West**
Québec

**Western Canada**
British Columbia, Alberta, Saskatchewan, Manitoba

## United States*

**Coastal Carolinas**
North Carolina, South Carolina, Virginia

**Florida**
Florida

**Grand Canyon**
Arizona, Nevada

**Great Lakes**
Maine, Maryland, Massachusetts, Michigan, New Hampshire, New York, Ohio, Pennsylvania, Vermont, West Virginia

**Gulf**
Alabama, Arkansas, Louisiana, Mississippi, Florida Panhandle

**Heartland**
Illinois, Iowa, Missouri

**Midwest**
Indiana, Kentucky, Ohio, Tennessee

**Northern Tier**
Alaska, Idaho, Michigan, Minnesota, Montana, North Dakota, South Dakota, Washington, Wisconsin, Wyoming

**Rocky Mountains**
Colorado, Kansas, Missouri, New Mexico, Oklahoma, Texas

**SouthEast**
Georgia, North Carolina South Carolina, Connecticut, Delaware, New Jersey

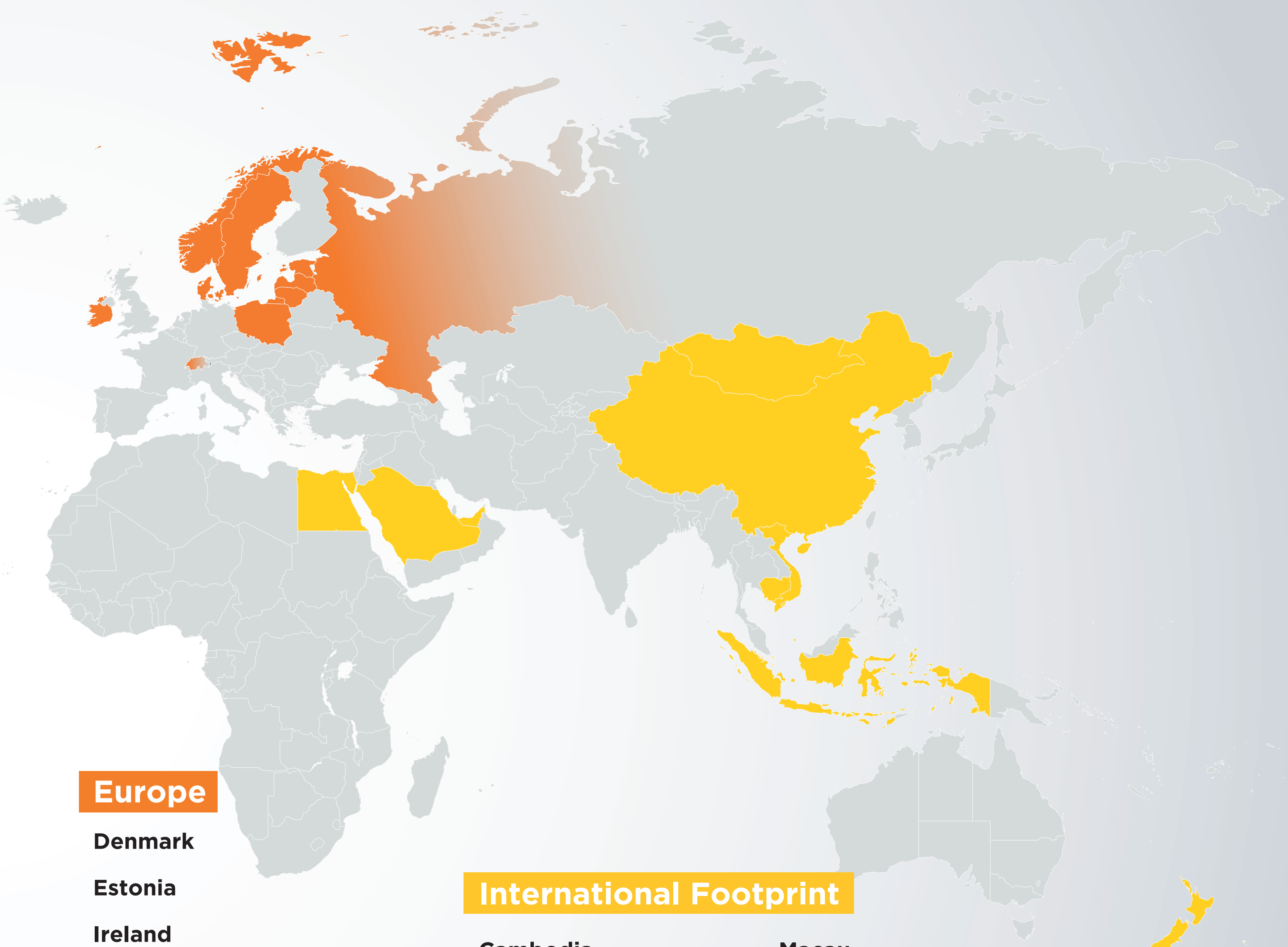
**South Atlantic**
Florida, Georgia

**Texas**
Texas

**West Coast**
California, Hawaï, Oregon, Washington

**CrossAmerica Partners LP**
Office in Allentown, Pennsylvania

*Regional business units are listed under Canada and the United States



## Europe

Denmark
Estonia
Ireland
Latvia
Lithuania
Norway
Poland
Russia
Sweden

## International Footprint

Cambodia
China
Costa Rica
Egypt
Guam
Honduras
Hong Kong
Indonesia
Macau
Mexico
Mongolia
New Zealand
Saudi Arabia
United Arab Emirates
Vietnam

# MESSAGE FROM THE FOUNDER AND EXECUTIVE CHAIRMAN OF THE BOARD

## Our inspiration

When we opened our first store, my partners and I had one motivation: to make our customers' lives easier by offering them the products they need when they need them. From that single convenience-only store in Laval, Québec, we kept growing across the globe. To say the least, I am still amazed by the scope of Couche-Tard's network today, which now includes over 16,000 stores in 26 countries and territories. Thirty-nine years later, after exciting transformations and changes, our customers and our employees remain the driving force guiding our decisions and actions. To be frank, it hasn't always been easy; we've had to adjust our business model and make hard decisions at times. In the end, the results of all that effort are undeniable.

## Our vision

Over time, we have seized 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. We have grown from our convenience-only roots into one of the world's leading merchandise and fuel destinations, never taking our eye off serving our customers and growing organically. We have also brought many tremendous assets into the network from across North America and Europe, leveraged by our merger and acquisition activities, in order to better serve our global customers.

## Our journey

A milestone of the last year is the launch of our new strategic plan to deliver on our objective to double our financial results again. While being undoubtedly ambitious, our strategy remains true to our core business and values, maximizing our strengths, and preparing the company for the future. Embedded in the strategy are fundamental elements of diversification, embracing market changes and building capabilities to grow both organically and through new business opportunities. Aligned with a clear vision and a strong commitment to our customers, our teams are pushing the boundaries of possibilities and moving forward together in our journey to become the world's preferred destination for convenience and fuel.

As we look to the future of our business, we also recognize our responsibility for a more sustainable future for our global communities. Our recent commitment to communicate the company's sustainability efforts more transparently is well under way, with a first Sustainability Report highlighting our initiatives from around the world. We are proud of this report, as it reflects the collaboration of our teams who are driving clear and impactful actions. With the inaugural building block of this journey now set, we look forward to giving you more insight into our three-year sustainability plan, which we expect to announce within this fiscal year.

I would like to communicate my deep appreciation to our people, our vendors, and our investors. We look forward to engaging with you as we continue to grow our story, a story of how we are daring to succeed while never forgetting our single-store roots in Québec.

**Alain Bouchard**

# MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

## Our Present

I am truly happy to report that fiscal year 2019 was another successful one for Couche-Tard! Thanks to the work of our 133,000 people, we achieved record-breaking net earnings and strong same-store merchandise revenue growth across the network. This year, we once again proved our commitment to organic growth by initiating a pipeline of activities focused on bringing more customers to our locations, enhancing our offerings, and greatly expanding the Circle K brand across the globe. We also hit milestones with our recent acquisitions, as we surpassed our CST synergies target and are moving along with the integration of Holiday into the broader network.

We continue to take great pride in reducing our debt and further strengthening our balance sheet. With the exceptional cash flow generated this year and the faster-than-anticipated deleveraging plan, we have once again created impressive return on equity and positioned ourselves to create more value for our shareholders.

This year, I am also humbled by and proud of our initial Sustainability Report, as it reflects the breadth and depth of our team members' lasting contributions to the communities where we work and live.

## Our five-year strategy

To keep building on our success, this year we set ourselves an ambitious objective for the future: to double our financial results again by 2023. We started with a top-to-bottom analysis of where we are, where we want to go, and what are the next steps to double again.

From there, our strategy was crafted on the understanding of current and future market dynamics, upcoming trends in convenience and fuel, as well as our deeply-rooted ambition to improve the customer journey and drive more traffic to our locations. This prompted us to refine our mission – to make our customers' lives a little easier every day – and develop a detailed roadmap centred on five fundamental focus areas.

Whether we are working on a differentiated customer experience, attractive offers, simplified business systems or growing our network, we know none of this is possible without our proud team members across the network. Our people are a key differentiator in how we will remain an industry leader and reach these strategic targets.

## Our next steps

Our strategy optimizes our global business functions while maintaining our super-local focus on regional business units that understand the needs and appetites of our customers. We recognize that we need to simultaneously be leaders in the digital arena, fuel and mobility, food and beverage, organic growth and acquisitions, and be a recognized positive employer. I am extremely proud of the teams who developed the business in 2019 and are already hard at work on the strategy. By growing together, we will continue our journey to become the world's preferred destination for convenience and fuel.

**Brian Hannasch**

# 5-YEAR AMBITION

**In fiscal 2019, we stated our ambition to double our financial results – again – and we initiated a five-year strategic plan that will turn the solid platform we have built into a springboard for the future. It is Alimentation Couche-Tard Inc.'s ("Couche-Tard") answer to today's industry market dynamics and to tomorrow's emerging trends. It sets a clear direction, a roadmap toward creating continued value for our shareholders: double our financial results again by making our customers' lives a little easier every day. To guide our path toward 2023, we have defined five key focus areas, each with its own business imperatives and associated key initiatives.**

Collectively, these five focus areas will enable us to strengthen our current business while laying the foundation for the future. This strategic plan is the culmination of months of extensive and systematic reflection, during which we have drawn on the experience and insights of people at all levels from across our network. Many initiatives are already under way and we are very proud to present the work and results that have been achieved so far.

Defining these five core focus areas encouraged us to reexamine our traditional business model, and by the same token, facilitated the identification of a multitude of dynamic global, regional, and local opportunities to create value across the Couche-Tard network. It also helped strengthen our decision-making processes and boosted our business agility. Many initiatives already in progress across our network are expected to maximize existing synergies and deliver superior organic growth across many business segments.

# Our strategy

Provide the best customer experience and be recognized by our customers for a differentiated experience, in the way we deliver and continuously improve as we innovate the customer journey.

Succeed with food, capture new product opportunities, and strengthen our retail capabilities and data quality to optimize local store offer, staying ahead of emerging customer expectations and leveraging our scale.

Make our business model ever more agile, cost-efficient and scalable, further reinforcing our foundation for growth, and maintain our advantage as a low cost operator in the industry.

Continue growing through opportunistic acquisitions and make our global network even more attractive for consumers.

Nurture our unique corporate culture, develop first class retail level recruiting and engaging training for our store and field employees, and overall make things easier for our team, which is pivotal to our success.

# CUSTOMER JOURNEY

**We want our brand to embody the best customer experience and be recognized as the world's preferred destination for convenience and fuel.**

Every day, our global workforce of 133,000 people makes the daily lives of nine million customers easier, providing them with products and services they need in the minute. We are in a highly competitive business environment, customer expectations and needs are changing, and exciting new opportunities are arising. At Couche-Tard, we embrace the challenge!

**1980**

First convenience store located in Laval, Québec, Canada

**1985**

Launch in Mac's stores in Canada (later acquired by Couche-Tard)

**1986**

Entry into the Montreal Stock Exchange

**1999**

(Québec)

## Inventing tomorrow's customer journey

Creativity, innovation and technology are at the core of several initiatives we have launched to provide a unique customer journey, one that stands apart and will boost traffic in our stores. We are in the process of defining and implementing the best operational practices across our network, in order to improve efficiency on an ongoing basis, both for our employees and customers. More than ever, people will make a conscious decision to choose us, because we help them gain more of a precious commodity: time.

We are introducing multiple added-value loyalty initiatives, and making sure our team has the tools, resources and leeway it needs to continue to deliver time-saving and excellent customer service that goes beyond the in-store experience. LIFT, a digital solution that uses a customer's purchase list to push personalized reminders and propose tailored promotions, is very close to full implementation in the United States, and deployment is about to start in Canada. Ultimately, initiatives like LIFT should contribute to an increase in the frequency of visit and basket size.

## Building a global, trusted brand

A strong brand depends for the most part on a satisfying shopping experience. It also represents our promise and commitment to deliver consistency in service and offering. For our team, the brand is also a beacon, a powerful reminder of what we stand for. Our reputation is rooted in the long history of Couche-Tard, which remains our flagship brand in Québec. Everywhere else, the Circle K brand, which we adopted globally in 2015, has become a vibrant symbol of our commitment towards customers and employees. It's the brand that "makes their lives a little easier every day."

The transition to the global Circle K brand is now complete in Europe and close to 75% complete in North America (excluding Québec). Operating under a single brand is undoubtedly contributing to our growth, as it has made marketing spending more efficient, allowed for the rollout of national promotions and exclusive product launches, and improved our purchasing power. It has had a direct positive impact on brand awareness, customer loyalty and employee engagement.

**LIFT: reinventing the Circle K experience**

*"This new digital solution delivers a very engaging experience to our customers and to our associates, while at the same time driving significant business value to our organization over the last two years and into the future."*

**Todd Isaacs**
Senior Director, Customer Loyalty and Personalization

**The Circle K fuel-branding project**

*"In the United States and Canada, some 900 fueling stations have already been converted to the global Circle K brand. This is a great initiative that increases brand awareness and loyalty, while bringing great value to customers. All our teams have worked together to make this a reality. It's fun growing and winning in the market, that's what drives us as a company and everyone is excited to pursue on this path."*

**Jeff Burrell**
Vice President, Global Fuel Sourcing and Marketing

# OFFERING

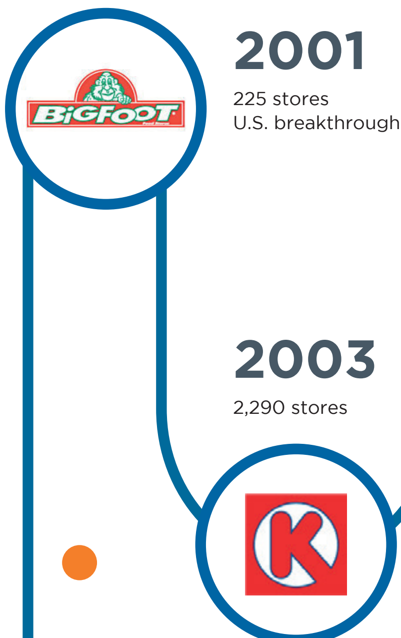
**We will remain in tune with emerging customer expectations in food, fuel, mobility, and daily needs, to boost organic growth.**

Customer needs continue to evolve in all product categories, from food to fuel, and this brings opportunities we aim to seize. We are expanding the scope of our food offering, which is key to our success going forward. We remain deeply committed to acting as a responsible retailer while providing a comprehensive range of age-restricted products. And we have laid the groundwork to meet the increasing demand for charging facilities for electric vehicles (EV). All these actions will help us become the preferred destination for our customers, translating into more traffic and sales in our stores.

## Customer-centric approach in food

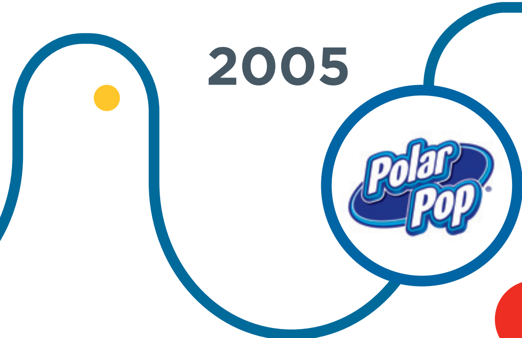
With our new food initiatives, we strive to offer the best one-stop shopping experience for on-the-go food and beverage needs. Our global approach is designed to drive traffic in our stores by combining a great tasting experience, differentiated service, quality, and choice. By leveraging our critical mass and working hand in hand with selected suppliers, we are developing standardized, scalable programs that are expected to provide value for the customer and generate sales growth. For example, a pilot project in the Southeast business unit in the United States and proven performance in our network in Québec have shown that quality and tasty baked-on-site pastries raise bakery sales.

Year-over-year food sales grew globally on a same-store-sales basis, an increase largely driven by the success of our enhanced fresh food offering, including sandwiches, pastries, pizza and hot-dogs. In Europe, Circle K introduced an exciting new Mexican menu in seven markets, after testing in Ireland and Norway.




**2001**
225 stores
U.S. breakthrough

**2003**
2,290 stores




**2005**

Our European foodservice business continues to grow and delight our customers. We launched our latest new Circle K stores across Scandinavia with an expanded assortment of foods and beverages in a contemporary setting that our consumers love. Our product offering blends items that have been created to leverage the scale of our large store footprint, with items that are customized to answer the needs of our customers in each market we serve. Our operational model has been refined to provide fast, efficient and consistent service. Great-tasting products for people on the go, at great everyday values, is what we offer each and every day.

**Baked-on-site: Elevating customer experience**

*"We offer our customers fresh-baked pastries which look, feel, and taste as though they were made in a local bakery. This elevates the customer experience in our stores and shouts out quality. As the convenience industry continues to evolve, it has never been more important than now to offer high-quality products for people on the go. This is one of many programs we have launched to make our customers' lives a little easier."*

**Mark Ostoits**
Vice President, Operations,
Southeast Business Unit

**Food as a sales driver**

*"We want to tap the full potential of food, which can become a key driver of sales as customers are increasingly looking for on the go snacks and quick meals, any time of day, and without compromising taste and freshness. From hot-dogs to pastries, from cold beverages to freshly brewed coffee, we want to delight our customers during each of their visits to our stores. And we want to do this in a way that is easy for our people to execute in store."*

**Kevin Lewis**
Chief Marketing Officer

**Bean to cup coffee**

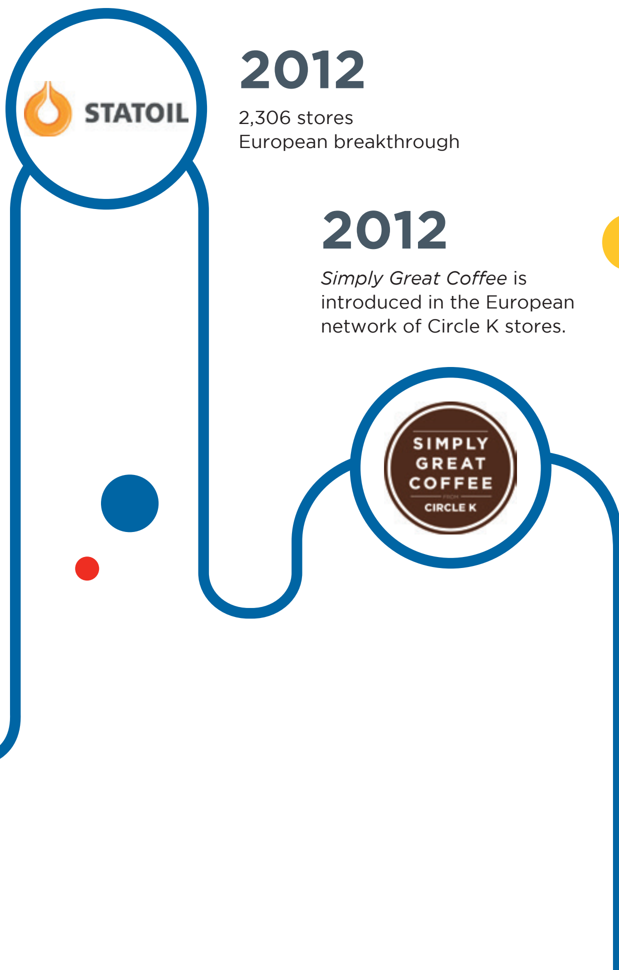
*"In North America, we are improving our Simply Great Coffee program with the addition of a new technology that grinds and brews each cup of coffee fresh for our customers. We are truly taking convenience store brewed coffee to the next level with this all-new coffee-shop-like experience. So far, customer feedback has been amazing. Over the next year, 4,000 machines will be deployed, as the entire U.S. network continues to transition to this new coffee experience. We sell 10 cups of coffee a second across the network!"*

**Elisa Goria**
Global Lead, Dispensed Beverages,
Project Leader

## Age-restricted products

In the age-restricted products category, which includes alcoholic beverages, tobacco, vaping, and lottery, our goal is to meet customer demand while acting as a responsible retailer, selling these products in markets where it is permitted, and strictly respecting local laws and regulations. Our team's expertise, on that front, stands out. For instance, sales of the tobacco and other tobacco products category, driven in part by solid growth of new vape products, reached $5,607M in total and were up around 7% across our network on a same-store sales basis.

In early 2019, we entered into a multi-year agreement with Canopy Growth, Canada's leading cannabis producer, that led to the opening of a "Tweed" retail store in London, Ontario (Canada), in May 2019. This is a partnership that paves the way for market entry in this new and flourishing industry.




## Catering to the needs of motorists

Our ambition is to make Circle K the number one charging destination for EVs in markets having reached critical mass. During the last year, we have increased the number of charging stations available in our European network, which counts nearly 400 charging stations in more than 150 sites, including Circle K 50 kW and 150 kW charging stations. We have also made great progress with our partner IONITY for the roll-out of high speed 350 kW charging stations, which are now available in Norway, Sweden and Denmark. To prepare for the future, we created a dedicated EV Project Team and our ambition is to be at the forefront of this emerging market. Solutions tested and developed in Europe will be implemented in other markets when the time is right.

### Improving the car-wash experience

Over the last year, we have introduced a new Circle K car-wash timer and a companion app, now in the process of being rolled out throughout our network. With the app, customers can choose from various subscription packages, and benefit from convenient monthly billing and members-only discounts. This is a vibrant illustration of how innovative technology can be used to improve the experience of our customers in our 2,600 locations that offer a car wash service.

We also strive to operate on an eco-friendly basis, through grime and chemicals recuperation and disposal, as well as water and energy consumption reduction. Car-wash represents a vital market segment, in part because car-wash clients are repeat, loyal customers.

# BUSINESS SYSTEMS

**We want to improve our operating model and make it ever more cost-efficient and scalable, further reinforcing our foundation for growth.**

At the end of fiscal 2019, more than 60% of our U.S. stores had successfully adopted our new, integrated, enterprise management platform for the simplification and standardization of back-office processes, which over time will be implemented across North America. The system has been designed to be fully scalable, reduce costs and simplify the life of our in-store teams. It provides enhanced agility for bringing marketing and digital innovations to market, thanks to automation and data leveraging, and it paves the way for faster integration of any future acquisition. We have reviewed all our processes looking for the perfect balance between global standardization and local specificities. This is a major cross-functional endeavour that entails tangible benefits that will make life easier for both our team and our customers.

We have not yet tapped the full potential of big data, artificial intelligence technology and automation, and the favourable impact on costs and operational efficiency is potentially very significant. We will optimize supply-chain management and look at on-site automation and predictive maintenance for fuel pumps, freezers, beverage dispensers, and more. Such solutions will decrease downtime, facilitate planning, reduce costs, and allow our team to concentrate on customers.

**Enterprise management system scalability**

*“The scalability project is a major move towards the simplification and standardization of our enterprise management ecosystem. It increases speed to market and plays a catalyst role in our strategy. Its success demonstrates our collaborative culture and integration skills.”*

**Kathleen K. Cunnington**
Senior Vice President, Global Shared Services, Project Leader

**Global Tech initiatives**

*“We continue to drive a global technology strategy that aims to make our customers’ and employees’ lives easier while digitizing our business. In fiscal 2019 we introduced a European mobile pay solution, and we expanded LIFT in the United States. We continue to leverage our global data lake for improved decision-making and targeted content. Over the last year we have also implemented several standardized solutions, including the Workday platform, that makes it easier for over 63,000 of our employees working in our corporate-owned stores and offices in the United States to engage, work and learn at Circle K.”*

**Deborah Hall Lefevre**
Chief Information Officer

# NETWORK

**In the next five years, our ambition is to continue growing through opportunistic acquisitions and to make our global network even more attractive for consumers.**

Couche-Tard is already well-established as a leader in key markets in North America. We have the footprint, buying power, proven track record and people to seize or create growth opportunities.

## North America: Still room to grow

In addition to remaining on the lookout for potential acquisitions, we are working on new store layouts and locations, remodelling projects, and keeping an eye on expanding in the convenience-only segment, all of which will also contribute to a distinctive customer experience.

The acquisitions of CST Brands Inc. (“CST”) and Holiday Stationstores, LLC (“Holiday”) were completed in 2017. CST has been successfully integrated into our broader network, and the annual synergies run rate related to this acquisition has surpassed the $215 million target earlier than initially expected. Meanwhile, we are continuing the integration of Holiday and learning from their best practices along the way. We have made strides in piloting programs inspired by Holiday’s food offer, promotional programs and operational efficiencies.

In Canada, we have enhanced the Circle K brand’s presence in the Atlantic region through a rebranding agreement with Irving Oil Ltd. (“Irving”) that paved the way for 36 CST sites to become Circle K convenience stores.

**2014**

Brian Hannasch is appointed CEO

## Europe: A new, appealing store design

In Europe, we have made strides in the design and implementation of a brand-new, very appealing store concept, which we first tested in Norway. At the end of fiscal 2019, 74 stores had been remodelled in 8 of our 9 European business units. With their contemporary setting, wooden counters, ambient lighting and appetizing food, the new stores have struck a chord with consumers: traffic and sales are up.

## Asia-Pacific: Promising potential

In the longer term, Asia-Pacific, a massive market with promising potential, represents an attractive region for growth. We already benefit from a solid network of licensees there, who operate around 1,300 stores in 9 countries and territories, and we are looking at opportunities for further penetration.

## 2017

Two women appointed in leadership roles:

**Ina Strand**
Chief Human Resources Officer

**Deborah Hall Lefevre**
Chief Information Officer

## 2016

278 Esso-branded sites acquired from Imperial Oil (Ontario and Québec, Canada)

## 2015

Launch of our global brand

# PEOPLE

**In our industry, people make the difference. We have exceptional teams, and we want things to be easier for them too.**

Couche-Tard has always embraced a people first based philosophy. We dedicate significant resources to attract, develop and retain the people who have the right set of competencies and skills. Each strategic pillar of our strategy and our success, past and future, rests on the strength of our family of employees who Act With Pride.

This year, we have focused on instituting ground-breaking tools for growing and empowering our talent base. In order to remain an industry leader, we are committed to training, sharing best practices, and creating work environments that engage and support our employees individually and the organization as a whole.

## Our new online human resources ecosystem

In 2019, we implemented in the United States a cloud-based application that brings almost all of our human resources, training, and development functions, tasks, and analytics into a single, secure, and scalable ecosystem. It became our human resources foundational platform and had an immediate impact on 63,000 employees in our corporate offices and stores. This initiative is global in scope: we are currently in the stabilization and improvement stage of the project in the United States while we start to roll out the solution into Canada, benefiting thousands more employees. With its self-service capabilities and personalized communication and feedback tools, this online human resources platform makes it easy for employees to access benefits, payroll information, training, scheduling, and track professional goals when and where they want, including on their mobile devices.

**A world-class approach to human resources**

*“Through WORKDAY*, we are profoundly altering how we communicate and support each other. We are continually improving the way we operate in our stores and the work experience and environment we are creating for our teams. Our objective is to enhance how our employees interact with customers and make their lives a little easier every day.”*

**Mark Novak**
Vice President, Human Resources, North America & Global Performance/Reward

*WORKDAY is a registered trademark of Workday, Inc.

## Growing together

Maintaining an attractive culture that makes our people proud and providing them with opportunities to grow is a key dimension of our Employer Value Proposition. It helps us attract the best people, reduce employee turnover and nurture the brand.

Our annual engagement survey is one of our most important initiatives. It allows our employees from across our network to share their thoughts and ideas on how to improve customer satisfaction and strengthen our corporate culture. The third edition of the survey in 2018 exceeded our expectations with a 92% response rate. The quality of the feedback we received was amazing and prompted 16,000 local team action plans, each adding its own lasting colour to Couche-Tard's work environment.

## Women's Council

Couche-Tard's Women's Council was created this year, following the adoption of the diversity policy by the Board of Directors in fiscal 2018. It is the company's first business resource diversity group and represents a proud moment in our commitment to growing together. The vision of the Council is to create winning conditions for women at Couche-Tard with the goal of striving for gender parity and advancement at all levels of the organization. The Council will achieve its vision through engagement, education, and empowerment. The team is comprised of highly-regarded employees who were named Top Women in Convenience (TWIC) by *Convenience Store News* over the years, as well as male leaders who support the goals of the Council. To support the Women's Council as well as other diversity efforts, select executive members have formed an Executive Advisory Committee for Diversity and Inclusion.

### TWIC Award

The TWIC Award recognizes the contribution of powerful women from the convenience industry. We continue to be very proud of our employees' yearly recognition. The work and contribution of these women are an inspiration to everyone at Couche-Tard.

"*My advice to young girls who want to become a business leader: Say 'yes' to all opportunities to develop and grow. Take on new tasks that you feel are a bit larger than you have tried before and grow with them!*"

**Line Aarnes**
Vice President, Global Marketing,
Co-Chairwoman, ACT Women's Council,
and TWIC 2018 Woman of the Year

"*Through this nomination, my goal is to inspire and mentor more women to bring forward their unique ideas and insights.*"

**Marie-Noëlle Cano**
Senior Director, Global Communications,
and TWIC 2018 Rising Star

**2017**
1,263 stores

**2017**
Circle K enters into EV partnership in Europe

# SUSTAINABILITY

## A commitment to our stakeholders

In July 2019, we hit an important milestone with the release of our first sustainability report, taking a significant step toward increased transparency in our communications around this topic. This is our way of acknowledging the tremendous work our people accomplish to drive our organization forward, be a source of inspiration, and set forth a clear vision for the future. Within the report, we have established five focus areas that anchor the many sustainability initiatives underway across our business and align with the 17 United Nations ('UN') Sustainable Development Goals.

### Customer Experience

We want to make it easier for our customers to access fresh, healthy, local, and sustainable food options. We also emphasize cleaner energy, fair trade, and obviously we live by the highest standards as a responsible retailer of age-restricted products.

### Talent Development

Our worldwide community of people is at the heart of our business. It is their commitment, motivation and talent that make us a successful convenience store operator. We value diversity and inclusion, as we strive to be an attractive employer and provide our people with a work environment in which they feel respected.

### Environmental Management

Reducing our environmental footprint is obviously a priority. Our focus is to find innovative ways to protect resources, reduce our carbon footprint and minimize the waste generated by our products and services. Our report shows that we work hard to reduce our energy consumption, conserve water and manage waste responsibly.

### Community engagement

We are committed to being a good neighbour by contributing to safe, healthy and vibrant communities. In addition to supporting local community causes, we contribute through strategic investments and partnerships to support youth and prevent crime.

### Governance

We strive to conduct our business in compliance with the highest standards of ethical conduct and integrity, engaging our partners and transparently reporting as part of our commitment to be open about our business activities.

This is a summary of our sustainability initiatives.
For the full report, please visit: **www.acttoevolve.com.**

# OUTLOOK

**The first year of our strategy was dedicated to its launching, creating awareness and engagement within our teams and leadership, as well as communicating it to the investment community. Both operational business units and functional groups embraced the plan and started planning its execution.**

We will be as dedicated for Year 2 of the strategy, with continued focus on the customer journey, developing food at scale, and delivering enhanced business systems. In light of the variety of emerging trends, new opportunities surface, and we are committed to increase our data analytics capabilities to benefit from them. We will also keep a sharp focus on supporting our people. We strive to make their lives a little easier with each decision we take, allowing them to focus on store operations and remain customer-driven. That is where our success lies.

Our goal of doubling our financial results over a five-year period is ambitious, but we have solid foundations to build on. We have a strong, well-established brand. We are engaged in the process of optimizing global functions, while keeping a strong focus on regional customer expectations. And we are actively looking for opportunities to grow, while remaining true to our values and financial discipline. In the next four years, our aim is to continue to create value for our shareholders and employees.

In February of 2020, Alimentation Couche-Tard will celebrate its 40th anniversary. Those four decades have been a remarkable journey, marked by a phenomenal expansion in our services and our scope, establishing powerful brands and creating a unique culture. Above all, we have managed to assemble a team of hard-working people who are passionate about fulfilling our mission: making our customers' lives a little easier every day.

**2017**

516 stores

**2019**

Alain Bouchard is invested Officer of the Order of Canada

# FINANCIAL RESULTS

# 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 fiscal year ended April 28, 2019. 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 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 July 9, 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 April 28, 2019, our network comprised 9,866 convenience stores throughout North America, including 8,629 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 approximately 1,300 locations in the United States.

In Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through ten business units. As of April 28, 2019, our network comprised 2,709 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, more than 2,150 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, 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.

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 have a decentralized management structure, routinely compare best practices, and use our global experience to enhance our operational expertise. We also continually invest in our people and our stores, while maintaining a strong cost discipline.

## 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 period ended April 28, 2019** | 12-week period ended April 29, 2018 | **52-week period ended April 28, 2019** | 52-week period ended April 29, 2018 | 53-week period ended April 30, 2017 |
|---|---|---|---|---|---|
| **Average for period[1]** | | | | | |
| Canadian dollar | **0.7510** | 0.7840 | **0.7595** | 0.7826 | 0.7598 |
| Norwegian krone | **0.1165** | 0.1280 | **0.1195** | 0.1241 | 0.1194 |
| Swedish krone | **0.1077** | 0.1212 | **0.1108** | 0.1205 | 0.1144 |
| Danish krone | **0.1514** | 0.1654 | **0.1542** | 0.1587 | 0.1468 |
| Zloty | **0.2627** | 0.2940 | **0.2675** | 0.2800 | 0.2512 |
| Euro | **1.1298** | 1.2319 | **1.1499** | 1.1810 | 1.0920 |
| Ruble | **0.0153** | 0.0171 | **0.0153** | 0.0172 | 0.0161 |

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

| | As at April 28, 2019 | As at April 29, 2018 |
|---|---|---|
| **Period end** | | |
| Canadian dollar | **0.7412** | 0.7763 |
| Norwegian krone | **0.1152** | 0.1250 |
| Swedish krone | **0.1053** | 0.1148 |
| Danish krone | **0.1491** | 0.1620 |
| Zloty | **0.2596** | 0.2863 |
| Euro | **1.1133** | 1.2070 |
| Ruble | **0.0154** | 0.0160 |

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.

# Fiscal 2019 Overview

## Financial Results

Net earnings attributable to shareholders of the Corporation ("net earnings") amounted to $1.8 billion for fiscal 2019, compared with $1.7 billion for fiscal 2018. Diluted net earnings per share stood at $3.25, compared with $2.95 for the previous year.

The results for fiscal 2019 were affected by a pre-tax impairment charge on CAPL's goodwill of $55.0 million, pre-tax restructuring costs of $10.5 million, a compensatory payment to CAPL for divestiture of assets of $6.3 million, which had a negative impact of $5.0 million on pre-tax earnings attributable to shareholders of the Corporation, a net tax benefit stemming from the decrease of the statutory income tax rate in Sweden of $6.2 million, a pre-tax net foreign exchange gain of $5.3 million, a pre-tax gain from the disposal of the marine fuel business of $3.2 million, as well as pre-tax acquisition costs of $2.2 million.

The results for fiscal 2018 were affected by a net tax benefit of $288.3 million, of which $18.2 million relates to non-controlling interests, following the approval of the "U.S. Tax Cuts and Jobs Act", pre-tax restructuring costs of $56.9 million, of which $5.2 million relates to non-controlling interests, a $48.4 million pre-tax net foreign exchange loss, a $19.0 million pre-tax accelerated depreciation and amortization expense and pre-tax incremental costs of $3.0 million, both in connection with our global brand initiative, a $13.4 million tax benefit following an internal reorganization, pre-tax acquisition costs of $11.8 million, an $11.5 million pre-tax gain on the disposal of a terminal, an $8.8 million pre-tax gain on the investment we held in CST, pre-tax incremental expenses caused by hurricanes totaling $6.6 million, as well as a pre-tax negative goodwill of $2.8 million.

Excluding these items, the adjusted net earnings would have been approximately $1.9 billion[1] ($3.32[1] per share on a diluted basis), compared with $1.5 billion[1] (compared with $2.60[1] per share on a diluted basis) for fiscal 2018, an increase of $402.0 million or 27.3%, driven by higher fuel margins in the U.S., the contribution from our acquisitions, our organic growth, as well as by a lower income tax rate, partly offset by a higher level of expense, as well as by the net negative impact from the translation of our Canadian and European operations into US dollars.

## Changes in our Network

### *Single-site acquisitions*

During fiscal 2019, we acquired six company-operated stores through distinct transactions and added two company-operated stores through RDK, a joint-venture, for a total of eight acquired company-operated stores since the beginning of fiscal 2019.

### *Store construction*

During fiscal 2019, we completed the construction of 51 stores and the relocation or reconstruction of 41 stores. As of April 28, 2019, 28 stores were under construction and should open in the upcoming quarters.

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[1] 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 Management Discussion & Analysis for additional information on this performance measure not defined by IFRS.

### *Summary of changes in our store network during the fourth quarter and fiscal 2019*

The following table presents certain information regarding changes in our store network over the 12-week period ended April 28, 2019[1]:

| | 12-week period ended April 28, 2019 | | | | |
|---|---|---|---|---|---|
| **Type of site** | **Company-operated[2]** | **CODO[3]** | **DODO[4]** | **Franchised and other affiliated[5]** | **Total** |
| Number of sites, beginning of period | 9,881 | 458 | 1,058 | 1,245 | 12,642 |
| Acquisitions | 1 | - | - | - | 1 |
| Openings / constructions / additions | 19 | - | 11 | 21 | 51 |
| Closures / disposals / withdrawals | (52) | - | (16) | (51) | (119) |
| Store conversion | (55) | 56 | (1) | - | - |
| **Number of sites, end of period** | **9,794** | **514** | **1,052** | **1,215** | **12,575** |
| CAPL network | | | | | 1,285 |
| Circle K branded sites under licensing agreements | | | | | 2,181 |
| **Total network** | | | | | **16,041** |
| Number of automated fuel stations included in the period-end figures[6] | 976 | - | 14 | - | 990 |

The following table presents certain information regarding changes in our store network over the 52-week period ended April 28, 2019[1]:

| | 52-week period ended April 28, 2019 | | | | |
|---|---|---|---|---|---|
| **Type of site** | **Company-operated[2]** | **CODO[3]** | **DODO[4]** | **Franchised and other affiliated[5]** | **Total** |
| Number of sites, beginning of period | 9,718 | 722 | 1,051 | 1,249 | 12,740 |
| Acquisitions | 8 | - | 2 | - | 10 |
| Openings / constructions / additions | 51 | 1 | 55 | 92 | 199 |
| Closures / disposals / withdrawals | (182) | (6) | (58) | (128) | (374) |
| Store conversion | 199 | (203) | 2 | 2 | - |
| **Number of sites, end of period** | **9,794** | **514** | **1,052** | **1,215** | **12,575** |
| CAPL network | | | | | 1,285 |
| Circle K branded sites under licensing agreements | | | | | 2,181 |
| **Total network** | | | | | **16,041** |

(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.

### *Disposal of retail sites*

On July 3, 2018, we sold to Irving Oil Ltd. 13 retail sites in the Canadian Atlantic provinces for a cash consideration of approximately $30.0 million. This transaction resulted in a gain of $4.5 million. These stores, which will continue to be operated by Couche-Tard, were previously acquired through the CST acquisition.

On February 5, 2019, we sold 19 retail sites in Oregon and West Washington for a cash consideration of approximately $30.0 million. This transaction resulted in a gain of $17.3 million.

### *Disposal of Statoil Fuel & Retail Marine AS*

On December 1, 2018, we completed the disposal of our marine fuel business to St1 Norge AS through a share purchase agreement pursuant to which St1 Norge AS acquired 100% of all issued and outstanding shares of Statoil Fuel & Retail Marine AS. Total proceeds from the disposal were $24.3 million. The transaction resulted in a gain of $3.2 million.

### *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 currently held by CAPL for 56 U.S. company-operated stores currently 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 currently owned and operated by CAPL in the U.S. Upper Midwest. The aggregate value of this agreement is approximately $185.0 million. The Circle K stores to be sold to CAPL will remain our property until dealers are secured to operate the sites. The existing fuel supply arrangements

for the 56 master lease properties will remain unchanged. As CAPL is fully consolidated in our consolidated financial statements, no gain or loss are expected from these transactions.

On May 22, 2019, subsequent to the end of fiscal 2019, we closed the first transaction of the Asset Exchange Agreement with CAPL. 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 million. The remaining transactions are expected to be completed by the end of the first quarter of calendar year 2020.

*Agreement with Canopy Growth Corporation*

On February 21, 2019, we announced a multi-year agreement with Canopy Growth Corporation allowing us to licence the "Tweed" trademark to cannabis retail store operations in the Province of Ontario, Canada. Through this new strategic partnership, we aim to lean on Canopy Growth's cannabis expertise and leverage our experience with other age-restricted products to focus on the safe, responsible and lawful sale of cannabis. On May 17, 2019, a first licensed store was opened under this agreement.

## CST Integration

Our annual synergies run rate related to the CST acquisition surpassed our target of $ 215.0 million over the three years following the transaction, one year earlier than planned. These synergies resulted in reductions in operating, selling, administrative and general expenses, as well as improvements in road transportation fuel and merchandise distribution and supply costs. As always, we will continue our efforts towards improving our efficiency and we are confident that additional synergies will be realized.

## 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 in Québec), the United States and Europe. The rollout of the Circle K brand in North America is progressing steadily.

As of April 28, 2019, more than 5,600 stores in North America, including approximately 720 stores acquired from CST, and more than 2,000 stores in Europe were proudly displaying our new global brand. Subsequent to the end of fiscal 2019, we successfully finalized our rebranding project in Europe, by completing the rebranding of our network in Ireland.

## Restructuring

During fiscal 2019, as part of our cost reduction initiatives and the search for synergies aimed at improving our efficiency, we made the decision to proceed with the restructuring of certain of our operations. As such, restructuring costs of $10.5 million were recorded to earnings during fiscal 2019.

## CrossAmerica Partners LP

During fiscal 2019, we performed our annual goodwill impairment test. As a result of the reduction in the fair value of the Incentive Distribution Rights and in CAPL's market capitalization, we recorded a $55.0 million impairment charge to Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets on the consolidated statement of earnings.

## Compensatory Payment to CAPL for Divestiture of Assets

During fiscal 2019, in connection with divestiture of certain assets, we have paid a compensatory amount of $6.3 million to CAPL. This compensatory payment was recorded in our operating expenses, was eliminated upon consolidation, but had a negative pre-tax impact of $5.0 million on earnings attributable to shareholders of the Corporation.

## New Statutory Income Tax in Sweden

During fiscal 2019, we recorded a net tax benefit of $6.2 million, derived from the evaluation of our deferred income tax balances following the decrease of the statutory income tax rate in Sweden, which will decrease from 22.0% to 20.6% over the next 2 years.

## Long-Term Debt

On November 28, 2018, we entered into a new credit agreement consisting of an unsecured non-revolving credit facility of an aggregate maximum amount of $213.5 million, maturing June 27, 2020 (the "credit facility").

The credit facility was available exclusively to repay a portion of amounts outstanding in principal, interest and fees under our acquisition facility. The credit facility was available in US dollars by way of loans bearing interest at the US base rate or the LIBOR rate plus 0.850%.

During fiscal 2019, we repaid the remaining tranche of our acquisition facility, our credit facility, as well as the majority of our revolving unsecured credit facility. Net debt repayment totalled $1.8 billion during the year. In addition, subsequent to the end of fiscal 2019, on May 28, 2019, we repaid $150.0 million of our US-dollar-denominated senior unsecured notes.

## New Share Repurchase Program

On April 8, 2019, we received the approval from the Toronto Stock Exchange to implement a new share repurchase program to repurchase up to 4.0% of our Class B subordinate voting shares. Subsequent to the end of fiscal 2019, we repurchased 245,274 shares, for a net amount of $14.4 million. All shares repurchased were cancelled.

## Holiday Stationstores, LLC Integration

On December 22, 2017, we acquired all the membership interest of Holiday Stationstores, LLC and certain affiliated companies ("Holiday"). During fiscal 2019, the adjustments we made to the fair value of the assets acquired and liabilities assumed had a net negative impact of $3.0 million on our previously reported net earnings of fiscal 2018. Comparative financial statements were adjusted accordingly.

## Dividends

During its July 9, 2019 meeting, the Board of Directors declared a quarterly dividend of CA 12.5¢ per share for the fourth quarter of fiscal 2019 to shareholders on record as at July 18, 2019, and approved its payment for August 1, 2019. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

For fiscal 2019, the Board declared total dividends of CA 45.0¢ per share, an increase of 21.6% compared with fiscal 2018.

## Outstanding Shares and Stock Options

As at July 5, 2019, Couche-Tard had 126,903,950 Class A multiple-voting shares and 437,273,218 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 1,643,741 outstanding stock options for the purchase of Class B subordinate voting shares.

## Statement of Earnings Categories

*Merchandise and service revenues.* In-store merchandise revenues are comprised primarily of the sale of tobacco and alternative tobacco products, grocery items, candy and snacks, beverages, beer, wine and fresh food offerings, including quick service restaurants. These revenues are recognized at the time of the transaction since control of goods and services is considered transferred when customer makes payment and takes possession of the sold item. Merchandise sales also include the wholesale of merchandise and goods to certain independent operators and franchisees made from our distribution centers and commissaries, which are generally recognized on the passing of possession of the goods and when the transfer of the associated risk is made. Service revenues include commissions on the sale of lottery tickets and the issuance of money orders, fees from automatic teller machines, sales of calling cards and gift cards, fees for cashing checks, sales of postage stamps and bus tickets and car wash revenues.

Service revenues also include franchise and license fees as well as commissions from agents, and royalties from franchisees and licensees. Starting fiscal year 2020, we will also sell cannabis products through licensed stores in Ontario, Canada.

*Road transportation fuel revenues.* We include in our revenues the total dollar amount of road transportation fuel sales, including any embedded taxes when they are included in the purchase price, if we take ownership of the road transportation fuel inventory. In the United States and in Europe, in some instances, we purchase road transportation fuel and sell it to certain independent store operators at cost plus a mark-up. We record the full value of these revenues (cost plus mark-up) as road transportation fuel revenues. Where we act as a selling agent for a petroleum distributor, only the commission we earn is recorded as revenue.

*Other revenues.* Other revenues include sales of aviation fuel, energy for stationary engines and marine fuel (until November 30, 2018). Other revenues also include rental income from operating leases for certain land and buildings we own.

*Gross profit.* Gross profit consists mainly of revenues less the cost of goods sold. Cost of goods sold is mainly comprised of the specific cost of merchandise and road transportation fuel sold, including applicable freight less vendor rebates. For in-store merchandise, the cost of inventory is generally determined using the retail method (retail price less a normal margin), and for road transportation fuel, it is generally determined using the average cost method. The road transportation fuel gross margin for stores generating commissions corresponds to the sales commission.

*Operating, selling, administrative and general expenses.* The primary components of operating, selling, administrative and general expenses are labor, net occupancy costs, electronic payment modes fees, commissions to dealers and agents and overhead.

Key performance indicators used by management, which can be found under "Summary Analysis of Consolidated Results of Fiscal 2019 - Other Operating Data", are merchandise and service gross margin, growth of same-store merchandise revenues, road transportation fuel gross margin and growth of same-store road transportation fuel volume, return on equity and return on capital employed.

## Summary Analysis of Consolidated Results for the Fourth Quarter of Fiscal 2019

The following table highlights certain information regarding our operations for the 12-week period ended April 28, 2019 and 12-week period ended April 29, 2018:

| *(in millions of US dollars, unless otherwise stated)* | **12-week period ended April 28, 2019** | 12-week period ended April 29, 2018 | Change % |
|---|---|---|---|
| Revenues | **13,113.3** | 13,614.8 | (3.7) |
| Operating income | **410.2** | 464.4 | (11.7) |
| Net earnings attributable to shareholders of the Corporation | **293.1** | 391.0 | (25.0) |
| | | | |
| **Selected Operating Data – excluding CAPL:** | | | |
| Merchandise and service gross margin[(1)]: | | | |
| Consolidated | **34.6%** | 34.9% | (0.3) |
| United States | **33.9%** | 33.6% | 0.3 |
| Europe | **41.8%** | 44.0% | (2.2) |
| Canada | **33.0%** | 34.4% | (1.4) |
| Growth of same-store merchandise revenues[(2)]: | | | |
| United States[(3)] | **3.4%** | 1.8% | |
| Europe | **4.7%** | 4.3% | |
| Canada[(3)] | **4.2%** | 3.6% | |
| Road transportation fuel gross margin: | | | |
| United States (cents per gallon)[(3)] | **18.51** | 17.29 | 7.1 |
| Europe (cents per liter) | **8.28** | 8.72 | (5.0) |
| Canada (CA cents per liter)[(3)] | **8.13** | 9.44 | (13.9) |
| Growth of (decrease in) same-store road transportation fuel volume: | | | |
| United States[(3)] | **0.3%** | (0.1%) | |
| Europe[(3)] | **(1.8%)** | 0.1% | |
| Canada[(3)] | **(0.4%)** | (2.9%) | |

(1) Includes revenues derived from franchise fees, royalties, suppliers rebates on some purchases made by franchisees and licensees, as well as from wholesale merchandise.
(2) Does not include services and other revenues (as described in footnote 1 above). Growth in Canada and Europe is calculated based on local currencies.
(3) For company-operated stores only.

### Revenues

Our revenues were $13.1 billion for the fourth quarter of fiscal 2019, down by $501.5 million, a decrease of 3.7% compared with the corresponding quarter of fiscal 2018, mainly attributable to the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, the one-time sale of *Compulsory Stock Obligation* ("*CSO*") inventory in Sweden in the fourth quarter of fiscal 2018, lower revenues in our wholesale business and lower other revenues, partly offset by a net higher average road transportation fuel selling price, and by organic growth.

Merchandise and service revenues

Total merchandise and service revenues for the fourth quarter of fiscal 2019 were $3.3 billion, an increase of $78.3 million compared with the corresponding quarter of fiscal 2018. 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 $133.0 million or 4.1%. This increase is primarily attributable to continued strong organic growth. Same-store merchandise revenues increased by 3.4% in the United States, by 4.7% in Europe and by 4.2% in Canada, driven by the success of our rebranding activities, improvements made to our offering, as well as by our various initiatives to drive traffic in our stores.

Road transportation fuel revenues

Total road transportation fuel revenues for the fourth quarter of fiscal 2019 were $9.6 billion, a decrease of $429.8 million compared with the corresponding quarter of fiscal 2018. 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 $153.0 million or 1.6%. This decrease is attributable to the one-time sale of *CSO* inventory in Sweden in the fourth quarter of fiscal 2018 and to lower revenues in our wholesale business, partly offset by a net higher average road transportation fuel selling price, which had a positive impact of approximately $111.0 million. Same-store road transportation fuel volume in the United States increased by 0.3%, despite major fuel shortages in Arizona and Texas. In Europe, same-store road transportation fuel volume decreased by 1.8% due to the competitive landscape in the Baltics and unfavorable weather in Scandinavia. In Canada, although same-store road transportation fuel volume decreased by 0.4%, this is a sequential improvement driven by the momentum of the new loyalty program in our Esso stores.

The following table shows the average selling price of road transportation fuel of our company-operated stores in our various markets for the last eight quarters, starting with the first quarter of the fiscal year ended April 29, 2018:

| Quarter | 1st | 2nd | 3rd | 4th | Weighted average |
|---|---|---|---|---|---|
| 52-week period ended April 28, 2019 | | | | | |
| United States (US dollars per gallon) – excluding CAPL | 2.76 | 2.72 | 2.42 | 2.51 | 2.60 |
| Europe (US cents per liter) | 75.07 | 80.56 | 75.28 | 74.59 | 76.32 |
| Canada (CA cents per liter) | 117.95 | 115.22 | 97.59 | 103.45 | 107.82 |
| 52-week period ended April 29, 2018 | | | | | |
| United States (US dollars per gallon) – excluding CAPL | 2.21 | 2.47 | 2.30 | 2.51 | 2.37 |
| Europe (US cents per liter) | 61.39 | 68.23 | 71.19 | 78.32 | 70.52 |
| Canada (CA cents per liter) | 99.81 | 101.46 | 108.11 | 110.39 | 102.85 |

Other revenues

Total other revenues for the fourth quarter of fiscal 2019 were $217.9 million, a decrease of $150.0 million compared with the corresponding period of fiscal 2018. Excluding CAPL's revenues, other revenues decreased by $152.1 million in the fourth quarter of fiscal 2019. The decrease is primarily driven by the disposal of our marine fuel business during the third quarter of fiscal 2019, which had an impact of approximately $92.0 million, and by the decrease in other fuel products demand, partly offset by an increase in other fuel products average selling price.

## Gross profit

Our gross profit was $2.0 billion for the fourth quarter of fiscal 2019, down by $32.7 million, or 1.6% compared with the corresponding quarter of fiscal 2018, mainly attributable to the net negative impact from the translation of our Canadian and European operations into US dollars, which totalled approximately $54.0 million, partly offset by organic growth.

Merchandise and service gross profit

In the fourth quarter of fiscal 2019, our merchandise and service gross profit was $1.1 billion, an increase of $17.6 million compared with the corresponding quarter of fiscal 2018. 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 $39.0 million or 3.5%, mainly attributable to our organic growth. Our gross margin increased by 0.3% in the United States to 33.9%, and decreased by 2.2% in Europe to 41.8%, due to a different product mix. In Canada, our gross margin decreased by 1.4% to 33.0%, mainly as a result of the conversion of our Esso stores from the agent model to the corporate model.

Road transportation fuel gross profit

In the fourth quarter of fiscal 2019, our road transportation fuel gross profit was $780.8 million, a decrease of $38.0 million compared with the corresponding quarter of fiscal 2018. 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 fourth quarter of fiscal 2019 road transportation fuel gross profit decreased by approximately $9.0 million or 1.2%. Our road transportation fuel gross margin was 18.51¢ per gallon in the United States, an increase of 1.22¢ per gallon. In Europe, the road transportation fuel gross margin was US 8.28¢ per liter, a decrease of US 0.44¢ per liter, negatively impacted by last year's sale of *CSO* inventory in Sweden, while in Canada, the road transportation fuel gross margin was CA 8.13¢ per liter, a decrease of CA 1.31¢ per liter due to competitive pressure in some of our markets and to the impact of the newly implemented carbon tax in some regions.

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 first quarter of the fiscal year ended April 29, 2018, were as follows:

(US cents per gallon)

| Quarter | 1st | 2nd | 3rd | 4th | Weighted average |
|---|---|---|---|---|---|
| 52-week period ended April 28, 2019 | | | | | |
| Before deduction of expenses related to electronic payment modes | 22.70 | 21.88 | 29.42 | 18.51 | 23.60 |
| Expenses related to electronic payment modes | 4.21 | 4.10 | 3.92 | 4.40 | 4.10 |
| After deduction of expenses related to electronic payment modes | 18.49 | 17.78 | 25.50 | 14.11 | 19.50 |
| 52-week period ended April 29, 2018 | | | | | |
| Before deduction of expenses related to electronic payment modes | 20.75 | 24.70 | 15.66 | 17.29 | 19.39 |
| Expenses related to electronic payment modes | 3.79 | 4.21 | 3.73 | 3.62 | 3.82 |
| After deduction of expenses related to electronic payment modes | 16.96 | 20.49 | 11.93 | 13.67 | 15.57 |

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 fourth quarter of fiscal 2019, other revenues gross profit was $52.8 million, a decrease of $12.3 million compared with the corresponding period of fiscal 2018. Excluding CAPL's gross profit, other revenues gross profit decreased by $14.4 million. The decrease is primarily driven by lower demand and increased costs for other fuel products, as well as the disposal of our marine fuel business, which had an impact of approximately $3.0 million.

## Operating, selling, administrative and general expenses ("expenses")

For the fourth quarter of fiscal 2019, expenses increased by 2.9% compared with the corresponding period of fiscal 2018, but increased by 5.0%, if we exclude certain items that are not considered indicative of future trends:

| | 12-week period ended April 28, 2019 |
|---|---|
| **Total variance, as reported** | **2.9%** |
| Adjusted for: | |
| Decrease from the net impact of foreign exchange translation | **2.5%** |
| Increase from higher electronic payment fees, excluding acquisitions | **(0.6%)** |
| Acquisition costs recognized to earnings of fiscal 2018 | **0.1%** |
| Decrease in CAPL's expenses | **0.1%** |
| **Remaining variance** | **5.0%** |

Excluding the conversion of our Esso stores from the agent model to the corporate model, as well as the impact from changes in some assumptions driven by external factors included in the calculation of our provisions, the remaining variance for the fourth quarter of fiscal 2019 would have been 3.6%. Growth in expenses, amongst other items, was driven by normal inflation, higher minimum wages in certain regions and higher marketing expenses to support our strategy. We continue to rigorously focus on controlling 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 fourth quarter of fiscal 2019, EBITDA decreased from $711.1 million to $655.3 million, a decrease of 7.8% compared with the same quarter last year. Excluding the specific items shown in the table below from EBITDA of the fourth quarter of fiscal 2019 and of the corresponding period of fiscal 2018, the adjusted EBITDA for the fourth quarter of fiscal 2019 decreased by $61.3 million or 8.7% compared with the corresponding period of the previous fiscal year, driven by increase in expenses, due to the higher level of initiatives throughout the organization, and the net negative impact from the translation of our Canadian and European operations into US dollars, partly offset by organic growth. The variation in exchange rates had a net negative impact of approximately $21.0 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.

| | 12-week periods ended | |
|---|---|---|
| (in millions of US dollars) | **April 28, 2019** | April 29, 2018 |
| Net earnings including non-controlling interests, as reported | **289.9** | 395.2 |
| Add: | | |
| Income taxes | **45.3** | (0.5) |
| Net financial expenses | **78.6** | 75.6 |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets | **241.5** | 240.8 |
| EBITDA | **655.3** | 711.1 |
| Adjusted for: | | |
| EBITDA attributable to non-controlling interests | **(16.2)** | (15.5) |
| Restructuring costs attributable to shareholders of the Corporation | **2.6** | 6.9 |
| Acquisition costs | **0.4** | 0.9 |
| Adjusted EBITDA | **642.1** | 703.4 |

## Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets (“depreciation”)

For the fourth quarter of fiscal 2019, our depreciation expense increased by $0.7 million and decreased by $0.9 million, when excluding CAPL’s results.

## Net financial expenses

Net financial expenses for the fourth quarter of fiscal 2019 were $78.6 million, an increase of $3.0 million compared with the fourth quarter of fiscal 2018. Excluding the items shown in the table below, net financial expenses increased by $2.9 million.

| | **12-week periods ended** | |
|---|---|---|
| (in millions of US dollars) | **April 28, 2019** | April 29, 2018 |
| Net financial expenses, as reported | **78.6** | 75.6 |
| Adjusted for: | | |
| Net foreign exchange gain (loss) | **1.1** | (1.0) |
| CAPL’s financial expenses | **(7.7)** | (5.5) |
| Net financial expenses excluding items above | **72.0** | 69.1 |

## Income taxes

The income tax rate for the fourth quarter of fiscal 2019 was 13.5% compared with 17.5% for the corresponding period of fiscal 2018, when excluding the net tax benefit of $69.7 million stemming from the finalization of the impact analysis of the “U.S. Tax Cuts and Jobs Act” of the fourth quarter of fiscal 2018. The decrease of the income tax rate of the fourth quarter of fiscal 2019 stems from the impact of a different mix in our earnings across the various jurisdictions.

## 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 fourth quarter of fiscal 2019 were $293.1 million, compared with $391.0 million for the fourth quarter of the previous fiscal year, a decrease of $97.9 million or 25.0%. Diluted net earnings per share stood at $0.52, compared with $0.69 for 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 $14.0 million on net earnings of the fourth quarter of fiscal 2019.

Excluding the items shown in the table below from net earnings of the fourth quarter of fiscal 2019 and fiscal 2018, adjusted net earnings for the fourth quarter of fiscal 2019 would have been approximately $295.0 million, compared with $335.0 million for the fourth quarter of fiscal 2018, a decrease of $40.0 million or 11.9%. Adjusted diluted net earnings per share would have remained at $0.52 for the fourth quarter of fiscal 2019 compared with $0.59 for the corresponding period of fiscal 2018, a decrease of 11.9%.

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

| | **12-week periods ended** | |
|---|---|---|
| (in millions of US dollars) | **April 28, 2019** | April 29, 2018 |
| Net earnings attributable to shareholders of the Corporation, as reported | **293.1** | 391.0 |
| Adjusted for: | | |
| Restructuring costs attributable to shareholders of the Corporation | **2.6** | 6.9 |
| Net foreign exchange (gain) loss | **(1.1)** | 1.0 |
| Acquisition costs | **0.4** | 0.9 |
| Tax benefit stemming from the “U.S. Tax Cuts and Jobs Act” attributable to shareholders of the Corporation | **-** | (65.6) |
| Accelerated depreciation and amortization expense | **-** | 4.5 |
| Tax impact of the items above and rounding | **-** | (3.7) |
| Adjusted net earnings attributable to shareholders of the Corporation | **295.0** | 335.0 |

It should be noted that adjusted net earnings is 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.

# Summary Analysis of Consolidated Results of Fiscal 2019

The following table highlights certain information regarding our operations for the 52-week period ended April 28, 2019, the 52-week period ended April 29, 2018, and the 53-week period ended April 30, 2017. CAPL refers to CrossAmerica Partners LP.

| | 52-week period | 52-week period | 53-week period |
|---|---|---|---|
| *(in millions of US dollars, unless otherwise stated)* | **2019** | 2018 | 2017 |
| **Statement of Operations Data:** | | | |
| Merchandise and service revenues[1]: | | | |
| United States | **10,781.8** | 9,432.0 | 7,669.8 |
| Europe | **1,457.8** | 1,413.9 | 1,205.8 |
| Canada | **2,172.7** | 2,053.5 | 1,848.5 |
| CAPL | **95.8** | 76.6 | - |
| *Elimination of intercompany transactions with CAPL* | ***(2.7)*** | - | - |
| Total merchandise and service revenues | **14,505.4** | 12,976.0 | 10,724.1 |
| Road transportation fuel revenues: | | | |
| United States | **28,195.6** | 23,327.3 | 16,492.0 |
| Europe | **8,380.7** | 7,684.1 | 6,473.4 |
| Canada | **4,957.9** | 4,819.9 | 3,089.0 |
| CAPL | **2,211.8** | 1,547.6 | - |
| *Elimination of intercompany transactions with CAPL* | ***(444.7)*** | *(262.4)* | - |
| Total road transportation fuel revenues | **43,301.3** | 37,116.5 | 26,054.4 |
| Other revenues[2]: | | | |
| United States | **21.8** | 25.1 | 14.0 |
| Europe | **1,220.7** | 1,217.7 | 1,098.4 |
| Canada | **24.5** | 27.6 | 13.6 |
| CAPL | **61.2** | 47.6 | - |
| *Elimination of intercompany transactions with CAPL* | ***(17.3)*** | *(16.1)* | - |
| Total other revenues | **1,310.9** | 1,301.9 | 1,126.0 |
| **Total revenues** | **59,117.6** | 51,394.4 | 37,904.5 |
| Merchandise and service gross profit[1]: | | | |
| United States | **3,646.3** | 3,140.1 | 2,545.0 |
| Europe | **609.0** | 602.3 | 511.4 |
| Canada | **729.7** | 707.7 | 625.2 |
| CAPL | **23.3** | 18.6 | - |
| *Elimination of intercompany transactions with CAPL* | ***(2.3)*** | - | - |
| Total merchandise and service gross profit | **5,006.0** | 4,468.7 | 3,681.6 |
| Road transportation fuel gross profit: | | | |
| United States | **2,471.5** | 1,868.1 | 1,407.6 |
| Europe | **981.1** | 1,024.2 | 917.5 |
| Canada | **392.8** | 424.9 | 262.0 |
| CAPL | **103.6** | 69.6 | - |
| Total road transportation fuel gross profit | **3,949.0** | 3,386.8 | 2,587.1 |
| Other revenues gross profit[2]: | | | |
| United States | **21.8** | 23.2 | 14.0 |
| Europe | **149.7** | 173.7 | 185.5 |
| Canada | **24.5** | 27.6 | 13.6 |
| CAPL | **61.2** | 47.6 | - |
| *Elimination of intercompany transactions with CAPL* | ***(17.3)*** | *(16.1)* | - |
| Total other revenues gross profit | **239.9** | 256.0 | 213.1 |
| **Total gross profit** | **9,194.9** | 8,111.5 | 6,481.8 |
| Operating, selling, administrative and general expenses | | | |
| Excluding CAPL | **5,584.8** | 5,069.5 | 4,096.6 |
| CAPL | **80.5** | 67.8 | - |
| *Elimination of intercompany transactions with CAPL* | ***(19.2)*** | *(12.5)* | - |
| Total operating, selling, administrative and general expenses | **5,646.1** | 5,124.8 | 4,096.6 |
| Restructuring costs (including $6.5 million for CAPL for the 52-week period ended April 29, 2018) | **10.5** | 56.9 | 8.1 |
| (Gain) loss on disposal of property and equipment and other assets | **(21.3)** | (17.7) | 11.8 |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets | | | |
| Excluding CAPL | **927.2** | 849.5 | 667.6 |
| CAPL | **143.5** | 61.1 | - |
| Total depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets | **1,070.7** | 910.6 | 667.6 |
| **Operating income** | | | |
| Excluding CAPL | **2,534.0** | 2,040.9 | 1,697.7 |
| CAPL | **(44.7)** | (0.4) | - |
| *Elimination of intercompany transactions with CAPL* | ***(0.4)*** | *(3.6)* | - |
| Total operating income | **2,488.9** | 2,036.9 | 1,697.7 |
| **Net earnings including non-controlling interests** | **1,821.3** | 1,677.5 | 1,208.9 |
| Net loss (earnings) attributable to non-controlling interests | **12.6** | (6.9) | - |
| **Net earnings attributable to shareholders of the Corporation** | **1,833.9** | 1,670.6 | 1,208.9 |
| **Per Share Data:** | | | |
| Basic net earnings per share (dollars per share) | **3.25** | 2.95 | 2.13 |
| Diluted net earnings per share (dollars per share) | **3.25** | 2.95 | 2.12 |
| Adjusted diluted net earnings per share (dollars per share) | **3.32** | 2.60 | 2.21 |
| Cash dividend per share (CA cents per share) | **45.00** | 37.00 | 34.75 |

| (in millions of US dollars, unless otherwise stated) | **52-week period 2019** | 52-week period 2018 | 53-week period 2017 |
|---|---|---|---|
| **Other Operating Data – excluding CAPL:** | | | |
| Merchandise and service gross margin[1]: | | | |
| Consolidated | **34.6%** | 34.5% | 34.3% |
| United States | **33.8%** | 33.3% | 33.2% |
| Europe | **41.8%** | 42.6% | 42.4% |
| Canada | **33.6%** | 34.5% | 33.8% |
| Growth of same-store merchandise revenues[3][13]: | | | |
| United States[4] | **4.1%** | 0.8% | 2.0% |
| Europe | **4.8%** | 2.7% | 3.5% |
| Canada[4] | **5.2%** | 0.4% | 0.1% |
| Road transportation fuel gross margin: | | | |
| United States (cents per gallon)[4] | **23.60** | 19.39 | 18.56 |
| Europe (cents per liter) | **8.61** | 8.72 | 8.22 |
| Canada (CA cents per liter)[4] | **8.38** | 8.84 | 7.66 |
| Total volume of road transportation fuel sold: | | | |
| United States (millions of gallons) | **10,979.5** | 9,794.1 | 7,643.1 |
| Europe (millions of liters) | **11,391.2** | 11,747.6 | 11,160.2 |
| Canada (millions of liters) | **6,198.9** | 6,161.4 | 4,550.1 |
| Growth of (decrease in) same-store road transportation fuel volume[13]: | | | |
| United States[4] | **0.7%** | (0.4%) | 2.6% |
| Europe[4] | **(0.9%)** | - | 1.0% |
| Canada[4] | **(1.6%)** | (1.4%) | (0.3%) |

| (in millions of US dollars, unless otherwise stated) | **April 28, 2019** | April 29, 2018[12] | April 30, 2017 |
|---|---|---|---|
| **Balance Sheet Data:** | | | |
| Total assets (including $1.1 billion and $1.3 billion for CAPL as at April 28, 2019 and as at April 29, 2018, respectively) | **22,607.7** | 23,156.7 | 14,185.6 |
| Interest-bearing debt (including $539.2 million and $536.8 million for CAPL as at April 28, 2019 and as at April 29, 2018, respectively) | **6,951.4** | 8,906.7 | 3,354.9 |
| Equity attributable to shareholders of the Corporation | **8,923.2** | 7,560.4 | 6,009.6 |
| **Indebtedness Ratios[5]:** | | | |
| Net interest-bearing debt/total capitalization[6] | **0.39 : 1** | 0.50 : 1 | 0.31 : 1 |
| Leverage ratio[7][11] | **1.61 : 1** | 2.46 : 1 | 1.09 : 1 |
| Adjusted leverage ratio[8][11] | **2.29 : 1** | 3.13 : 1 | 2.02 : 1 |
| **Returns[5]:** | | | |
| Return on equity[9][11] | **22.3%** | 24.8% | 22.5% |
| Return on capital employed[10][11] | **14.1%** | 12.0% | 15.8% |

(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) 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.
(6) 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: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and long-term 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 5. We believe this ratio is useful to investors and analysts.
(7) 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: long-term 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 5. We believe this ratio is useful to investors and analysts.
(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: long-term 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 long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 5. We believe this measure is useful to investors and analysts.
(9) 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. We believe this measure is useful to investors and analysts.
(10) 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. We believe this measure is useful to investors and analysts.
(11) As at April 29, 2018, these measures are presented for the 52-week period ended April 29, 2018, on a pro forma basis for the acquisitions of CST and Holiday. CST's and Holiday's historical earnings and balance sheet figures have been adjusted to make their presentation in line with our policies. As at April 30, 2017, these measures are presented for the 53-week period ended April 30, 2017, on a pro forma basis for the stores network acquired from Imperial Oil.
(12) The information as at April 29, 2018, has been adjusted based on the fair value of the assets acquired, the liabilities assumed and the goodwill for the Holiday acquisition.
(13) For fiscal 2018 and 2017, these measures are presented on a comparable basis of 52 weeks.

## Revenues

For fiscal 2019, our revenues increased by $7.7 billion or 15.0% compared with fiscal 2018, mainly attributable to the contribution from acquisitions, to a higher average road transportation fuel selling price and to organic growth, partly offset by the net negative impact from the translation of revenues of our Canadian and European operations into US dollars.

Merchandise and service revenues

For fiscal 2019, the growth in merchandise and service revenues was $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, merchandise and service revenues increased by $1.6 billion or 12.7%. This increase is primarily attributable to the contribution from acquisitions, which amounted to approximately $1.0 billion, as well as to organic growth. Same-store merchandise revenues increased by 4.1% in the United States, by 4.8% in Europe and by 5.2% in Canada, driven by the success of our rebranding activities, improvements made to our offering, as well as by our various initiatives to drive traffic in our stores.

Road transportation fuel revenues

The growth in road transportation fuel revenues was $6.2 billion for 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, road transportation fuel revenues increased by $6.2 billion or 17.4%. This increase is attributable to the impact of a higher average road transportation fuel selling price, which had a positive impact of approximately $3.5 billion, as well as to the contribution from acquisitions, which amounted to approximately $3.1 billion, partly offset by lower revenues in our wholesale business. Same-store road transportation fuel volume increased by 0.7% in the United States, while it decreased by 0.9% in Europe and by 1.6% in Canada, strongly impacted at the beginning of the year by the transition to a new loyalty program in our Esso stores.

The following table shows the average selling price of road transportation fuel of our company-operated stores in our various markets for the last eight quarters, starting with the first quarter of the fiscal year ended April 29, 2018:

| Quarter | 1st | 2nd | 3rd | 4th | Weighted average |
|---|---|---|---|---|---|
| 52-week period ended April 28, 2019 | | | | | |
| United States (US dollars per gallon) – excluding CAPL | 2.76 | 2.72 | 2.42 | 2.51 | 2.60 |
| Europe (US cents per liter) | 75.07 | 80.56 | 75.28 | 74.59 | 76.32 |
| Canada (CA cents per liter) | 117.95 | 115.22 | 97.59 | 103.45 | 107.82 |
| 52-week period ended April 29, 2018 | | | | | |
| United States (US dollars per gallon) – excluding CAPL | 2.21 | 2.47 | 2.30 | 2.51 | 2.37 |
| Europe (US cents per liter) | 61.39 | 68.23 | 71.19 | 78.32 | 70.52 |
| Canada (CA cents per liter) | 99.81 | 101.46 | 108.11 | 110.39 | 102.85 |

Other revenues

Total other revenues for fiscal 2019 were $1.3 billion, an increase of $9.0 million compared with fiscal 2018. Excluding CAPL's revenues, other revenues decreased by $3.4 million in fiscal 2019. The decrease is primarily driven by the disposal of our marine fuel business, partly offset by an increase in other fuel products average selling price.

## Gross profit

Our gross profit was $9.2 billion for fiscal 2019, up by $1.1 billion, or 13.4% compared with fiscal 2018, mainly attributable to the contribution from acquisitions, to higher fuel margins in the U.S. and to organic growth, partly offset by the net negative impact from the translation of our Canadian and European operations into US dollars.

Merchandise and service gross profit

During fiscal 2019, our merchandise and service gross profit was $5.0 billion, an increase of $537.3 million compared with fiscal 2018. 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 $583.0 million or 13.1%. This increase is mostly attributable to the contribution from acquisitions, which amounted to approximately $340.0 million, and to our organic growth. The gross margin was 33.8% in the United States, an increase of 0.5% and 41.8% in Europe, a decrease of 0.8%, due to a different product mix, while it was 33.6% in Canada, a decrease of 0.9%, mainly as a result of the conversion of our Esso stores from the agent model to the corporate model, as well as from the increase in taxes on cigarettes and other tobacco products.

Road transportation fuel gross profit

During fiscal 2019, our road transportation fuel gross profit was $3.9 billion, an increase of $562.2 million compared with fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel gross profit increased by approximately $586.0 million or 17.7%, as a result of acquisitions and higher fuel margins. The road transportation fuel gross margin was 23.60¢ per gallon in the United States, an increase of 4.21¢ per gallon, US 8.61¢ per liter in Europe, a decrease of 0.11¢ per liter mainly as a result of the net negative impact from the translation of our European operations into US dollars, and CA 8.38¢ per liter in Canada, a decrease of CA 0.46¢ per liter, driven by competitive pressure in some of our markets.

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 first quarter of the fiscal year ended April 29, 2018, were as follows:

(US cents per gallon)

| Quarter | 1st | 2nd | 3rd | 4th | Weighted average |
|---|---|---|---|---|---|
| 52-week period ended April 28, 2019 | | | | | |
| Before deduction of expenses related to electronic payment modes | 22.70 | 21.88 | 29.42 | 18.51 | 23.60 |
| Expenses related to electronic payment modes | 4.21 | 4.10 | 3.92 | 4.40 | 4.10 |
| After deduction of expenses related to electronic payment modes | 18.49 | 17.78 | 25.50 | 14.11 | 19.50 |
| 52-week period ended April 29, 2018 | | | | | |
| Before deduction of expenses related to electronic payment modes | 20.75 | 24.70 | 15.66 | 17.29 | 19.39 |
| Expenses related to electronic payment modes | 3.79 | 4.21 | 3.73 | 3.62 | 3.82 |
| After deduction of expenses related to electronic payment modes | 16.96 | 20.49 | 11.93 | 13.67 | 15.57 |

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 fiscal 2019, other revenues gross profit was $239.9 million, a decrease of $16.1 million compared with fiscal 2018. Excluding CAPL's gross profit, other revenues gross profit decreased by $28.5 million in fiscal 2019. The decrease is primarily driven by lower demand and increased costs for other fuel products, as well as the disposal of our marine fuel business, which had an impact of approximately $3.0 million on fiscal 2019.

## Operating, selling, administrative and general expenses ("expenses")

For fiscal 2019, expenses increased by 10.2% compared with fiscal 2018, but increased by only 3.7% if we exclude certain items that are not considered indicative of future trends:

| | 52-week period ended April 28, 2019 |
|---|---|
| **Total variance, as reported** | **10.2%** |
| Adjusted for: | |
| Increase from incremental expenses related to acquisitions | **(6.4%)** |
| Decrease from the net impact of foreign exchange translation | **1.4%** |
| Increase from higher electronic payment fees, excluding acquisitions | **(0.9%)** |
| Increase from settlements and reserves adjustments for specific elements recognized to earnings of fiscal 2019(1) | **(0.6%)** |
| Acquisition costs recognized to earnings of fiscal 2018 | **0.2%** |
| Increase in CAPL's expenses | **(0.2%)** |
| Incremental costs from our global brand initiatives recognized to earnings of fiscal 2018 | **0.1%** |
| Additional costs incurred following Hurricanes Harvey and Irma recognized to earnings of fiscal 2018 | **0.1%** |
| Negative goodwill recognized to earnings of fiscal 2018 | **(0.1%)** |
| Compensatory payment to CAPL for divestiture of assets recognized to earnings of fiscal 2019 | **(0.1%)** |
| **Remaining variance** | **3.7%** |

(1) During fiscal 2019, we settled various claims and adjusted our reserves in connection with specific events of the year, which had a pre-tax negative impact of $24.2 million on our earnings.

Excluding the conversion of our Esso stores from the agent model to the corporate model, as well as the impact from changes in some assumptions driven by external factors included in the calculation of our provisions, the remaining variance for fiscal 2019 would have been 3.4%. Growth in expenses, amongst other items, was driven by normal inflation, higher minimum wages in certain regions and higher expenses to support our growth and strategy. We continue to rigorously focus on controlling 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 fiscal 2019, EBITDA increased from $3.0 billion to $3.6 billion, a growth of 20.3%. Excluding the specific items shown in the table below from EBITDA of fiscal 2019 and fiscal 2018, the adjusted EBITDA for fiscal 2019 increased by $540.0 million or 18.1%, mainly through the contribution of higher fuel margins in the U.S., acquisitions and organic growth, partly offset by a higher level of expenses, and the net negative impact from the translation of our Canadian and European operations into US dollars. Acquisitions contributed approximately $269.0 million to the adjusted EBITDA of fiscal 2019, while the variation in exchange rates had a net negative impact of approximately $45.0 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.

| | **52-week periods ended** | |
|---|---|---|
| (in millions of US dollars) | **April 28, 2019** | April 29, 2018 |
| Net earnings including non-controlling interests, as reported | **1,821.3** | 1,677.5 |
| Add: | | |
| Income taxes | **370.9** | 56.1 |
| Net financial expenses | **320.1** | 335.3 |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets | **1,070.7** | 910.6 |
| EBITDA | **3,583.0** | 2,979.5 |
| Adjusted for: | | |
| EBITDA attributable to non-controlling interests | **(77.5)** | (49.5) |
| Restructuring costs attributable to shareholders of the Corporation | **10.5** | 51.7 |
| Compensatory payment to CAPL for divestiture of asset, net of non-controlling interests | **5.0** | - |
| Gain on the disposal of the marine fuel business | **(3.2)** | - |
| Acquisition costs | **2.2** | 11.8 |
| Gain on disposal of a terminal | **-** | (11.5) |
| Gain on investment in CST | **-** | (8.8) |
| Incremental costs related to hurricanes | **-** | 6.6 |
| Incremental costs from our global brand initiatives | **-** | 3.0 |
| Negative goodwill | **-** | (2.8) |
| Adjusted EBITDA | **3,520.0** | 2,980.0 |

## Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets ("depreciation")

For fiscal 2019, our depreciation expense increased by $160.1 million, including the $55.0 million impairment charge on CAPL's goodwill recorded in the first quarter of fiscal 2019. Excluding CAPL's results, the depreciation expense increased by $77.7 million for fiscal 2019, mainly driven by the contribution from our acquisitions, the replacement of equipment, the addition of new stores and the ongoing improvement of our network.

## Net financial expenses

Net financial expenses for fiscal 2019 were $320.1 million, a decrease of $15.2 million compared with fiscal 2018. Excluding the items shown in the table below, net financial expenses increased by $28.6 million, mainly attributable to our higher average long-term debt in connection with our recent acquisitions, partly offset by the repayments made.

| | **52-week periods ended** | |
|---|---|---|
| (in millions of US dollars) | **April 28, 2019** | April 29, 2018 |
| Net financial expenses, as reported | **320.1** | 335.3 |
| Adjusted for: | | |
| Net foreign exchange gain (loss) | **5.3** | (48.4) |
| CAPL's financial expenses | **(29.3)** | (19.4) |
| Net financial expenses excluding items above | **296.1** | 267.5 |

## Income taxes

For fiscal 2019, the income tax rate was 16.9% compared with 20.6% for fiscal 2018, when excluding the net tax benefit of $288.3 million stemming from the "U.S. Tax Cuts and Jobs Act", as well as an adjustment for a tax benefit stemming from an internal reorganization of fiscal 2018. The income tax rate for fiscal 2019 includes a net tax benefit of $6.2 million derived from the evaluation of our deferred income tax balances following the decrease of the statutory income tax rate in Sweden. Excluding this adjustment, the income tax rate would have been 17.2% for fiscal 2019, a decrease compared to fiscal 2018, stemming from a lower statutory income tax rate in the U.S., as well as from the impact of a different mix in our earnings across the various jurisdictions.

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

For fiscal 2019, net earnings were $1.8 billion, compared with $1.7 billion for fiscal 2018, an increase of $163.3 million or 9.8%. Diluted net earnings per share stood at $3.25, compared with $2.95 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 $30.0 million on net earnings of fiscal 2019.

Excluding the items shown in the table below from net earnings of fiscal 2019 and fiscal 2018, adjusted net earnings for fiscal 2019 would have been approximately $1.9 billion, compared with $1.5 billion for fiscal 2018, an increase of $402.0 million or 27.3%. Adjusted diluted net earnings per share would have been $3.32 for fiscal 2019, compared with $2.60 for fiscal 2018, an increase of 27.7%.

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

| | 52-week periods ended | |
|---|---|---|
| (in millions of US dollars) | **April 28, 2019** | April 29, 2018 |
| Net earnings attributable to shareholders of the Corporation, as reported | **1,833.9** | 1,670.6 |
| Adjusted for: | | |
| Impairment charge on CAPL's goodwill | **55.0** | - |
| Restructuring costs attributable to shareholders of the Corporation | **10.5** | 51.7 |
| Tax benefit stemming from the decrease of the statutory income tax rate in Sweden | **(6.2)** | - |
| Net foreign exchange (gain) loss | **(5.3)** | 48.4 |
| Compensatory payment to CAPL for divestiture of assets, net of non-controlling interests | **5.0** | - |
| Gain on the disposal of the marine fuel business | **(3.2)** | - |
| Acquisition costs | **2.2** | 11.8 |
| Tax benefit stemming from the "U.S. Tax Cuts and Jobs Act" attributable to shareholders of the Corporation | **-** | (270.1) |
| Accelerated depreciation and amortization expense | **-** | 19.0 |
| Tax benefit stemming from an internal reorganization | **-** | (13.4) |
| Gain on disposal of a terminal | **-** | (11.5) |
| Gain on investment in CST | **-** | (8.8) |
| Incremental costs related to hurricanes | **-** | 6.6 |
| Incremental costs from our global brand initiatives | **-** | 3.0 |
| Negative goodwill | **-** | (2.8) |
| Tax impact of the items above and rounding | **(17.9)** | (32.5) |
| Adjusted net earnings attributable to shareholders of the Corporation | **1,874.0** | 1,472.0 |

It should be noted that adjusted net earnings is 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.

## CAPL's results

For fiscal 2019, CAPL's results were impacted by higher road transportation fuel prices as well as by the fact that fiscal 2018 included 9 months of activities compared to 12 months in fiscal 2019, since CAPL was acquired toward the end of the first quarter of fiscal 2018.

## Financial Position as at April 28, 2019

As shown by our indebtedness ratios included in the "Summary Analysis of Consolidated Results for Fiscal 2019" section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to $22.6 billion as at April 28, 2019, a decrease of $549.0 million over the balance as at April 29, 2018, primarily from the negative effect of the variation in exchange rates at the balance sheet date. It should be noted that we have updated our balance sheet as at April 29, 2018, to reflect the adjustments we made to the fair value assessment of the assets acquired, the liabilities assumed and the goodwill for the Holiday acquisition.

During the 52-week periods ended April 28, 2019 and April 29, 2018, we recorded return on capital employed[1] of 14.1% and of 12.0%, respectively.

Significant balance sheet variations are explained as follows:

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

Long-term debt and current portion of long-term debt decreased by $1.9 billion, from $8.9 billion as at April 29, 2018, to $7.0 billion as at April 28, 2019, mainly as a result of net payments of approximately $1.4 billion made on our revolving unsecured credit facility, net payments of $413.5 million made on our acquisition and credit facilities as well as the impact of the weakening of the Canadian dollar and Euro against the US dollar, which was approximately $177.0 million.

### Equity

Equity attributable to shareholders of the Corporation amounted to $8.9 billion as at April 28, 2019, up $1.4 billion compared with April 29, 2018, mainly reflecting net earnings of fiscal 2019, partly offset by other comprehensive loss, as well as dividends declared for fiscal 2019. For the 52-week period ended April 28, 2019, we recorded a return on equity[1] of 22.3%.

As at April 28, 2019, non-controlling interests amounted to $257.9 million, a decrease of $69.1 million compared with April 29, 2018, mainly reflecting non-controlling interests' share in CAPL's losses and distributions.

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[1] Please refer to the section "Summary Analysis of Consolidated Results of Fiscal 2019" of this Management Discussion & Analysis 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, 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.

*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 April 28, 2019, $40.0 million of the unsecured line of credit available on our operating credit D had been used, bearing interest at 5.625%, and standby letters of credit in the amount of $12.6 million were outstanding.

During fiscal 2019, we amended our operating Credit D to extend its maturity to December 2023 and to increase the maximum amount of the unsecured line of credit from $50.0 million to $115.0 million. All other conditions related to this credit agreement remain unchanged.

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

On April 1, 2019, CAPL fully repaid its credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of $650.0 million, under which swing-line loans could be drawn up to $25.0 million and standby letters of credit could be issued up to an aggregate of $45.0 million (the “Former CAPL US-dollar-denominated senior secured revolving credit facility”).

On the same day, CAPL entered into a new 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 (the “CAPL US-dollar-denominated senior secured revolving credit facility“). This facility replaced the Former CAPL US-dollar-denominated senior secured revolving credit facility and is without recourse to the Corporation.

As at April 28, 2019, the effective interest rate was 4.730% (4.740% as at April 29, 2018) and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

*Available liquidities*

As at April 28, 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 $3.2 billion through our available cash and revolving unsecured operating credit facility.

# Selected Consolidated Cash Flows Information

| (in millions of US dollars) | 52-week periods ended | | |
|---|---|---|---|
| | **April 28, 2019** | April 29, 2018 | Variation |
| **Operating activities** | | | |
| Net cash provided by operating activities | **3,083.6** | 2,163.1 | 920.5 |
| **Investing activities** | | | |
| Purchase of property and equipment, intangible assets and other assets | **(1,145.1)** | (1,169.3) | 24.2 |
| Proceeds from disposal of property and equipment and other assets | **215.6** | 132.1 | 83.5 |
| Proceeds from disposal of marine fuel business | **24.3** | - | 24.3 |
| Change in restricted cash | **(16.9)** | (13.5) | (3.4) |
| Business acquisitions | **(13.1)** | (5,380.9) | 5,367.8 |
| Proceeds from disposal of CST's assets held for sale | **-** | 895.5 | (895.5) |
| Proceeds from disposal of an available-for-sale investment | **-** | 91.6 | (91.6) |
| **Net cash used in investing activities** | **(935.2)** | (5,444.5) | 4,509.3 |
| **Financing activities** | | | |
| Net (decrease) increase in term revolving unsecured operating credit D | **(1,357.4)** | 702.9 | (2,060.3) |
| Net increase in CAPL senior secured revolving credit facility | **516.0** | - | 516.0 |
| Net (decrease) increase in former CAPL senior secured revolving credit facility | **(512.1)** | 64.5 | (576.6) |
| Net (decrease) increase in acquisition facility, net of financing costs | **(413.5)** | 412.1 | (825.6) |
| Cash dividends paid | **(181.3)** | (162.4) | (18.9) |
| CAPL distributions paid to non-controlling interests | **(56.5)** | (50.5) | (6.0) |
| Decrease in other debts | **(52.2)** | (42.9) | (9.3) |
| Settlements of derivative financial instruments | **3.0** | (81.3) | 84.3 |
| Exercise of stock options | **0.2** | 0.2 | - |
| Issuance of senior unsecured notes, net of financing costs | **-** | 3,935.9 | (3,935.9) |
| Repayments of debts assumed on the CST acquisition | **-** | (1,075.9) | 1,075.9 |
| Repayment of senior unsecured notes | **-** | (232.5) | 232.5 |
| Share repurchase | **-** | (193.1) | 193.1 |
| **Net cash (used in) provided by financing activities** | **(2,053.8)** | 3,277.0 | (5,330.8) |
| **Credit ratings** | | | |
| S&P Global Ratings – Corporate credit rating | **BBB** | BBB | |
| Moody's - Senior unsecured notes credit rating | **Baa2** | Baa2 | |

## Operating activities

During fiscal 2019, net cash from our operations reached $3.1 billion, up $920.5 million compared with fiscal 2018, mainly due to higher net earnings and improvement in working capital.

## Investing activities

During fiscal 2019, net investments in property and equipment, intangible assets and other assets amounted to $929.5 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 fiscal 2019, we repaid net amounts of approximately $1.4 billion on our revolving unsecured operating credit and we repaid net amounts of $413.5 million on our acquisition and unsecured credit facility.

During fiscal 2019, we also distributed $181.3 million in dividends. In addition, during the same period, CAPL distributions to non-controlling interests amounted to $56.5 million.

## Contractual Obligations and Commercial Commitments

Set out below is a summary of our material contractual obligations as at April 28, 2019[1]:

| (in millions of US dollars) | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| **Contractual obligations** | | | | | | | |
| Long-term debt[2] | 1,484.9 | 396.9 | 169.9 | 1,341.6 | 651.6 | 4,191.7 | **8,236.6** |
| Finance lease obligations and other debts | 64.6 | 80.0 | 51.6 | 43.7 | 38.1 | 210.4 | **488.4** |
| Operating lease obligations[3] | 459.8 | 425.1 | 385.6 | 302.0 | 269.6 | 1,418.6 | **3,260.7** |
| Total | 2,009.3 | 902.0 | 607.1 | 1,687.3 | 959.3 | 5,820.7 | **11,985.6** |

(1) The summary does not include the payments required under defined benefit pension plans.
(2) Includes CAPL's non-recourse debt of $514.8 million maturing April 2024.
(3) The minimum lease payments for the next fiscal years are as follows and are including payments under the current lease term as well as payments under one or more options to extend leases when we are reasonably certain to exercise these options.

| | 2020 | 2021 | 2022 | 2023 | 2024 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| **Fuel Purchase Obligations** | | | | | | | |
| United States (in millions of gallons) | 1,075.9 | 950.6 | 312.5 | 312.5 | 37.5 | 42.4 | **2,731.4** |
| Europe (in millions of liters) | 7,703.0 | 1,272.8 | 571.9 | 29.6 | - | - | **9,577.3** |
| Canada (in millions of liters) | 3,641.7 | 3,641.7 | 3,641.7 | 3,641.7 | 3,009.7 | 31,172.8 | **48,749.3** |
| CAPL (in millions of gallons) | 470.4 | 404.0 | 394.2 | 394.4 | 337.5 | 1,092.0 | **3,092.5** |

*Long-term debt.* As at April 28, 2019, our long-term debt totaled $7.0 billion, detailed as follows:

i. Canadian-dollar-denominated senior unsecured notes totaling $1.8 billion (CA $2.4 billion), and US-dollar-denominated senior unsecured notes totaling $3.4 billion, divided as follows:
   a. Tranche 2 with a notional amount of CA$450.0 million, maturing on November 1, 2019, bearing interest at 3.319%.
   b. Tranche 3 with a notional amount of CA$250.0 million, maturing on November 1, 2022, bearing interest at 3.899%.
   c. Tranche 4 with a notional amount of CA$300.0 million, maturing on August 21, 2020, bearing interest at 4.214%.
   d. Tranche 5 with a notional amount of CA$700.0 million, maturing on June 2, 2025, bearing interest at 3.600%.
   e. Tranche 6 with a notional amount of $1.0 billion, maturing on July 26, 2022, bearing interest at 2.700%.
   f. Tranche 7 with a notional amount of CA$700.0 million, maturing on July 26, 2024, bearing interest at 3.056%.
   g. Tranche 8 with a notional amount of $1.0 billion, maturing on July 26, 2027, bearing interest at 3.550%.
   h. Tranche 9 with a notional amount of $500.0 million, maturing on July 26, 2047, bearing interest at 4.500%.
   i. Tranche 10 with a notional amount of $600.0 million, maturing on December 13, 2019, bearing interest at 2.350%.
   j. Tranche 11 with a notional amount of $300.0 million, maturing on December 13, 2019, bearing interest at three-month LIBOR plus 0.500%.

ii. Borrowings of $40.0 million under our revolving unsecured credit facility through its unsecured line of credit denominated in US and Canadian dollars, maturing in December 2023. The effective interest rate was 5.625% as at April 28, 2019.

iii. Euro-denominated senior unsecured notes totaling $831.2 million, with a notional amount of €750.0 million, maturing on May 6, 2026, bearing interest at 1.875% and an effective rate of 1.944%.

iv. Borrowings of $514.8 million under CAPL's credit agreement consisting of a US-denominated senior secured revolving credit facility, maturing on April 25, 2024. The effective interest rate was 4.730% as at April 28, 2019.

v. NOK-denominated senior unsecured notes totaling $77.4 million, with a notional amount of NOK 675.0 million, maturing on February 18, 2026, bearing interest at 3.850% and an effective rate of 3.927%.

vi. Other long-term debts of $333.6 million, including obligations related to building and equipment under finance leases.

*Finance leases and operating leases obligations.* We lease an important portion of our assets using conventional operating leases and finance leases mainly for the rental of stores, land, equipment and office buildings. Generally, our real estate leases in North America are for primary terms of 5 to 20 years, usually with options to renew at market prices. In Europe, the lease terms range from short-term contracts to contracts with maturities up to more than 50 years and most lease contracts include options to renew at market prices. When leases are determined to be operating leases, obligations and related assets are not included in our consolidated balance sheets. Under certain leases, we are subject to additional rent based on revenues as well as future escalations in the minimum lease amount. When leases are determined to be finance leases, obligations and related assets are included in our consolidated balance sheets.

*Fuel purchase obligations.* We have entered into various fuel purchase agreements, which require us to purchase minimum volume of road transportation fuel annually. We have generally exceeded such minimum requirements in the past and expect to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in financial penalties for shortfall volumes or changes in the pricing of the products. As at April 28, 2019, our fuel purchase obligation consisted of multiple contracts under which we have 5,823.9 million of gallons and 58,326.6 million of liters to be purchased over the next years.

*Contingencies.* Various claims and legal proceedings have been initiated against us in the normal course of our operations and through acquisitions. Although the outcome of such matters is not predictable with assurance, we have no reason to believe that the outcome of any such current matter could reasonably be expected to have a materially adverse impact on our financial position, results of operations or the ability to carry on any of our business activities.

We are covered by insurance policies that have significant deductibles. At this time, we believe that we are adequately covered through the combination of insurance policies and self-insurance. Future losses which exceed insurance policy limits or, under adverse interpretations, could be excluded from coverage would have to be paid out of general corporate funds. In association with our workers' compensation policies, we issue letters of credit as collateral for certain policies.

*Guarantees.* We assigned a number of lease agreements for premises to third parties. Under some of these agreements, we retain ultimate responsibility to the landlord for payment of amounts under the lease agreements, should the sub lessees fail to pay. As at April 28, 2019, the total future lease payments under such agreements are approximately $3.4 million and the fair value of the guarantee is not significant. Historically, we have not made any significant payments in connection with these indemnification provisions. We have also issued guarantees to third parties, and on behalf of third parties, for maximum undiscounted future payments totaling $16.7 million. These guarantees primarily relate to financial guarantee commitments under car rental agreements and on behalf of retailers in Sweden. Guarantees on behalf of retailers in Sweden comprise items such as guarantees towards retailers' store inventory, in addition to guarantees towards leased store equipment. The carrying amount and fair value of the guarantee commitments recognized in the balance sheet at April 28, 2019 were not significant.

We also issue surety bonds for a variety of business purposes for our own operations, including surety bonds for taxes, lottery sales, wholesale distribution and alcoholic beverage sales. In most cases, a municipality or state governmental agency requires the surety bonds as a condition of operating a store in that area.

*Other commitments.* We have entered into various property purchase agreements, as well as product purchase agreements which require us to purchase minimum amounts or quantities of merchandise annually. We have generally exceeded such minimum requirements in the past and expect to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in termination of the contracts, changes in the pricing of the products, payments to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received.

## Off-Balance Sheet Arrangements

In the normal course of business, we finance some of our off-balance sheet activities through operating leases for properties on which we conduct our retail business. Our future commitments are included under "Operating lease obligations" in the table above.

# 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.

| (in millions of US dollars, except per share data) | 52-week period ended April 28, 2019 | | | | 52-week period ended April 29, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Quarter | **4th** | 3rd | 2nd | 1st | 4th | 3rd | 2nd | 1st |
| Weeks | **12 weeks** | 16 weeks | 12 weeks | 12 weeks | 12 weeks | 16 weeks | 12 weeks | 12 weeks |
| **Revenues** | **13,113.3** | 16,515.0 | 14,702.8 | 14,786.5 | 13,614.8 | 15,791.8 | 12,140.6 | 9,847.2 |
| Operating income before depreciation, amortization and impairment of property and equipment, goodwill, intangibles assets and other assets | **651.7** | 1,140.2 | 864.8 | 902.9 | 705.2 | 714.9 | 846.3 | 681.1 |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangibles assets and other assets | **241.5** | 305.2 | 222.5 | 301.5 | 240.8 | 290.2 | 209.3 | 170.3 |
| Operating income | **410.2** | 835.0 | 642.3 | 601.4 | 464.4 | 424.7 | 637.0 | 510.8 |
| Share of earnings of joint ventures and associated companies accounted for using the equity method | **3.6** | 7.3 | 5.4 | 7.1 | 5.9 | 9.2 | 8.3 | 8.6 |
| Net financial expenses | **78.6** | 90.1 | 73.7 | 77.7 | 75.6 | 110.9 | 89.6 | 59.2 |
| **Net earnings including non-controlling interests** | **289.9** | 611.8 | 477.0 | 442.6 | 395.2 | 489.3 | 433.5 | 359.5 |
| Net loss (earnings) attributable to non-controlling interests | **3.2** | 0.3 | (3.9) | 13.0 | (4.2) | (6.9) | (1.0) | 5.2 |
| **Net earnings attributable to shareholders of the Corporation** | **293.1** | 612.1 | 473.1 | 455.6 | 391.0 | 482.4 | 432.5 | 364.7 |
| **Net earnings per share** | | | | | | | | |
| Basic | **$0.52** | $1.08 | $0.84 | $0.81 | $0.69 | $0.86 | $0.76 | $0.64 |
| Diluted | **$0.52** | $1.08 | $0.84 | $0.81 | $0.69 | $0.85 | $0.76 | $0.64 |

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.

# Analysis of Consolidated Results for the Fiscal Year Ended April 29, 2018

## Revenues

For fiscal 2018, our revenues increased by $13.5 billion or 35.6% compared with fiscal 2017, mainly attributable to the contribution from acquisitions, to a higher average road transportation fuel selling price, to organic growth, as well as to the positive net impact from the translation of revenues of our Canadian and European operations into US dollars, partly offset by one less week during fiscal 2018 compared with fiscal 2017.

Merchandise and service revenues

More specifically, the growth in merchandise and service revenues was $2.3 billion. Excluding CAPL's revenues, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately $2.0 billion or 18.9%. This increase is attributable to the contribution from acquisitions, which amounted to approximately $2.1 billion, as well as to organic growth, partly offset by one less week during fiscal 2018 compared with fiscal 2017. Same-store merchandise revenues grew by 0.8% in the United States, negatively impacted by the general softness in the retail industry as well as by the significant climatic events of the middle of the year. Same-store merchandise revenues grew by 2.7% in Europe, a great success considering the replacement of the well-known brand Statoil with our global Circle K brand. Same-store merchandise revenues grew by 0.4% in Canada.

Road transportation fuel revenues

The growth in road transportation fuel revenues was $11.1 billion. Excluding CAPL's revenues, as well as the net positive impact from the translation of our European and Canadian operations into US dollars, road transportation fuel revenues increased by $9.2 billion or 35.3%. This increase is attributable to the contribution from acquisitions, which amounted to approximately $6.6 billion, as well as to the impact of a higher average road transportation fuel selling price, which had a positive impact of approximately $2.6 billion, partly offset by one less week during fiscal 2018 compared with fiscal 2017. Same-store road transportation fuel volumes decreased by 0.4% in the United States, by 1.4% in Canada and were stable in Europe.

The following table shows the average selling price of road transportation fuel in our various markets, starting with the first quarter of the fiscal year ended April 30, 2017:

| Quarter | 1st | 2nd | 3rd | 4th | Weighted average |
|---|---|---|---|---|---|
| 52-week period ended April 29, 2018 | | | | | |
| United States (US dollars per gallon) – excluding CAPL | 2.21 | 2.47 | 2.30 | 2.51 | 2.37 |
| Europe (US cents per liter) | 61.39 | 68.23 | 71.19 | 78.32 | 70.52 |
| Canada (CA cents per liter) | 99.81 | 101.46 | 108.11 | 110.39 | 102.85 |
| 53-week period ended April 30, 2017 | | | | | |
| United States (US dollars per gallon) – excluding CAPL | 2.20 | 2.10 | 2.18 | 2.25 | 2.18 |
| Europe (US cents per liter) | 58.65 | 58.01 | 61.87 | 62.46 | 60.40 |
| Canada (CA cents per liter) | 92.66 | 90.36 | 94.67 | 97.20 | 94.35 |

Other revenues

Total other revenues for fiscal 2018 were $1.3 billion. Excluding CAPL's revenues, other revenues increased by $144.4 million. The impact of acquisitions for fiscal 2018 was approximately $24.0 million.

## Gross profit

Our gross profit was $8.1 billion for fiscal 2018, up by $1.6 billion, an increase of 25.1% compared with fiscal 2017, mainly attributable to the contribution from acquisitions, to higher fuel margins, to organic growth, to the net positive impact from the translation of operations of our Canadian and European operations into US dollars, as well as to the contribution from CAPL, partly offset by one less week during fiscal 2018 compared with fiscal 2017.

Merchandise and service gross profit

During fiscal 2018, our consolidated merchandise and service gross profit was $4.5 billion, an increase of $787.1 million compared with fiscal 2017. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, consolidated merchandise and service gross profit increased by approximately $713.0 million or 19.4%. This increase is mostly attributable to the contribution from acquisitions, which amounted to approximately $683.0 million, and to our organic growth, partly offset by one less week during fiscal 2018 compared with fiscal 2017. The gross margin was 33.3% in the United States, an increase of 0.1%, it was 42.6% in Europe, an increase of 0.2%, while in Canada it was 34.5%, an increase of 0.7%, mainly as a result of the conversion of certain Esso agent sites to company-operated stores.

Road transportation fuel gross profit

The consolidated road transportation fuel gross profit was $3.4 billion for fiscal 2018, an increase of $799.7 million compared with fiscal 2017. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, consolidated road transportation fuel gross profit increased by approximately $665.0 million or 25.7%. The road transportation fuel gross margin was 19.39¢ per gallon in the United States, an increase of 0.83¢ per gallon or 4.5% over fiscal 2017. Road transportation fuel margin was CA 8.84¢ per liter in Canada, an increase of CA 1.18¢ per liter, still driven by the inclusion of the CST stores in our network and different pricing strategies, and it was US 8.72¢ per liter in Europe, an increase of US 0.50¢ per liter.

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 first quarter of the fiscal year ended April 30, 2017, were as follows:

(US cents per gallon)

| Quarter | 1st | 2nd | 3rd | 4th | Weighted average |
|---|---|---|---|---|---|
| 52-week period ended April 29, 2018 | | | | | |
| Before deduction of expenses related to electronic payment modes | 20.75 | 24.70 | 15.66 | 17.29 | 19.39 |
| Expenses related to electronic payment modes | 3.79 | 4.21 | 3.73 | 3.62 | 3.82 |
| After deduction of expenses related to electronic payment modes | 16.96 | 20.49 | 11.93 | 13.67 | 15.57 |
| 53-week period ended April 30, 2017 | | | | | |
| Before deduction of expenses related to electronic payment modes | 20.86 | 19.87 | 18.33 | 15.47 | 18.56 |
| Expenses related to electronic payment modes | 4.08 | 3.99 | 3.99 | 4.12 | 4.04 |
| After deduction of expenses related to electronic payment modes | 16.78 | 15.88 | 14.34 | 11.35 | 14.52 |

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 normalize 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 fiscal 2018, other revenues gross profit was $256.0 million, an increase of $42.9 million compared with fiscal 2017. Excluding CAPL's gross profit, other revenues gross profit increased by $11.4 million.

## Operating, selling, administrative and general expenses ("expenses")

For fiscal 2018, expenses increased by 25.1% compared with fiscal 2017, but increased by only 2.0%, if we exclude certain items as demonstrated by the following table:

| | 52-week period ended April 29, 2018 |
|---|---|
| **Total variance, as reported** | **25.1%** |
| Adjusted for: | |
| Increase from incremental expenses related to acquisitions | **(18.8%)** |
| Increase from the net impact of foreign exchange translation | **(1.9%)** |
| CAPL's expenses for fiscal 2018 | **(1.7%)** |
| Acquisition costs recognized to earnings of fiscal 2017 | **0.5%** |
| Acquisition costs recognized to earnings of fiscal 2018 | **(0.3%)** |
| Increase from higher electronic payment fees, excluding acquisitions | **(0.7%)** |
| Additional costs incurred following Hurricanes Harvey and Irma | **(0.2%)** |
| Incremental costs from our global brand initiatives | **(0.1%)** |
| Negative goodwill recognized to earnings of fiscal 2018 | **0.1%** |
| **Remaining variance** | **2.0%** |

The remaining increase is derived from higher minimum wages in certain regions, normal inflation, higher advertising and marketing activities in connection with our global brand project, higher expenses needed to support our organic growth, the conversion of CODO stores into company-operated stores and by proportionally higher operational expenses in our recently built stores, as these stores generally have a larger footprint and higher sales than the average of our existing network, partly offset by one less week during fiscal 2018 compared with fiscal 2017. We continue to favour 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 fiscal 2018, EBITDA increased from $2.4 billion to $3.0 billion. Excluding the specific items shown in the table below from EBITDA, the adjusted EBITDA for fiscal 2018 increased by $558.5 million or 23.1% compared with fiscal 2017 mainly through the contribution from acquisitions, which were approximately $478.0 million, higher fuel margins, organic growth and the net positive impact from the translation of the results of our Canadian and European operations into US dollars, of approximately $53.0 million, partly offset by one less week during fiscal 2018 compared with fiscal 2017.

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. Note that our definition of these measures may differ from the one used by other public corporations:

| (in millions of US dollars) | **52-week period ended April 29, 2018** | 53-week period ended April 30, 2017 |
|---|---|---|
| Net earnings including non-controlling interests, as reported | **1,677.5** | 1,208.9 |
| Add: | | |
| Income taxes | **56.1** | 383.2 |
| Net financial expenses | **335.3** | 136.0 |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets | **910.6** | 667.6 |
| EBITDA | **2,979.5** | 2,395.7 |
| Adjusted for: | | |
| EBITDA attributable to non-controlling interests | **(49.5)** | - |
| Restructuring costs attributable to shareholders of the Corporation | **51.7** | 8.1 |
| Acquisition costs | **11.8** | 21.0 |
| Gain on disposal of a terminal | **(11.5)** | - |
| Gain on investment in CST | **(8.8)** | - |
| Incremental costs related to hurricanes | **6.6** | - |
| Incremental costs from our global brand initiatives | **3.0** | - |
| Negative goodwill | **(2.8)** | - |
| Adjusted EBITDA | **2,980.0** | 2,424.8 |

## Depreciation, amortization and impairment of property and equipment, intangible assets and other assets ("depreciation")

For fiscal 2018, depreciation, amortization and impairment expenses increased by $243.0 million. Excluding CAPL, the depreciation expense increased by $181.9 million mainly driven by the impact from investments made through acquisitions, the replacement of equipment, the addition of new stores and the ongoing improvement of our network. The depreciation expense for fiscal 2018 includes a charge of $19.0 million for the accelerated depreciation and amortization of certain assets in connection with our global rebranding project.

## Net financial expenses

Net financial expenses for fiscal 2018 were $335.3 million, an increase of $199.3 million compared with fiscal 2017. Excluding the net foreign exchange loss of $48.4 million and the net foreign exchange loss of $9.6 million recorded in fiscal 2018 and fiscal 2017, respectively, as well as CAPL's financial expenses of $19.4 million, net financial expenses increased by $141.1 million. This increase is mainly attributable to our higher average long-term debt in connection with our recent acquisitions, partly offset by the repayments made, as well as by one less week during fiscal 2018 compared with fiscal 2017. The net foreign exchange loss of $48.4 million for fiscal 2018 is mainly due to the impact of foreign exchange variations on certain cash balances and working capital items.

## Income taxes

During fiscal 2018, following the approval of the "U.S. Tax Cuts and Jobs Act", we recorded a net tax benefit of $288.3 million, of which $18.2 million relates to non-controlling interests. This net tax benefit is mostly derived from the remeasurement of our deferred income tax balances using the new U.S. statutory federal income tax rate, which decreased from 35.0% to 21.0%, partly offset by the Deemed Repatriation Transition Tax ("Transition tax").

Excluding this adjustment, as well as an adjustment for a tax benefit stemming from an internal reorganization, the income tax expense for fiscal 2018 would have been approximately $358.0 million, corresponding to an income tax rate of 20.6%, which compares to an income tax rate of 24.1% for fiscal 2017. This reduction in our income tax rate stems mainly from the decrease in our U.S. statutory federal income tax rate starting January 1, 2018.

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

Net earnings for fiscal 2018 were $1.7 billion, compared with $1.2 billion for fiscal 2017, an increase of $461.7 million or 38.2%. Diluted net earnings per share stood at $2.95, compared with $2.12 the previous year.

Excluding the items shown in the table below from net earnings of fiscal 2018 and fiscal 2017, net earnings for fiscal 2018 would have been approximately $1.5 billion, compared with $1.3 billion for fiscal 2017, an increase of $213.0 million or 16.9%. Adjusted diluted net earnings per share would have been approximately $2.60 for fiscal 2018, compared with $2.21 for fiscal 2017, an increase of 17.6%. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net positive impact of approximately $26.0 million on net earnings of fiscal 2018.

| (in millions of US dollars) | **52-week period ended April 29, 2018** | 53-week period ended April 30, 2017 |
|---|---|---|
| Net earnings attributable to shareholders of the Corporation, as reported | **1,670.6** | 1,208.9 |
| Adjusted for: | | |
| Tax benefit stemming from the "U.S. Tax Cuts and Jobs Act" attributable to shareholders of the Corporation | **(270.1)** | - |
| Restructuring costs attributable to shareholders of the Corporation | **51.7** | 8.1 |
| Net foreign exchange loss | **48.4** | 9.6 |
| Accelerated depreciation and amortization expense | **19.0** | 27.1 |
| Tax benefit stemming from an internal reorganization | **(13.4)** | - |
| Acquisition costs | **11.8** | 21.0 |
| Gain on disposal of a terminal | **(11.5)** | - |
| Gain on investment in CST | **(8.8)** | - |
| Incremental costs related to hurricanes | **6.6** | - |
| Incremental costs from our global brand initiatives | **3.0** | - |
| Negative goodwill | **(2.8)** | - |
| Tax impact of the items above and rounding | **(32.5)** | (15.7) |
| Adjusted net earnings attributable to shareholders of the Corporation | **1,472.0** | 1,259.0 |

It should be noted that adjusted net earnings is 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.

## 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 April 28, 2019, our management, following its assessment, certifies the design and operating effectiveness of the Corporation's disclosure controls and procedures.

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.

## Critical Accounting Policies and Estimates

*Estimates.* This MD&A is based on our consolidated financial statements, which have been prepared in accordance with IFRS. These standards require us to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, we review our estimates. These estimates are based on our best knowledge of current events and actions that we may undertake in the future. Actual results could differ from those estimates. The most significant accounting judgments and estimates that we have made in the preparation of the consolidated financial statements are discussed along with the relevant accounting policies when applicable and relate primarily to the following topics: vendor rebates, useful lives of tangible and intangible assets, income taxes, leases, employee future benefits, provisions, impairment and business combinations.

*Inventory.* Our inventory is comprised mainly of products purchased for resale including tobacco products and alternative tobacco products, fresh goods, beer and wine, grocery items, candies and snacks, other beverages and road transportation fuel. Inventories are valued at the lesser of cost and net realizable value. Cost of merchandise is generally valued based on the retail price less a normal margin and the cost of road transportation fuel inventory is generally determined according to the average cost method. Inherent in the determination of margins are certain management judgments and estimates, which could affect ending inventory valuations and results of operations.

*Impairment of long-lived assets.* Property and equipment are tested for impairment, should events or circumstances indicate that their book value may not be recoverable, as measured by comparing their net book value to their recoverable amount, which corresponds to the higher of fair value less costs to sell and value in use. Should the carrying amount of long-lived assets exceed their recoverable amount, an impairment loss in the amount of the excess would be recognized. Our evaluation of the existence of impairment indicators is based on market conditions and our operational performance. The variability of these factors depends on a number of conditions, including uncertainty about future events. These factors could cause us to conclude that impairment indicators exist and require that impairment tests be performed, which could result in determining that the value of certain long-lived assets is impaired, resulting in a write-down of such long-lived assets.

*Goodwill and other intangible assets.* Goodwill and other intangible assets with indefinite-life are evaluated for impairment annually, or more often if events or changes in circumstances indicate that the value of certain goodwill or intangibles may be impaired. For the purpose of this impairment test, management uses estimates and assumptions to establish the fair value of our reporting units and intangible assets. If these assumptions and estimates prove to be incorrect, the carrying value of our goodwill or other intangible assets may be overstated. Our annual impairment test is performed in the first quarter of each fiscal year.

*Asset retirement obligations.* Asset retirement obligations primarily relate to estimated future costs to remove underground road transportation fuel storage tanks. They are based on our prior experience in removing these tanks, estimated tank remaining useful life, lease terms for those tanks installed on leased properties, external estimates and governmental regulatory requirements. A discounted liability is recorded for the present value of an asset retirement obligation, with a corresponding increase to the carrying value of the related long-lived asset at the time an underground storage tank is installed. To determine the initial liability, the future estimated cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased to reflect the passage of time and then adjusted for variations in the current market-based discount rate or the scheduled underlying cash flows required to settle the liability.

*Environmental matters.* We provide for estimated future site remediation costs to meet government standards for known site contaminations, when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation activities at such sites are based on our prior experience with remediation sites, and consideration of other factors such as the condition of the site's contamination, location of sites and experience of the contractors performing the environmental assessments and remediation work. In order to determine the initial recorded liability, the present value of estimated future cash flows was calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

In most of the U.S. states in which we operate, with the exception of Alaska, California, Florida, Iowa, Maryland, New York, Oregon, Texas, Washington, West Virginia and Wisconsin, there is a state fund to cover the cost of certain environmental remediation activities after the applicable trust fund deductible is met, which varies by state. These state funds provide insurance for motor fuel facilities operations to cover some of the costs of cleaning up certain environmental contamination caused by the use of road transportation fuel equipment. Road transportation fuel storage tank registration fees and/or a motor fuel tax in each of the states finance the trust funds. We pay annual registration fees and remits sales taxes to applicable states. Insurance coverage and deductibles differ from state to state.

*Income taxes.* The income tax expense recorded to earnings is the sum of the deferred income taxes and current income taxes that are not recognized in Other comprehensive income or directly in Equity.

We use the balance sheet liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the carrying amounts and tax bases of assets and liabilities, using enacted or substantively enacted tax rates and laws, as appropriate, at the date of the consolidated financial statements for the years in which the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and we intend to settle our current tax assets and liabilities on a net basis.

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

*Insurance and workers' compensation.* In the U.S. and Ireland, we are self-insured for certain losses related to general liability and workers' compensation. The expected ultimate cost for claims incurred as of the consolidated balance sheet date is discounted and is recognized as a liability. This cost is estimated based on analysis of our historical data and actuarial estimates. In order to determine the initial recorded liability, the present value of estimated future cash flows is calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## Accounting standards adopted during the current year

*Financial Instruments*

As of April 30, 2018, we adopted IFRS 9, *Financial Instruments*, which includes three requirements for recognition and measurement, impairment and general hedge accounting. These requirements were applied as follows:

The first requirement, recognition and measurement, requires a new classification of financial assets and liabilities under IFRS 9, which largely retains requirements under IAS 39. Therefore, it did not have significant impact on our consolidated financial statements. The second requirement, impairment, replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. This requirement had no significant impact on our consolidated financial statements. The third requirement, general hedge accounting, entails that we must ensure that hedge accounting relationships are aligned with our risk management objectives and strategy and apply a more qualitative and forward-looking approach to assessing hedge effectiveness. We have elected not to adopt this last requirement and instead, as permitted by IFRS 9, to continue to apply the general hedge accounting requirements of IAS 39 until further notice.

*Revenue from Contracts with Customers*

As of April 30, 2018, we adopted IFRS 15, *Revenue from Contracts with Customers* retrospectively without restatement of comparative amounts. We analyzed the impact of the new standard by comparing our current accounting policies with the new guidance and identified the differences from applying the new requirements to our different revenue streams. Under the previous accounting policies, we recognized initial franchise fees when all of the initial services required by the franchise agreement were performed, when there were no material unfulfilled conditions affecting completion of the sale and when there was no remaining obligation or intent to refund amounts received, which generally occurred when the franchise store opened. Under the new accounting policy, we recognized a portion of the initial fees when the franchise store opens and defers remaining revenue over the estimated term of the related franchise agreement. As a result, we adjusted initial franchise fees revenue of $4.1 million (net of income taxes of $1.3 million) to Retained earnings, with an offset to Deferred credits and other liabilities, Accounts payable and accrued liabilities and Income taxes payable.

*Classification and Measurement of Share-based Payment Transactions*

On April 30, 2018, we applied amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. The amendments were applied prospectively and had no significant impact on our consolidated financial statements.

## Recently issued accounting standards not yet implemented

*Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. On April 29, 2019, we will apply the new standard retrospectively without restatement of comparative amounts. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria.

Given that we have significant contractual obligations accounted for as operating leases under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the presentation of expenses associated with the lease arrangements, and, to a lower extent, changes in the timing of expense recognition.

The following outlines the key areas that will be impacted by the adoption of IFRS 16, a summary of the analysis we performed and the expected impacts of the adoption of the new standard on these key areas:

Financial reporting

The analysis includes which contracts will be in scope as well as the options available under the new standard, such as whether to early adopt, to apply the two recognition and measurement exemptions and whether to apply the new standard on a full retrospective application in accordance with IAS 8 or retrospectively without restatement of comparative amounts.

Our preliminary assessment indicates that the increase in both our total assets and total liabilities will range between $2.4 billion and $2.8 billion on our consolidated balance sheet as at April 29, 2019. We are in the final stages of validating the final amounts of the impact on our consolidated balance sheet, which will be disclosed in our unaudited interim condensed consolidated financial statements of the first quarter of fiscal year 2020. Therefore, there could be changes in the amounts specified above.

Lease-related expenses previously recorded in Operating, selling, administrative and general expenses will be recorded as depreciation expense using the straight-line method on the right-of-use assets and the lease liabilities carrying amount will be increased to reflect interest on the lease liability using a method based on our incremental borrowing rate. For an individual lease, the application of these two methods will result in more expenses charged to net earnings earlier in the lease term and less expenses charged in the later years.

Consequently, the adoption of IFRS 16 will increase total assets, total liabilities, depreciation and amortization, financial expenses, while reducing Operating, selling, administrative and general expenses. The right-of-use assets will be measured for the major portion of our leases at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to each lease as well as other balances related to those contracts. We will also use the exemptions for short-term leases and leases for which the underlying asset is of low-value.

We will elect to include in the right-of-use assets and lease liabilities fixed amounts related to non-lease components including, but not limited to, utility charges, and common area maintenance charges. Other lease-related expenses not within the scope of IFRS 16 will continue to be expensed as incurred and recorded in Operating, selling, administrative and general expenses.

Adoption of IFRS 16 will impact the presentation of cash flows relating to leases in our consolidated statements of cash flows, even though the new standard will not impact the amount of cash transferred between the parties of a lease. Total expenses recognized over the lease term is equal to total cash paid over the lease term.

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 short-term contracts to contracts with maturities up to more than 50 years and also include options to renew at market prices when applicable.

Information systems

We analyzed the need to make changes within our information systems environment to optimize the management of more than 9,000 leases that will fall within the scope of the new standard. We have evaluated different IT solutions for the eventual recognition and measurement of leases in scope. IT solutions have been selected and their implementation is almost completed.

Control environment

We performed an analysis and evaluated the impact that the adoption of IFRS 16 will have on our control environment and implemented processes to enable the application of the new accounting standard for fiscal year 2020.

Stakeholders

We performed an analysis of the impact that the adoption of IFRS 16 will have on the disclosure to our stakeholders. We discussed the impact of IFRS 16 to internal and external stakeholders and will keep the discussion open during fiscal year 2020.

# Business Risk

We are constantly looking to control and improve our operations. In this perspective, identification and management of risks are key components of such activities. We have identified and assessed key risk factors that could negatively impact our objectives and their ensuing performance.

We manage risks on an ongoing basis and implement a series of measures designed to mitigate key risks described in the present section as well as their financial impact.

*Changes in customer behaviour.* In the road transportation fuel and convenience business sector, customer traffic is generally driven by consumer preferences and spending trends, growth of road traffic and trends in travel and tourism. A decline in the number of potential customers using our fuel stations and convenience stores due to changes in consumer preferences, changes in discretionary consumer spending or modes of transportation could adversely impact our business, financial condition and results of operations. Additionally, developments regarding climate change and the effects of greenhouse gas emissions on climate change and the environment may decrease the demand for our major product, petroleum-based fuel. Attitudes toward our product and its relationship to the environment and the "green movement" may significantly affect our sales and ability to market our product. New technologies developed to steer the public toward non-fuel dependent means of transportation may create an environment with negative attitude toward fuel, thus affecting the public's attitude toward our major product and potentially having a material effect on our business, financial condition and results of operations. Further, new technologies developed to improve fuel efficiency or governmental mandates to improve fuel efficiency may result in decreased demand for petroleum-based fuel, which could have a material effect on our business, financial condition and results of operations.

*Road transportation fuel.* Our results are sensitive to the changes in road transportation fuel prices and gross margin. Factors beyond our control such as market-driven changes in supply terms, road transportation fuel price fluctuations due to, among other things, general political and economic conditions, as well as the market's limited ability to absorb road transportation fuel prices fluctuations, are factors that could influence road transportation fuel selling price and related gross margin. During fiscal 2019, road transportation fuel revenues accounted for approximately 73.0% of our total revenues, yet the road transportation fuel gross margin represented about only 43.0% of our overall gross profits.

*Tobacco products.* Tobacco products represent our largest product category of merchandise and service revenues. For fiscal 2019, tobacco products represented approximately 39.0% and 11.0% of total merchandise and service revenues and gross profits, respectively. Significant increases in wholesale cigarette pricing, significant increases or structural changes in tobacco related taxes, current and future legislation and national and local campaigns to discourage smoking, or prevent use of tobacco products, competition of illicit trade and introduction of smoking alternative may have an adverse impact on the demand for tobacco products, and may therefore adversely affect our revenues and profits in light of the competitive landscape and consumer sensitivity to the price of such products.

In addition, we sell brands of cigarettes that are manufactured to be sold by Couche-Tard on an exclusive basis and we could be sued for health problems caused by the use of tobacco products. In fact, various health-related legal actions, proceedings and claims arising out of the sale, distribution, manufacture, development, advertising and marketing of cigarettes had unfavorable ruling against vendors of tobacco products. Any unfavorable verdict against us in a health-related suit could adversely affect our business, financial condition and results of operations. In conformity with accounting standards, we have not established any reserves for the payment of expenses or adverse results related to any potential health-related litigation.

*Legislative and regulatory requirements.* Our operations are subject to extensive regulations, including regulations relating to the sale of alcohol, tobacco and tobacco products, products containing cannabis (through a licensed store), and products containing cannabidiol (CBD), various food safety and product quality requirements, minimum wage laws, and tax laws and regulations. Regulations related to employee compensation, benefits and other programs, including minimum wage increases, could adversely affect our business, financial condition and results of operations. In addition, convenience store operations are subject to numerous environmental laws and regulations that are discussed under "Environmental laws and regulations".

We currently incur substantial operating and capital costs for compliance with existing health, safety, environmental and other laws and regulations applicable to our operations. If we fail to comply with any laws and regulations or permit limitations or conditions, or fail to obtain any necessary permits or registrations, or to extend current permits or registrations upon expiry of their terms, or to comply with any restrictive terms contained in our current permits or registrations, we may be subject to, among other things, civil and criminal penalties and, in certain circumstances, the temporary or permanent curtailment or shutdown of a portion of our operations. In addition, the laws and regulations applicable to our operations are subject to change and it is expected that, given the nature of our business, we will continue to be subject to increasingly stringent health, safety, environmental laws and regulations and other laws and regulations that may increase the cost of operating our business above currently expected levels and require substantial future capital and other expenditures. As a result, there can be no assurance that the effect of any future laws and regulations or any changes to existing laws and regulations, or their current interpretation, on our business, financial condition and results of operations would not be material.

In addition, the sale of products containing cannabidiol (CBD) in the United States is based on our position that, with the passing of the U.S. Agricultural Improvement Act of 2018 (also known as the 2018 Farm Bill), hemp and hemp products were permanently removed from the U.S. Controlled Substances Act and out of the jurisdiction of the U.S. Drug Enforcement Administration (DEA). There is a risk that our interpretation of the U.S. legislation is inaccurate or that it will be successfully challenged by U.S. federal or state authorities. A successful challenge to such position by a U.S. state or federal authority could have an adverse impact on our operations and results, including as a result of civil and criminal penalties, damages, fines, the curtailment of a portion of our operations or asset seizures and the denial of regulatory applications, as well as on our reputation.

*Information technology systems.* We depend on information technology systems ("IT systems") to manage numerous aspects of our business transactions and to provide complete and reliable information to management. Our IT systems are an essential component of our business and growth strategies, and obsolescence of or a serious disruption to our IT systems could significantly limit our ability to manage and operate our business efficiently. These systems are vulnerable to, among other things, damage and interruption from power outage or natural disasters, computer system and network failures, loss of telecommunications services, physical and electronic loss of data, security breaches, cyberattacks, computer viruses and laws and regulations necessitating mandatory upgrades and timelines with which we may not be able to comply. Any serious disruption could adversely affect our operations, our competitive position and/or reputation, and could lead to claims that could have an adverse effect on profitability.

*Sensitive information – data protection.* In the normal course of our business as a fuel and merchandise retailer, we obtain large amounts of personal data from our customers as well as other sensitive information regarding our employees, business partners and vendors. While we have invested significant amounts in the protection of our information technology and maintain what we believe are adequate security controls over individually identifiable customer, employee and vendor data provided to us, a breakdown or a breach in our systems that results in the unauthorized release of individually identifiable customer or other sensitive data could nonetheless occur and have a material effect on our reputation, operating results and financial condition. Such a breakdown or breach could also materially increase the costs we incur to protect against such risks. A material failure on our part to comply with regulations relating to our obligation to protect such sensitive data or to the privacy rights of our customers, employees and others could subject us to fines or other regulatory sanctions and potentially to lawsuits.

*Environmental laws and regulations.* Our operations, particularly those relating to the storage, transportation and sale of fuel products, are subject to numerous environmental laws and regulations in the countries in which we operate. These include laws and regulations governing the quality of fuel products, ground pollution and emissions and discharges into air and water, the implementation of targets regarding the use of certain bio-fuel or renewable energy products, the handling and disposal of hazardous wastes, the use of vapor reduction systems to capture fuel vapor, and the remediation of contaminated sites. Environmental requirements, and the enforcement and interpretation of these requirements, change frequently and have generally become more stringent over time. Under various national, provincial, state and local laws and regulations, we may, as the owner or operator, be liable for the costs of removal or remediation of contamination at our current or former sites, whether or not we knew of, or caused, the presence of such contamination. We may also be subject to litigation costs, fines and other sanctions as a result of our failure to comply with these requirements.

Our business may also be affected by laws and regulations addressing global climate change and the role played in it by fossil fuel combustion and the resulting carbon emissions. Some jurisdictions in which we operate have enacted measures to limit carbon emissions, and such measures increase the costs of petroleum-based fuels above what they otherwise would be and may adversely affect the demand for road transportation fuel. Similarly, adoption of other environmental protection measures affecting the petroleum supply chain, such as more stringent requirements applicable to the exploration, drilling, and transportation of crude oil and to the refining and transportation of petroleum products, may also increase the costs of petroleum-based fuels with similar effects on demand for road transportation fuel. The impact of such developments, individually or in combination, could adversely affect our sales of road transportation fuel and associated gross profit.

Tax incentives and other subsidies in different legislations in which we operate have also made renewable fuels as well as alternative powered and energy-efficient vehicles more competitive than they otherwise would have been, which may adversely impact our business, financial condition and results of operations.

*Electronic payment modes.* We are exposed to significant fluctuations in expenses related to electronic payment modes resulting from large changes in road transportation fuel retail prices, because the majority of this expense is based on a percentage of the retail prices of road transportation fuel. For fiscal 2019, a variation of 10.0% in our expenses associated with electronic payment modes would have had an impact of approximately $0.08 on earnings per share on a diluted base.

*Competition.* The industries and geographic areas in which we operate are highly competitive and marked by a constant change in terms of the number and type of retailers offering the products and services found in our stores. We compete with other convenience store chains, independent convenience stores, gas station operators, large and small food retailers, quick service restaurants, local pharmacies and pharmacy chains and dollar stores. There can be no assurance that we will be able to compete successfully against our competitors. Our business may also be adversely affected if we do not sustain our ability to meet customer requirements relative to price, quality, customer service and service offerings.

*Tax laws and liabilities.* We are subject to extensive tax obligations imposed by multiple jurisdictions, including direct and indirect taxes, payroll taxes, franchise taxes, foreign withholding taxes and property taxes. New or changes to existing tax laws and regulations could result in increased tax expenses or liabilities in the future and could materially and adversely impact our financial condition, results of operations and cash flows. Additionally, many tax obligations are subject to periodic audits by tax authorities which could result in penalties and interest payments.

*Acquisitions.* Acquisitions have been and should continue to be a significant part of our growth strategy. Our ability to identify and complete strategic acquisitions in the future may be limited by different factors, including the number of attractive acquisition targets with motivated sellers, internal demands on our resources and, to the extent necessary, our ability to obtain regulatory approval and financing on satisfactory terms for larger acquisitions, if at all.

Achieving anticipated benefits and synergies of an acquisition will depend in part on whether the operations, systems, management and cultures of our corporation and the acquired business can be integrated in an efficient and effective manner and whether the presumed bases or sources of synergies produce the benefits anticipated. We may not be able to achieve anticipated synergies and cost savings for an acquisition for many reasons, including contractual constraints, an inability to take advantage of expected synergistic savings and increased operating efficiencies, loss of key employees, or changes in tax laws and regulations. The process of integrating an acquired business may lead to greater than expected operating costs, significant one-time write-offs or restructuring charges, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, or suppliers). Failure to successfully integrate an acquired business may have an adverse effect on our business, financial condition and results of operations.

Although we perform a due diligence investigation of the businesses or assets that we acquire, there may be liabilities or expenses of the acquired business or assets that we do not uncover during our due diligence investigation and for which we, as a successor owner, may be responsible. The discovery of any material liabilities relating to an acquisition could have a material adverse effect on our business, financial condition and results of operations.

*Dependence on third party suppliers.* Our fuel business is dependent upon the supply of refined oil products from a relatively limited number of suppliers and upon a distribution network serviced principally by third party tanker trucks. In the case of our key suppliers, an event causing disruptions to any of these suppliers' supply chains or refineries could have a significant effect on our ability to receive refined oil products for resale, or result in us paying a higher cost to obtain such products.

*Litigation.* In the ordinary course of business, we are a defendant in a number of legal proceedings, suits, and claims common to companies engaged in our business and an adverse outcome in such proceedings could adversely affect our business, financial condition and results of operations. Effectively, convenience store businesses and other foodservices operators can be adversely affected by litigation and complaints from customers or government agencies resulting from food quality, illness, or other health or environmental concerns or operating issues stemming from one or more locations. Lack of fresh food handling experience among our workforce increases the risk of food borne illness resulting in litigation and reputational damage. Adverse publicity about these allegations may negatively potentially affect us, regardless of whether the allegations are true, by discouraging customers from purchasing fuel, merchandise or food at one or more of our convenience stores. We could also incur significant liabilities if a lawsuit or claim results in a decision against us. Even if we are successful in defending such litigation, our litigation costs could be significant, and the litigation may divert time and money away from our operations and adversely affect our performance or our ability to continue operating our stores.

*Brand image and reputation.* Trademarks and other proprietary rights are important to the Corporation's competitive position and we benefit from a well-recognized brand. If the Corporation is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation claiming any rights thereto, the value of the brand could be diminished, causing customer confusion and materially adversely impacting our business and financial results. Failure to maintain product safety and quality could materially adversely affect our brand image and reputation and lead to potential product liability claims (including class-action), government agency investigations and damages.

*Recruitment and retention of highly qualified employees.* We are dependent on our ability to attract and retain a strong management team and key employees. If, for any reason, we are not able to attract and retain sufficient and appropriately skilled people, our business, our financial results and our ability to achieve our strategic objectives may be compromised.

*Seasonality and natural disasters.* Weather conditions can have an impact on our revenues as historical purchase patterns indicate that our customers increase their transactions and also purchase higher margin items when weather conditions are favourable. We have operations in the Southeast and West Coast regions of the United States and, although these regions are generally known for their mild weather, they are susceptible to severe storms, hurricanes, earthquakes and other natural disasters.

*Hazards and risks associated with fuel products.* Our operations expose us to certain risks, particularly at our terminals and other storage facilities, where large quantities of fuel are stored, and at our fuel stations. These risks include equipment failure, work accidents, fires, explosions, vapour emissions, spills and leaks at storage facilities and/or in the course of transportation to or from our or a third party's terminal, fuel stations or other sites. In addition, we are also exposed to the risk of accidents involving the tanker trucks used in our fuel product distribution system. These types of hazards and accidents may cause personal injuries or the loss of life, business interruptions and/or property, equipment and environmental contamination and damage. Further, we may be subject to litigation, compensation claims, governmental fines or penalties or other liabilities or losses in relation to such incidents and accidents and may incur significant costs as a result. Such incidents and accidents may also affect our reputation or our brands, leading to a decline in the sales of our products and services, and may adversely impact our business, financial condition and results of operations.

*Indebtedness.* We currently have $6.1 billion of bonds with an average effective interest rate of 3.212% with the latest maturity date being July 26, 2047. This level of indebtedness could have important consequences, such as allocating a portion of cash flows from operations to the payment of interests on the indebtedness and other financial obligations, and thus making it unavailable for other purposes and potentially affecting the corporation's ability to obtain additional financing. The credit arrangements contain restrictive covenants that may limit our ability to incur, assume or permit to exist additional indebtedness, guarantees or liens. They also require the corporation to comply with certain coverage ratio tests which may prevent the corporation from pursuing certain business opportunities or taking certain actions.

*Exchange rate.* The functional currency of our parent Company is the Canadian dollar. As such, our investments in our U.S. and European operations are exposed to net changes in currency exchange rates. Should changes in currency exchange rates occur, the amount of our net investment in our U.S. and European operations could increase or decrease. From time to time, we use cross-currency interest rate swap agreements to hedge a portion of this risk.

We are also exposed to foreign currency risk with respect to a portion of our long-term debt denominated in US dollars, Norwegian-krone and Euro-denominated senior unsecured notes and cross-currency interest rate swaps. As at April 28, 2019, all else being equal, a hypothetical variation of 5.0% of the US dollar would have had a net impact of $36.0 million on Other comprehensive income (loss) which would be offset by equivalent amounts from the hedged net investments. For the cash and cash equivalent denominated in foreign currencies, as at April 28, 2019 and with all other variables held constant, a hypothetical variation of 5.0% of the US-dollar would have had a net impact of $8.3 million on Other comprehensive income (loss).

We use the US dollar as our reporting currency. As such, changes in currency exchange rates could materially increase or decrease our foreign currency-denominated net assets on consolidation which would increase or decrease, as applicable, shareholders' equity. In addition, changes in currency exchange rates will affect the translation of the revenue and expenses of our Canadian and European operations and will result in lower or higher net earnings than would have occurred had the exchange rate not changed.

In addition to currency translation risks, we incur a currency transaction risk whenever one of our subsidiaries enters into a contract with customer or supplier labelled in a different currency than its functional currency. Given the volatility of exchange rates, we may not be able to manage our currency transaction and/or translation risks effectively, and volatility in currency exchange rates could have an adverse effect on our business, financial condition and results of operations.

*Credit risk.* We are exposed to credit risk arising from our indexed deposit contract including an embedded total return swap and cross-currency interest rate swaps when these swaps result in a receivable from financial institutions. We do not currently use derivative instruments to mitigate this risk.

*Interest rates*. We are exposed to interest rate fluctuations associated with changes in the short-term interest rate. Borrowings under our credit facilities bear interest at variable rates, and other debt we incur could likewise bear interest at variable rates. As at April 28, 2019, we carried a variable rate debt of approximately $940.0 million. Based on the amount of our variable rate debt as at April 28, 2019, a one percentage point increase in interest rates would decrease our earnings per share by $0.02 on a diluted basis. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flows. We do not currently use derivative instruments to mitigate this risk. We could also be exposed to a risk of change in cash flows due to changes in interest rates on future debt issuance. To mitigate this risk, we could enter into derivates in order to hedge the interest rates on forecasted debt issuance.

*Liquidity.* Liquidity risk is the risk that we will encounter difficulties in meeting our obligations associated with financial liabilities and lease commitments. We are exposed to this risk mainly through our long-term debt, accounts payable and accrued expenses, lease agreements and derivative financial instruments when their fair value is unfavorable for us. Our liquidities are provided mainly by cash flows from operating activities and borrowings available under our revolving credit facilities.

*Accounts receivable.* We are exposed to risk related to the creditworthiness and performance of our customers, suppliers and contract counterparties. As of April 28, 2019, we had outstanding accounts receivable totaling $1.9 billion. This amount primarily consists of vendor rebates due from our suppliers, credit card receivables, receivables arising from the sale of fuel and other products to independent franchised or licensed fuel station operators as well as amounts receivable from other industrial and commercial clients. Contracts with longer payment cycles or difficulties in enforcing contracts or collecting accounts receivable could lead to material fluctuations in our cash flows and could adversely impact our business, financial condition and results of operations.

*Insurance.* We carry comprehensive liability, fire and extended coverage insurance on most of our facilities, with policy specifications and insured limits customarily carried in our industry for similar properties. There can be no assurance that we will be able to continue to obtain such insurance on favourable terms or at all. Some types of losses, such as losses resulting from wars, acts of terrorism, or natural disasters, generally are not insured because they are either uninsurable or not economically practical.

*Economic conditions.* Our revenues may be negatively influenced by changes in global, national, regional and/or local economic variables and consumer confidence. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of our market areas.

*Global operations.* We have significant operations in multiple jurisdictions throughout the world. Some of the risks inherent in the scope of our international operations include: the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems, more expansive legal rights of foreign labor unions and employees, foreign currency exchange rate fluctuations, the potential for changes in local economic conditions, potential tax inefficiencies in repatriating funds from foreign subsidiaries and exchange controls and restrictive governmental actions, such as restrictions on transfer or repatriation of funds and trade protection matters, including prohibitions or restrictions on acquisitions or joint ventures. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

*Corporate structure.* We are a holding company and essentially all of our assets consist of the capital stock of our material subsidiaries. We conduct substantially all of our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before us.

*Acts of war or terrorism.* Acts of war and terrorism could impact general economic conditions and the supply and price of crude oil. Such events could adversely impact our business, financial condition and results of operations.

# Outlook

For 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.

July 9, 2019

# Management's Report

The consolidated financial statements of Alimentation Couche-Tard Inc. and the financial information contained in this Annual Report are the responsibility of management. This responsibility is applied through a judicious choice of accounting procedures and principles, the application of which requires the informed judgment of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and were approved by the Board of Directors. In addition, the financial information included in the Annual Report is consistent with the consolidated financial statements.

Alimentation Couche-Tard Inc. maintains accounting and administrative control systems which, in the opinion of management, ensure the reasonable accuracy, relevance and reliability of financial information and the well-ordered, efficient management of the Corporation's affairs.

The Board of Directors is responsible for approving the consolidated financial statements included in this Annual Report, primarily through its Audit Committee. This committee, which holds periodic meetings with members of management as well as with the independent auditors, reviewed the consolidated financial statements of Alimentation Couche-Tard Inc. and recommended their approval to the Board of Directors.

The consolidated financial statements for the fiscal years ended April 28, 2019, and April 29, 2018, were audited by PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, and their report indicates the extent of their audit and their opinion on the consolidated financial statements.

July 9, 2019

*/s/ Brian Hannasch*
Brian Hannasch
President and
Chief Executive Officer

*/s/ Claude Tessier*
Claude Tessier
Chief Financial Officer

# Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for Alimentation Couche-Tard Inc., as such term is defined in Canadian securities regulations. With our participation, management carried out an evaluation of the effectiveness of our internal control over financial reporting for the fiscal year ended April 28, 2019. The framework on which such evaluation was based is contained in the report entitled *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). This evaluation includes the review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate. Based on this evaluation, management concluded that Alimentation Couche-Tard Inc.'s internal control over financial reporting was effective as at April 28, 2019.

PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, audited the effectiveness of Alimentation Couche-Tard Inc.'s internal control over financial reporting as at April 28, 2019 and expressed an unqualified opinion thereon, which is included herein.

July 9, 2019

*/s/ Brian Hannasch*
Brian Hannasch
President and
Chief Executive Officer

*/s/ Claude Tessier*
Claude Tessier
Chief Financial Officer

# Independent auditor's report

To the Shareholders of
Alimentation Couche-Tard Inc.

**Our opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alimentation Couche-Tard Inc. and its subsidiaries (together, the Corporation) as at April 28, 2019 and April 29, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

*What we have audited*

The Corporation's consolidated financial statements comprise:

- The consolidated balance sheets as at April 28, 2019 and April 29, 2018;
- The consolidated statements of earnings for the years then ended;
- The consolidated statements of comprehensive income for the years then ended;
- The consolidated statements of changes in equity for the years then ended;
- The consolidated statements of cash flows for the years then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

**Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

**Other matter – audit of internal control over financial reporting.**

We also have audited, in accordance with the standards for audits of internal control over financial reporting set out in the CPA Canada Handbook – Assurance, the Corporation's internal control over financial reporting as at April 28, 2019, in accordance with criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and issued our report dated July 9, 2019.

**Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sonia Boisvert.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
July 9, 2019

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[1] FCPA auditor, FCA, public accountancy permit No. A116853

# Independent auditor's report

To the Shareholders of
Alimentation Couche-Tard Inc.

We have audited the effectiveness of Alimentation Couche-Tard Inc. and its subsidiaries' internal control over financial reporting as at April 28, 2019.

**Management's responsibility**

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting.

**Auditor's responsibility**

Our responsibility is to express an opinion, based on our audit, on whether the entity's internal control over financial reporting was effectively maintained in accordance with criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

We conducted our audit in accordance with the standard for audit of internal control over financial reporting set out in the CPA Canada Handbook – Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures, as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, Alimentation Couche-Tard Inc. and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as at April 28, 2019, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)*, issued by COSO.

We also have audited, in accordance Canadian generally accepted auditing standards, the consolidated financial statements of Alimentation Couche-Tard Inc. and its subsidiaries as at April 28, 2019 and April 29, 2018 and for the years then ended and issued our report dated July 9, 2019.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec
July 9, 2019

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[1] FCPA auditor, FCA, public accountancy permit No. A116853

# Consolidated Statements of Earnings

For the fiscal years ended April 28, 2019 and April 29, 2018
(in millions of US dollars (Note 2), except per share amounts)

| | **2019** | 2018 (adjusted, Note 2) |
|---|---|---|
| | **$** | $ |
| **Revenues** | **59,117.6** | 51,394.4 |
| Cost of sales (Note 8) | **49,922.7** | 43,282.9 |
| **Gross profit** | **9,194.9** | 8,111.5 |
| Operating, selling, administrative and general expenses | **5,646.1** | 5,124.8 |
| Restructuring costs (Note 22) | **10.5** | 56.9 |
| Gain on disposal of property and equipment and other assets (Note 6) | **(21.3)** | (17.7) |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets (Notes 16 and 17) | **1,070.7** | 910.6 |
| **Total operating expenses (Note 8)** | **6,706.0** | 6,074.6 |
| **Operating income** | **2,488.9** | 2,036.9 |
| Share of earnings of joint ventures and associated companies accounted for using the equity method (Note 7) | **23.4** | 32.0 |
| Financial expenses | **338.7** | 295.8 |
| Financial revenues | **(13.3)** | (8.9) |
| Foreign exchange (gain) loss | **(5.3)** | 48.4 |
| **Net financial expenses (Note 10)** | **320.1** | 335.3 |
| Earnings before income taxes | **2,192.2** | 1,733.6 |
| Income taxes (Note 11) | **370.9** | 56.1 |
| **Net earnings including non-controlling interests** | **1,821.3** | 1,677.5 |
| Net loss (earnings) attributable to non-controlling interests (Note 5) | **12.6** | (6.9) |
| **Net earnings attributable to shareholders of the Corporation** | **1,833.9** | 1,670.6 |
| Net earnings per share (Note 12) | | |
| Basic | **3.25** | 2.95 |
| Diluted | **3.25** | 2.95 |

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

# Consolidated Statements of Comprehensive Income

For the fiscal years ended April 28, 2019 and April 29, 2018
(in millions of US dollars (Note 2))

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | $ | $ |
| **Net earnings including non-controlling interests** | **1,821.3** | 1,677.5 |
| **Other comprehensive (loss) income** | | |
| **Items that may be reclassified subsequently to earnings** | | |
| **Translation adjustments** | | |
| Change in cumulative translation adjustments[1] | **(207.9)** | 137.3 |
| Cumulative translation adjustments reclassified to earnings (Note 6) | **(0.8)** | - |
| 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[2] (Note 21) | **(84.5)** | 84.2 |
| **Cash flow hedges** | | |
| Change in fair value of financial instruments[2] (Note 28) | **3.3** | (11.9) |
| Loss realized on financial instruments transferred to earnings[2] (Note 28) | **1.9** | 5.0 |
| **Available-for-sale investment** | | |
| Change in fair value of an available-for-sale investment[2] | **-** | 1.1 |
| Gain realized on an available-for-sale investment transferred to earnings[2] (Note 4) | **-** | (8.8) |
| **Items that will never be reclassified to earnings** | | |
| Net actuarial (loss) gain[3] (Note 27) | **(2.3)** | 25.1 |
| Other comprehensive (loss) income | **(290.3)** | 232.0 |
| **Comprehensive income including non-controlling interests** | **1,531.0** | 1,909.5 |
| Comprehensive loss (income) attributable to non-controlling interests | **12.6** | (6.9) |
| **Comprehensive income attributable to shareholders of the Corporation** | **1,543.6** | 1,902.6 |

(1) For the fiscal years ended April 28, 2019 and April 29, 2018, these amounts include losses of $143.1 (net of income taxes of $21.9) and gains of $70.1 (net of income taxes of $11.1), respectively. These gains and losses arise from the translation of long-term debts denominated in foreign currencies.
(2) For the fiscal years ended April 28, 2019 and April 29, 2018, these amounts are net of income taxes of $1.6 and $3.8, respectively.
(3) For the fiscal years ended April 28, 2019 and April 29, 2018, these amounts are net of income taxes of $1.5 and $7.6, respectively.

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

# Consolidated Statements of Changes in Equity

For the fiscal years ended April 28, 2019 and April 29, 2018
(in millions of US dollars (Note 2))

**2019**

| | **Attributable to the shareholders of the Corporation** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Capital stock** | **Contributed surplus** | **Retained earnings** | **Accumulated other comprehensive loss (Note 26)** | **Total** | **Non-controlling interests** | **Equity** |
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Balance, beginning of year** | **704.0** | **17.7** | **7,405.0** | **(566.3)** | **7,560.4** | **327.0** | **7,887.4** |
| Adoption of IFRS 15 (Note 3) | | | **(4.1)** | | **(4.1)** | **-** | **(4.1)** |
| **Adjusted balance, beginning of period** | **704.0** | **17.7** | **7,400.9** | **(566.3)** | **7,556.3** | **327.0** | **7,883.3** |
| Comprehensive income: | | | | | | | |
| Net earnings (loss) | | | **1,833.9** | | **1,833.9** | **(12.6)** | **1,821.3** |
| Other comprehensive loss | | | | **(290.3)** | **(290.3)** | **-** | **(290.3)** |
| Comprehensive income (loss) | | | | | **1,543.6** | **(12.6)** | **1,531.0** |
| Dividends declared | | | **(181.3)** | | **(181.3)** | | **(181.3)** |
| Distributions to non-controlling interests (Note 5) | | | | | | **(56.5)** | **(56.5)** |
| Stock option-based compensation expense (Note 25) | | **4.4** | | | **4.4** | | **4.4** |
| Exercise of stock options | **2.8** | **(2.6)** | | | **0.2** | | **0.2** |
| **Balance, end of year** | **706.8** | **19.5** | **9,053.5** | **(856.6)** | **8,923.2** | **257.9** | **9,181.1** |

2018
(adjusted, Note 2)

| | Attributable to the shareholders of the Corporation | | | | | | |
|---|---|---|---|---|---|---|---|
| | Capital stock | Contributed surplus | Retained earnings | Accumulated other comprehensive loss (Note 26) | Total | Non-controlling interests | Equity |
| | $ | $ | $ | $ | $ | $ | $ |
| **Balance, beginning of year** | 708.7 | 15.7 | 6,083.5 | (798.3) | 6,009.6 | - | 6,009.6 |
| Acquisition of control of CAPL (Note 4) | | | | | | 370.6 | 370.6 |
| Comprehensive income: | | | | | | | |
| Net earnings | | | 1,670.6 | | 1,670.6 | 6.9 | 1,677.5 |
| Other comprehensive income | | | | 232.0 | 232.0 | - | 232.0 |
| Comprehensive income | | | | | 1,902.6 | 6.9 | 1,909.5 |
| Dividends declared | | | (162.4) | | (162.4) | | (162.4) |
| Distributions to non-controlling interests (Note 5) | | | | | | (50.5) | (50.5) |
| Stock option-based compensation expense (Note 25) | | 3.6 | | | 3.6 | | 3.6 |
| Exercise of stock options | 1.7 | (1.6) | | | 0.1 | | 0.1 |
| Repurchase and cancellation of shares (Note 24) | (6.4) | | (186.7) | | (193.1) | | (193.1) |
| **Balance, end of year** | 704.0 | 17.7 | 7,405.0 | (566.3) | 7,560.4 | 327.0 | 7,887.4 |

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

# Consolidated Statements of Cash Flows

For the fiscal years ended April 28, 2019 and April 29, 2018
(in millions of US dollars (Note 2))

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | **$** | $ |
| **Operating activities** | | |
| Net earnings including non-controlling interests | **1,821.3** | 1,677.5 |
| Adjustments to reconcile net earnings including non-controlling interests to net cash provided by operating activities | | |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets, and amortization of financing costs, net of amortization of deferred credits (Notes 16 and 17) | **1,039.1** | 883.0 |
| Deferred credits collected | **61.1** | 51.3 |
| Gain on disposal of property and equipment and other assets | **(21.3)** | (8.9) |
| Deferred income taxes (Note 11) | **91.7** | (209.8) |
| Share of earnings of joint ventures and associated companies accounted for using the equity method, net of dividends received (Note 7) | **2.4** | (11.5) |
| Gain realized on an available-for-sale investment transferred to earnings (Note 4) | **-** | (8.8) |
| Other | **9.8** | (3.0) |
| Changes in non-cash working capital (Note 13) | **79.5** | (206.7) |
| **Net cash provided by operating activities** | **3,083.6** | 2,163.1 |
| **Investing activities** | | |
| Purchase of property and equipment, intangible assets and other assets | **(1,145.1)** | (1,169.3) |
| Proceeds from disposal of property and equipment and other assets (Note 6) | **215.6** | 132.1 |
| Proceeds from disposal of marine fuel business (Note 6) | **24.3** | - |
| Change in restricted cash | **(16.9)** | (13.5) |
| Business acquisitions (Note 4) | **(13.1)** | (5,380.9) |
| Proceeds from disposal of CST's assets held for sale (Note 4) | **-** | 895.5 |
| Proceeds from disposal of an available-for-sale investment (Note 4) | **-** | 91.6 |
| **Net cash used in investing activities** | **(935.2)** | (5,444.5) |
| **Financing activities** | | |
| Net (decrease) increase in term revolving unsecured operating credit D (Notes 13 and 20) | **(1,357.4)** | 702.9 |
| Net increase in CAPL senior secured revolving credit facility (Notes 13 and 20) | **516.0** | - |
| Net (decrease) increase in former CAPL senior secured revolving credit facility (Notes 13 and 20) | **(512.1)** | 64.5 |
| Decrease in acquisition facility (Notes 13 and 20) | **(413.5)** | (3,886.5) |
| Increase in unsecured non-revolving credit facility (Notes 13 and 20) | **213.5** | - |
| Decrease in unsecured non-revolving credit facility (Notes 13 and 20) | **(213.5)** | - |
| Cash dividends paid | **(181.3)** | (162.4) |
| CAPL distributions paid to non-controlling interests (Note 5) | **(56.5)** | (50.5) |
| Decrease in other debts (Notes 13 and 20) | **(52.2)** | (42.9) |
| Settlement of derivative financial instruments (Note 13) | **3.0** | (81.3) |
| Exercise of stock options | **0.2** | 0.2 |
| Increase in acquisition facility, net of financing costs (Notes 13 and 20) | **-** | 4,298.6 |
| Issuance of senior unsecured notes, net of financing costs (Notes 13 and 20) | **-** | 3,935.9 |
| Repayments of debts assumed on the CST acquisition (Notes 4 and 13) | **-** | (1,075.9) |
| Repayment of senior unsecured notes (Note 13) | **-** | (232.5) |
| Share repurchase | **-** | (193.1) |
| **Net cash (used in) provided by financing activities** | **(2,053.8)** | 3,277.0 |
| Effect of exchange rate fluctuations on cash and cash equivalents | **(54.4)** | 33.0 |
| **Net increase in cash and cash equivalents** | **40.2** | 28.6 |
| Cash and cash equivalents, beginning of year | **666.2** | 637.6 |
| Cash and cash equivalents, end of year | **706.4** | 666.2 |
| **Supplemental information:** | | |
| Interest paid | **291.1** | 233.5 |
| Interest and dividends received | **57.5** | 36.7 |
| Income taxes paid | **336.7** | 277.5 |

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

# Consolidated Balance Sheets

As at April 28, 2019 and April 29, 2018
(in millions of US dollars (Note 2))

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **706.4** | 666.2 |
| Restricted cash | **36.5** | 19.6 |
| Accounts receivable (Note 14) | **1,863.9** | 2,006.4 |
| Inventories (Note 15) | **1,467.7** | 1,369.0 |
| Prepaid expenses | **83.7** | 106.5 |
| Assets held for sale (Note 6) | **-** | 73.8 |
| Other short-term financial assets (Notes 21 and 28) | **-** | 1.8 |
| Income taxes receivable | **163.1** | 233.8 |
| | **4,321.3** | 4,477.1 |
| Property and equipment (Note 16) | **11,129.9** | 11,285.8 |
| Goodwill (Note 17) | **5,683.1** | 5,845.8 |
| Intangible assets (Note 17) | **944.4** | 1,048.0 |
| Other assets (Note 18) | **306.6** | 303.1 |
| Investment in joint ventures and associated companies (Note 7) | **136.0** | 139.4 |
| Deferred income taxes (Note 11) | **86.4** | 57.5 |
| | **22,607.7** | 23,156.7 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 19) | **3,917.1** | 3,809.2 |
| Short-term provisions (Note 22) | **160.0** | 179.4 |
| Other short-term financial liabilities (Notes 21 and 28) | **123.6** | - |
| Income taxes payable | **70.6** | 147.1 |
| Liabilities associated with assets held for sale (Note 6) | **-** | 5.8 |
| Current portion of long-term debt (Note 20) | **1,310.7** | 44.5 |
| | **5,582.0** | 4,186.0 |
| Long-term debt (Note 20) | **5,640.7** | 8,862.2 |
| Long-term provisions (Note 22) | **590.1** | 610.7 |
| Pension benefit liability (Note 27) | **92.6** | 100.0 |
| Other long-term financial liabilities (Notes 21 and 28) | **135.1** | 173.5 |
| Income taxes payable | **-** | 58.9 |
| Deferred credits and other liabilities (Note 23) | **349.0** | 351.3 |
| Deferred income taxes (Note 11) | **1,037.1** | 926.7 |
| | **13,426.6** | 15,269.3 |
| **Equity** | | |
| Capital stock (Note 24) | **706.8** | 704.0 |
| Contributed surplus | **19.5** | 17.7 |
| Retained earnings | **9,053.5** | 7,405.0 |
| Accumulated other comprehensive loss (Note 26) | **(856.6)** | (566.3) |
| Equity attributable to shareholders of the Corporation | **8,923.2** | 7,560.4 |
| Non-controlling interests (Note 5) | **257.9** | 327.0 |
| | **9,181.1** | 7,887.4 |
| | **22,607.7** | 23,156.7 |

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

On behalf of the Board,

| | |
|---|---|
| */s/ Brian Hannasch* | */s/ Alain Bouchard* |
| **Brian Hannasch** | **Alain Bouchard** |
| Director | Director |

## 1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Alimentation Couche-Tard Inc. (the "Corporation") is governed by the *Business Corporations Act* (Quebec). The Corporation's head office is located at 4204 Boulevard Industriel in Laval, Quebec, Canada.

As at April 28, 2019, the Corporation operates and licenses 12,575 convenience stores across North America, Ireland, Scandinavia (Norway, Sweden and Denmark), Poland, the Baltics (Estonia, Latvia and Lithuania) and Russia, of which 9,794 are company-operated, and generates income primarily from the sale of tobacco products and alternative tobacco products, grocery items, candy and snacks, beverages, beer, wine and fresh food offerings, including quick service restaurants, car wash services, other services and road transportation fuel. In addition, through CrossAmerica Partners LP ("CAPL"), the Corporation supplies road transportation fuel under various brands to approximately 1,300 locations in the United States.

Furthermore, under licensing agreements, more than 2,150 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings the worldwide total network to more than 16,000 stores.

## 2. BASIS OF PRESENTATION

**Year-end date**

The Corporation's year-end is the last Sunday of April of each year. The fiscal years ended April 28, 2019 and April 29, 2018 are referred to as "2019" and "2018".

**Basis of presentation**

The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

**Reporting currency**

The parent corporation's functional currency is the Canadian dollar. However, the Corporation uses the US dollar as its reporting currency to provide more relevant information considering its predominant operations in the United States.

**Approval of the financial statements**

On July 9, 2019, the Corporation's consolidated financial statements were approved by the Board of Directors, which also approved their publication.

**Comparative figures**

During fiscal 2019, the Corporation has made adjustments and finalized its estimates of the fair value of assets acquired and liabilities assumed for the acquisition of Holiday Stationstores, LLC (Note 4). As a result, changes were made to the following consolidated balance sheet accounts as at April 29, 2018: Property and equipment increased by $190.8 (net of a $2.1 depreciation expense), Intangible assets increased by $13.7 (net of a $2.1 depreciation expense), Investment in joint ventures and associated companies increased by $16.1, Accounts payable and accrued liabilities decreased by $3.6, Current portion of long-term debt increased by $1.6, Long-term debt increased by $18.2, Long-term provisions increased by $0.3, Deferred credits and other liabilities increased by $3.8 and Deferred income taxes decreased by $1.2. Consequently, Goodwill decreased by $204.5. These changes resulted in a $4.2 increase in Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets and a $1.2 decrease in income taxes in the consolidated statement of earnings for the fiscal year ended April 29, 2018 which are reflected in Retained earnings on the consolidated balance sheets.

During fiscal 2019, the Corporation has made adjustments and finalized its estimates of the fair value of assets acquired and liabilities assumed for the acquisition of Jet Pep, Inc. As a result, changes were made to the following consolidated balance sheet accounts as at April 29, 2018: Property and equipment increased by $6.4 and Goodwill decreased by $6.4.

## 3. ACCOUNTING POLICIES

**Change in accounting policies**

*Financial Instruments*

As of April 30, 2018, the Corporation adopted IFRS 9, *Financial Instruments*, which includes three requirements for recognition and measurement, impairment and general hedge accounting. These requirements were applied as follows:

The first requirement, recognition and measurement, which was applied retrospectively without restatement of comparative amounts, requires a new classification of financial assets and liabilities under IFRS 9.

The Corporation's financial instruments are accounted for as follows under IFRS 9 as compared to the Corporation's previous policy in accordance with IAS 39:

| Financial instrument | Classification – IAS 39 | Classification – IFRS 9 |
|---|---|---|
| Cash and cash equivalents | Loans and receivables | Amortized cost |
| Restricted cash | Loans and receivables | Amortized cost |
| Accounts receivable | Loans and receivables | Amortized cost |
| Investments | Financial assets available for sale | Fair value through earnings or loss (unless fair value through Other comprehensive income (OCI) is elected) |
| Derivative financial instruments | Financial assets/liabilities at fair value through earnings or loss | Fair value through earnings or loss |
| Derivative financial instruments designated as hedge | Effective hedging instruments | Fair value through earnings or loss subject to hedge accounting requirements |
| Bank indebtedness and long-term debt | Other financial liabilities | Amortized cost |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |

Since IFRS 9 largely retains requirements under IAS 39, the adoption of this requirement had no significant impact on the Corporation's financial statements nor was any measurement adjustment required on April 30, 2018.

The second requirement, impairment, replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. This requirement had no significant impact on the Corporation's consolidated financial statements.

The third requirement, general hedge accounting, entails that the Corporation must ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Corporation has elected not to adopt this requirement and instead, as permitted by IFRS 9, to continue to apply the general hedge accounting requirements of IAS 39 until further notice.

*Revenue from Contracts with Customers*

As of April 30, 2018, the Corporation adopted IFRS 15, *Revenue from Contracts with Customers* retrospectively without restatement of comparative amounts. The Corporation analyzed the impact of the new standard by comparing its current accounting policies with the new guidance and identified the differences from applying the new requirements to its different revenue streams. Under the previous accounting policies, the Corporation recognized initial franchise fees when all of the initial services required by the franchise agreement were performed, when there were no material unfulfilled conditions affecting completion of the sale and when there was no remaining obligation or intent to refund amounts received, which generally occurred when the franchise store opened. Under the new accounting policy, the Corporation recognizes a portion of the initial fees when the franchise store opens and defers remaining revenue over the estimated term of the related franchise agreement. As a result, the Corporation adjusted initial franchise fees revenue of $4.1 (net of income taxes of $1.3) to Retained earnings, with an offset to Deferred credits and other liabilities, Accounts payable and accrued liabilities and Income taxes payable.

*Classification and Measurement of Share-based Payment Transactions*

As of April 30, 2018, the Corporation applied amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. The amendments were applied prospectively and had no significant impact on the Corporation's consolidated financial statements.

**Use of estimates and judgments**

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, management reviews its estimates. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future. Actual results could differ from those estimates. The most significant accounting judgments and estimates that the Corporation has made in the preparation of the consolidated financial statements are discussed along with the relevant accounting policies when applicable and relate primarily to the following topics: vendor rebates, useful lives of tangible and intangible assets, income taxes, leases, employee future benefits, provisions, impairment and business combinations.

The Corporation is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**Principles of consolidation**

The consolidated financial statements include the accounts of the Corporation and its subsidiaries, which are generally wholly owned. They also include the Corporation's share of earnings of joint ventures and associated companies accounted for using the equity method. All intercompany balances and transactions have been eliminated on consolidation. See Note 5 for more details about the consolidation of CAPL.

Subsidiaries are entities over which the Corporation has control, where control is defined as the power to govern financial and operating policies. The Corporation generally has a direct or indirect shareholding of 100% of the voting rights in its subsidiaries. These criteria are reassessed regularly and subsidiaries are fully consolidated from the date control is transferred to the Corporation and deconsolidated from the date control ceases.

The Corporation holds contracts with franchisees and independent operators. They manage their store and are responsible for merchandising and financing their inventory. Their financial statements are not included in the Corporation's consolidated financial statements.

**Foreign currency translation**

*Functional currency*

The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent corporation and its Canadian operations is the Canadian dollar. The functional currency of foreign subsidiaries is generally their local currency, mainly the US dollar for operations in the United States and various other European currencies for operations in Europe.

*Foreign currency transactions*

Transactions denominated in foreign currencies are translated into the relevant functional currency as follows: monetary assets and liabilities are translated using the exchange rate in effect at the consolidated balance sheet date, whereas revenues and expenses are translated using the average exchange rate of the period. Non-monetary assets and liabilities are translated using historical rates or using the rate on the date they were valued at fair value. Gains and losses arising from such translations, if any, are reflected in the earnings except for assets and liabilities designated as part of hedging relationships.

*Consolidation and foreign operations*

The consolidated financial statements are consolidated in Canadian dollars using the following procedure: assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the consolidated balance sheet date. Revenues and expenses are translated using the average exchange rate of the period. Individual transactions with a significant impact on the consolidated statements of earnings, comprehensive income or cash flows are translated using the transaction date exchange rate.

Gains and losses arising from such translation are included in Accumulated other comprehensive income (loss) in Equity. The translation difference derived from each foreign subsidiary, associated company or joint venture is transferred to the consolidated statements of earnings as part of the gain or loss arising from the divestment or liquidation of such a foreign entity when there is a loss of control, or a change in ownership of the associated company or joint venture, respectively.

*Reporting currency*

The Corporation has adopted the US dollar as its reporting currency. The Canadian-dollar consolidated financial statements are translated into the reporting currency using the procedure described above. Capital stock, Contributed surplus and Retained earnings are translated using historical rates. Gains and losses arising from such translations are included in Accumulated other comprehensive income (loss) in Equity.

**Net earnings per share**

Basic net earnings per share are calculated by dividing the net earnings available to Class A and Class B shareholders by the respective weighted average number shares outstanding during the year. Diluted net earnings per share are calculated using the average weighted number of shares outstanding plus the weighted average number of shares that would be issued upon the conversion of all potential dilutive stock options into common shares.

**Revenue recognition**

*For the fiscal year ended April 28, 2019, under IFRS 15, Revenue from Contracts with Customers*

For its three major product categories, merchandise and services, road transportation fuel and other, the Corporation recognizes revenue when control of goods or services is transferred to a customer.

For retail operations, merchandise sales primarily comprise the sale of tobacco products and alternative tobacco products, grocery items, candy and snacks, beverages, beer, wine and fresh food offerings, including quick service restaurants. Service revenues include commissions on the sale of lottery tickets and the issuance of money orders, fees from automatic teller machines, sales of calling cards and gift cards, fees for cashing checks, sales of postage stamps and bus tickets and car wash revenues. Road transportation fuel sales comprise the sale of different types of road transportation fuel via fuel dispensers located at the Corporation's convenience stores or automate stations. These revenues are recognized at the time of the transaction since control of goods and services is considered transferred when customer makes payment and takes possession of the sold item.

Service revenues also include franchise and license fees, which are recognized in revenues over the period of the agreement, initial franchise fees for which a portion is recognized when the franchise store opens and the remaining portion is deferred and recognized over the estimated term of the related agreement, as well as commissions from agents, and royalties from franchisees and licensees, which are recognized periodically based on sales reported by agents, and franchise and license operators. Starting fiscal year 2020, the Corporation will also sell cannabis products through its licensed store in Ontario, Canada.

For its wholesale operations, the Corporation generally recognizes sales of merchandise and goods to certain independent operators and franchisees made from the Corporation's distribution centers and sales of road transportation fuel upon delivery to its customers.

Other revenues include aviation fuel, sales of energy for stationary engines and marine fuel (until November 30, 2018), which are generally recognized upon delivery to the customer. Other revenues also include rental income from operating leases, which is recognized on a straight-line basis over the term of the lease.

In markets where refined oil products are purchased excluding excise duties, revenues from sales to customers are reported net of excise duties. In markets where refined oil products are purchased including excise duties, revenues and costs of goods sold are reported including these duties.

*For the fiscal year ended April 29, 2018, under IAS 18, Revenue*

For its three major product categories, merchandise and services, road transportation fuel and other, the Corporation generally recognizes revenue at the point of sale for convenience operations. For wholesale operations, the Corporation generally recognizes road transportation fuel revenue upon delivery to its customers. Merchandise sales primarily comprise the sale of tobacco products and alternative tobacco products, grocery items, candy and snacks, beverages, beer, wine and fresh food offerings, including quick service restaurants. Merchandise sales also include the wholesale of merchandise and goods to certain independent operators and franchisees made from the Corporation's distribution centers, which are generally recognized on the passing of possession of the goods and when the transfer of the associated risk is made.

Service revenues include commissions on the sale of lottery tickets and issuance of money orders, fees from automatic teller machines, sales of calling cards and gift cards, fees for cashing checks, sales of postage stamps and bus tickets and car wash revenues. These revenues are recognized at the time of the transaction. Service revenues also include franchise and license fees, which are recognized in revenues over the period of the agreement, as well as commissions from agents, and royalties from franchisees and licensees, which are recognized periodically based on sales reported by agents, and franchise and license operators.

In markets where refined oil products are purchased excluding excise duties, revenues from sales to customers are reported net of excise duties. In markets where refined oil products are purchased including excise duties, revenues and costs of goods sold are reported including these duties.

Other revenues include sales of energy for stationary engines, marine fuel and aviation fuel, which are generally recognized on the passing of possession of the goods and when the transfer of the associated risk is made. Other revenues also include rental income from operating leases, which is recognized on a straight-line basis over the term of the lease.

**Cost of sales and vendor rebates**

Cost of sales mainly comprises the cost of finished goods and input materials, as well as transportation costs when they are incurred to bring products to the point of sale.

The Corporation records cash received from vendors related to vendor rebates as a reduction in the price of the vendors' products and reflects them as a reduction of cost of sales and related inventory in its consolidated statements of earnings and consolidated balance sheets when it is probable that they will be received. The Corporation estimates the probability based on the consideration of a variety of factors, including quantities of items sold or purchased, market shares and other conditions specified in the contracts. The accuracy of the Corporation's estimates can be affected by many factors, some of which are beyond its control, including changes in economic conditions and consumer buying trends. Historically, the Corporation has not experienced significant differences in its estimates compared with actual results. Amounts received but not yet earned are presented in Deferred credits.

**Operating, selling, administrative and general expenses**

The main items comprising Operating, selling, administrative and general expenses are labor, net occupancy costs, electronic payment modes fees, commissions to dealers and agents and overhead.

**Cash and cash equivalents**

Cash includes cash and demand deposits. Cash equivalents include highly liquid investments that can be readily converted into cash for a fixed amount and which mature less than three months from the date of acquisition.

**Restricted cash**

Restricted cash comprises, when applicable, escrow deposits held by independent escrow agent to fund pending acquisitions and future capital expenditures but restricted by certain release conditions.

**Inventories**

Inventories are valued at the lesser of cost and net realizable value. The cost of merchandise is generally valued based on the retail price less a normal margin. The cost of road transportation fuel inventory is generally determined according to the average cost method.

**Income taxes**

The income tax expense recorded to earnings is the sum of the Deferred income taxes and Current income taxes that are not recognized in Other comprehensive income (loss) or directly in Equity.

The Corporation uses the balance sheet liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the carrying amount and the tax base of assets and liabilities, using enacted or substantively enacted tax rates and laws, as appropriate, at the date of the consolidated financial statements for the years in which the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and the Corporation intends to settle its current tax assets and liabilities on a net basis.

**Property and equipment, depreciation, amortization and impairment**

Property and equipment are stated at cost less accumulated depreciation and are depreciated over their estimated useful lives using the straight-line method based on the following periods:

| | |
|---|---|
| Buildings and building components | 3 to 40 years |
| Equipment | 3 to 40 years |
| Buildings and equipment under finance leases and leasehold improvements | Lesser of the lease term and useful life |

Building components include air conditioning and heating systems, plumbing and electrical fixtures. Equipment includes signage, fuel equipment and in-store equipment.

Property and equipment are tested for impairment should events or circumstances indicate that their book value may not be recoverable, as measured by comparing their net book value to their recoverable amount, which corresponds to the higher of fair value less costs to sell and value in use of the asset or the cash-generating unit ("CGU"). Should the carrying amount of property and equipment exceed their recoverable amount, an impairment loss in the amount of the excess would be recognized.

The Corporation performs an annual evaluation of residual values, estimated useful lives and depreciation methods used for property and equipment and any change resulting from this evaluation is applied prospectively by the Corporation.

**Goodwill**

Goodwill is the excess of the cost of an acquired business over the fair value of underlying net assets acquired from the business at the time of acquisition. Goodwill is not amortized. Rather, it is tested for impairment annually during the Corporation's first quarter or more frequently should events or changes in circumstances indicate that it might be impaired or if necessary due to the timing of acquisitions. Should the carrying amount of a CGU's goodwill exceed its recoverable amount, an impairment loss would be recognized.

**Intangible assets**

Intangible assets mainly comprise trademarks, franchise agreements, motor fuel supply agreements, software, favorable leases and licenses. Licenses and trademarks that have indefinite lives, since they do not expire, are recorded at cost, are not amortized and are tested for impairment annually during the first quarter or more frequently should events or changes in circumstances indicate that they might be impaired or if necessary due to the timing of acquisitions. Motor fuel supply agreements, franchise agreements and trademarks with finite lives are recorded at cost and are amortized using the straight-line method over the term of the agreements they relate to. Favorable leases represent lease terms that are favorable compared to those currently available in the marketplace, and they are amortized using the straight-line method over the term of the lease. Software and other intangible assets are amortized using the straight-line method over a period of 3 to 15 years.

**Leases**

*Determining whether an arrangement contains a lease*

At inception of an arrangement, the Corporation analyzes whether an arrangement is or contains a lease by assessing if:

- Fulfilment of the arrangement is dependent on the use of a specified asset or assets; and
- The arrangement conveys a right to use the asset or assets.

The Corporation has assessed that some arrangements with franchisees contain embedded lease agreements and accordingly accounts for a portion of those agreements as lease agreements.

The Corporation distinguishes between lease contracts and capacity contracts. Lease contracts provide the right to use a specific asset for a period of time. Capacity contracts confer the right to and the obligation to pay for availability of certain capacity volumes related primarily to transportation. Such capacity contracts that do not involve specified single assets or that do not involve substantially all the capacity of an undivided interest in a specific asset are not considered to qualify as leases for accounting purposes. Capacity payments are recognized in the consolidated statements of earnings in Operating, selling, administrative and general expenses.

*Lease arrangements in which the Corporation is a lessee*

The Corporation accounts for finance leases in instances where it has acquired substantially all the benefits and risks incidental to ownership of the leased property. In some cases, the characterization of a lease transaction is not evident, and management uses judgment in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and benefits incidental to ownership to the Corporation. Judgment is required on various aspects that include, but are not limited to, the fair value of the leased asset, the economic life of the leased asset, whether or not to include renewal options in the lease term and determining an appropriate discount rate to calculate the present value of the minimum lease payments. The Corporation's activities involve a considerable number of lease agreements, most of which are determined to be operational in nature. The cost of assets under finance leases represents the present value of minimum lease payments or the fair value of the leased property, whichever is lower, and is amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter. Assets under finance leases are presented under Property and equipment in the consolidated balance sheets.

Leases that do not transfer substantially all the benefits and risks incidental to ownership of the property are accounted for as operating leases. When a lease contains a predetermined fixed escalation of the minimum rent, the Corporation recognizes the related rent expense on a straight-line basis over the term of the lease and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent expense.

The Corporation also receives tenant allowances, which are amortized on a straight-line basis over the term of the lease or the useful life of the asset, whichever is shorter.

Gains and losses resulting from sale and leaseback transactions are recorded in the consolidated earnings at the transaction date except if:

- The sale price is below fair value and the loss is compensated for by future lease payments below market price, in which case the loss shall be deferred and amortized in proportion to the lease payments over the period during which the asset is expected to be used; or
- The sale price is above fair value, in which case the excess shall be deferred and amortized over the period during which the asset is expected to be used.

*Lease arrangements in which the Corporation is a lessor*

Leases in which the Corporation transfers substantially all the risks and rewards of ownership of an asset to a third party are classified as finance leases. The Corporation recognizes lease payments receivable in the consolidated balance sheets and presents them as accounts receivable. Lease payments received under finance leases are apportioned between financial revenues and reduction of the receivable.

Leases that do not transfer substantially all the benefits and risks incidental to ownership of the property to a third party are accounted for as operating leases. When a lease contains a predetermined fixed escalation of the minimum rent, the Corporation recognizes the related rent revenue on a straight-line basis over the term of the lease and, consequently, records the difference between the recognized rental revenue and the rent received under the lease as rent receivable.

**Financing costs**

Financing costs related to term loans and debt securities are included in the initial carrying amount of the corresponding debt and are amortized using the effective interest rate method that is based on the estimated cash flow over the expected life of the liability. Financing costs related to revolving loans are included in other assets and are amortized using the straight-line method over the expected life of the underlying agreement.

**Stock-based compensation and other stock-based payments**

Stock-based compensation costs are measured at the grant date of the award based on the fair value method.

The fair value of stock options is recognized over the vesting period of each respective vesting portion as compensation expense with a corresponding increase in contributed surplus taking into account the number of awards that are expected to ultimately vest. When stock options are exercised, the corresponding contributed surplus is transferred to capital stock.

The Phantom Stock Units (“PSU”) compensation cost and the related liability are recorded on a straight-line basis over the corresponding vesting period based on the fair market value of Class B shares and the best estimate of the number of PSUs that will ultimately be paid. The recorded liability is adjusted periodically to reflect any variation in the fair market value of the Class B shares and revisions to the estimated forfeitures.

**Employee future benefits**

The Corporation accrues its obligations under employee pension plans and the related costs, net of plan assets. The Corporation has adopted the following accounting policies with respect to the defined benefit plans:

- The accrued benefit obligations and the cost of pension benefits earned by active employees are actuarially determined using the projected unit credit method pro-rated on service, and the pension expense is recorded in earnings as the services are rendered by active employees. The calculations reflect management’s best estimate of salary escalation and retirement ages of employees;
- Plan assets are valued at fair value;
- Actuarial gains and losses arise from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments. Actuarial gains and losses are recognized immediately in Other comprehensive income (loss) with no impact on net earnings;
- Past service costs are recorded to earnings at the earlier of the following dates:
    - When the plan amendment or curtailment occurs;
    - When the Corporation recognizes related restructuring costs or termination benefits; and
- Net interest on the defined benefit liability (asset) represents the net defined benefit liability (asset), multiplied by the discount rate and is recorded in financial expenses.

The pension cost recorded in net earnings for the defined contribution plans is equivalent to the contribution, which the Corporation is required to pay in exchange for services provided by the employees.

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. The

Corporation determines the appropriate discount rate at the end of each fiscal year, which is the rate used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Corporation considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

**Provisions**

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The present value of provisions depends on a number of factors that are assessed on a regular basis using a number of assumptions, including the discount rate, the expected cash flows to settle the obligation and the number of years until the realization of the provision. Any changes in these assumptions or in governmental regulations will impact the carrying amount of provisions. Where the actual cash flows are different from the amounts that were initially recorded, such differences will impact earnings in the period in which the payment is made. Historically, the Corporation has not experienced significant differences in its estimates compared with actual results.

*Environmental costs*

The Corporation provides for estimated future site remediation costs to meet government standards for known site contaminations, when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation activities at such sites are based on the Corporation’s prior experience with remediation sites and consideration of other factors such as the condition of the site’s contamination, location of sites and experience of the contractors performing the environmental assessments and remediation work. In order to determine the initial recorded liability, the present value of estimated future cash flows was calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

*Asset retirement obligations*

Asset retirement obligations primarily relate to estimated future costs to remove road transportation fuel storage tanks and are based on the Corporation’s prior experience in removing these tanks, estimated tank useful life, remaining lease terms for those tanks installed on leased properties, external estimates and governmental regulatory requirements. A discounted liability is recorded for the present value of an asset retirement obligation, with a corresponding increase to the carrying value of the related long-lived asset at the time a storage tank is installed. To determine the initial recorded liability, the future estimated cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased to reflect the passage of time and then adjusted for variations in the current market-based discount rate or the scheduled underlying cash flows required to settle the liability.

*Obligations related to general liability and workers’ compensation*

In the United States and Ireland, the Corporation is self-insured for certain losses related to general liability and workers’ compensation. The expected ultimate cost for claims incurred as of the consolidated balance sheet date is discounted and is recognized as a liability. This cost is estimated based on an analysis of the Corporation’s historical data and actuarial estimates. In order to determine the initial recorded liability, the present value of estimated future cash flows is calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

*Restructuring*

Restructuring provisions are recognized only when a detailed formal plan for the restructuring exists and either the plan has commenced or the plan’s main features have been announced to those affected by it. In order to determine the initial recorded liability, the present values of estimated future cash flows are calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A detailed formal plan usually includes:

- Identifying the concerned business or part of the business;
- The principal locations affected;
- Details regarding the employees affected;
- The restructuring’s timing; and
- The expenditures that will have to be undertaken.

### Financial instruments recognition and measurement

*For the fiscal year ended April 28, 2019 under IFRS 9, Financial Instruments*

The Corporation has made the following classifications for its financial assets and financial liabilities:

| Financial assets and financial liabilities | Classification | Subsequent measurement (1) | Classification of gains and losses |
|---|---|---|---|
| Cash and cash equivalents | Amortized cost | Amortized cost | Net earnings |
| Restricted cash | Amortized cost | Amortized cost | Net earnings |
| Accounts receivable | Amortized cost | Amortized cost | Net earnings |
| Investments | Fair value through earnings or loss (unless fair value through OCI is elected) | Fair value | Net earnings (Other comprehensive income (loss) not subject to reclassification to net earnings if election made) |
| Derivative financial instruments | Fair value through earnings or loss | Fair value | Net earnings |
| Derivative financial instruments designated as net investment hedges | Fair value through earnings or loss subject to hedge accounting requirements | Fair value | Other comprehensive income (loss) subject to reclassification to net earnings |
| Derivative financial instruments designated as fair value hedges | Fair value through earnings or loss subject to hedge accounting requirements | Fair value | Net earnings, with offsetting basis adjustment recorded to hedged item |
| Bank indebtedness and long-term debt | Amortized cost | Amortized cost | Net earnings |
| Accounts payable and accrued liabilities | Amortized cost | Amortized cost | Net earnings |

(1) Initial measurement of all financial assets and financial liabilities is at fair value.

*For the fiscal year ended April 29, 2018 under IAS 39, Financial instruments: recognition and measurement*

The Corporation has made the following classifications for its financial assets and financial liabilities:

| Financial assets and financial liabilities | Classification | Subsequent measurement (1) | Classification of gains and losses |
|---|---|---|---|
| Cash and cash equivalents | Loans and receivables | Amortized cost | Net earnings |
| Restricted cash | Loans and receivables | Amortized cost | Net earnings |
| Accounts receivable | Loans and receivables | Amortized cost | Net earnings |
| Investments | Available-for-sale financial assets | Fair value | Other comprehensive income (loss) subject to reclassification to net earnings |
| Derivative financial instruments | Financial assets or liabilities at fair value through profit or loss | Fair value | Net earnings |
| Derivative financial instruments designated as net investment hedges | Effective hedging instruments | Fair value | Other comprehensive income (loss) subject to reclassification to net earnings |
| Derivative financial instruments designated as fair value hedges | Effective hedging instruments | Fair value | Net earnings |
| Bank indebtedness and long-term debt | Other financial liabilities | Amortized cost | Net earnings |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost | Net earnings |

(1) Initial measurement of all financial assets and financial liabilities is at fair value.

### Hedging and derivative financial instruments

*Embedded total return swap*

The Corporation is party to an indexed deposit contract which includes an embedded total return swap to manage current and forecasted risks related to changes in the fair value of the PSUs and deferred share units ("DSUs") granted by the Corporation. Effective April 30, 2018, the indexed deposit contract is recorded at fair value on the consolidated balance sheets under Other accounts receivable and Other assets and classified as fair value through earnings or loss.

The Corporation has documented and designated the indexed deposit contract as the hedging item in a cash flow hedge of the anticipated cash settlement transaction related to the granted PSUs and DSUs. The Corporation has determined that the indexed deposit contract is an effective hedge at the time of the establishment of the hedge and for the duration of the indexed deposit contract. The changes in the fair value of the indexed deposit contract are initially recorded in other comprehensive income (loss) and subsequently reclassified to consolidated net earnings in the same period that the change in the fair value of the PSUs and DSUs affected consolidated net earnings. Should the hedged transaction no longer be expected to occur, any gains, losses, revenues or expenses associated with the hedging item that had previously been recognized in Other comprehensive income (loss) as a result of applying hedge accounting will be recognized in the reporting period's net earnings under Operating, selling, administrative and general expenses.

*Fuel swaps*

The Corporation uses fuel swaps to manage the price risk associated with the commodity prices of road transportation fuel. The changes in fair value of these swaps are recognized in the consolidated statement of earnings.

Also, from time to time, the Corporation uses fuel swaps to manage the price risk associated with an anticipated cash settlement transaction related to a sale of a large volume of fuel. The Corporation documents and designates the fuel swaps as a cash flow hedge of the anticipated cash settlement transaction related to the sale of fuel. Accordingly, changes in the fair value of the hedging item, the fuel swaps, are recognized in Other comprehensive income (loss). Realized gains in Accumulated other comprehensive income (loss) are then reclassified to Revenues in the same period as when the hedged transaction occurs.

*Designated long-term debts denominated in foreign currencies*

The Corporation designates a portion of its US-dollar- and its Norwegian-krone-denominated long-term debts as a foreign exchange hedge of its net investment in its United States and Norwegian operations, respectively. The Corporation also designates a portion of its Euro-denominated long-term debts as a foreign exchange hedge of its net investment in its Eurozone and Danish operations. Accordingly, the gains and losses arising from the translation of the designated debts that are designated to be an effective hedge, are recognized in Other comprehensive income (loss), counterbalancing gains and losses arising from the translation of the Corporation's net investment its United States, Norwegian, and Eurozone and Danish operations.

*Cross-currency interest rate swaps*

The Corporation designates cross-currency interest rate swaps as a foreign exchange hedge of its net investment in its foreign operations. Accordingly, the portion of the gains or losses arising from the translation of the cross-currency interest rate swaps that are determined to be an effective hedge, are recognized in Other comprehensive income (loss), counterbalancing gains and losses arising from the translation of the Corporation's net investment in its foreign operations.

*Short-term cross-currency interest rate swaps*

Occasionally, the Corporation uses short-term cross-currency interest rate swaps to manage the currency fluctuation risk associated with forecasted cash disbursements in a foreign currency. Gains or losses arising from the translation of these short-term cross-currency interest rate swaps are recognized in the consolidated statements of earnings as foreign exchange gain or loss.

*Fixed-to-floating interest rate swaps*

The Corporation uses fixed-to-floating interest rate swaps to manage the interest rate fair value risk associated with fixed interest rate debt. The Corporation designated these fixed-to-floating interest rate swaps as a fair value hedge of fixed interest rate debt issued (the "hedged item"). Accordingly, the hedged item is remeasured to reflect changes in fair value arising from changes in the hedged risk and such remeasurements are recognized in the consolidated statements of earnings as financial expenses. This is counterbalanced by gains and losses arising from the remeasurement of the swap's fair value, which are recognized in the consolidated statements of earnings as financial expenses as well.

*Interest rate locks*

From time to time, the Corporation uses interest rate locks to manage the interest rate risk associated with forecasted debt issuance. The Corporation designates these interest rate locks as a cash flow hedge of the anticipated interest from the debt issuance. Accordingly, changes in the fair value of the hedging item, the interest rate locks, are recognized in Other comprehensive income (loss). Realized gains and losses in Accumulated other comprehensive income (loss) are reclassified to Interest expense over the same periods as the Interest expense on the debt will be recognized in earnings.

**Guarantees**

A guarantee is defined as a contract or an indemnification agreement contingently requiring an entity to make payments to a third party based on future events. These payments are contingent on either changes in an underlying element or other variables that are related to an asset, liability, or an equity security of the indemnified party or the failure of another entity to perform under an obligating agreement. It could also be an indirect guarantee of the indebtedness of another party. Guarantees are initially recognized at fair value and subsequently revaluated when the loss becomes probable.

**Business combinations**

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent

liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations", are recognized at their fair values at the acquisition date. Direct acquisition costs are recorded to earnings when incurred.

Goodwill arising from business combinations is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess ("Negative goodwill") is recognized immediately to earnings.

Determination of the fair value of the assets acquired and liabilities assumed requires judgment and the use of assumptions that, if changed, may affect the consolidated statements of earnings and consolidated balance sheets.

For purchase price allocation and impairment testing purposes, goodwill and other intangible assets with indefinite useful lives are allocated to CGUs based on the lowest level at which management reviews the results, a level which is not higher than the operating segment. The allocation is made to those CGUs, which are expected to benefit from the business combination, and in which the goodwill and intangible assets with indefinite useful lives arose.

Earnings from the businesses acquired are included in the consolidated statements of earnings from their respective dates of acquisition.

**Recently issued accounting standards not yet implemented**

*Leases*

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. On April 29, 2019, the Corporation will apply the new standard retrospectively without restatement of comparative amounts. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria.

Given that it has significant contractual obligations accounted for as operating leases under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the presentation of expenses associated with the lease arrangements, and, to a lower extent, changes in the timing of expense recognition.

The following outlines the key areas that will be impacted by the adoption of IFRS 16, a summary of the analysis performed by the Corporation and the expected impacts of the adoption of the new standard on these key areas:

Financial reporting

The analysis includes which contracts will be in scope as well as the options available under the new standard, such as whether to early adopt, to apply the two recognition and measurement exemptions and whether to apply the new standard on a full retrospective application in accordance with IAS 8 or retrospectively without restatement of comparative amounts.

The Corporation's preliminary assessment indicates that the increase in both its total assets and total liabilities will range between $2,400.0 and $2,800.0 on the consolidated balance sheet as at April 29, 2019. The Corporation is in the final stages of validating the final amounts of the impact on its consolidated balance sheet, which will be disclosed in the Corporation's unaudited interim condensed consolidated financial statements of the first quarter of fiscal year 2020. Therefore, there could be changes in the amounts specified above.

Lease-related expenses previously recorded in Operating, selling, administrative and general expenses will be recorded as depreciation expense using the straight-line method on the right-of-use assets and the lease liabilities carrying amount will be increased to reflect interest on the lease liability using a method based on the Corporation's incremental borrowing rate. For an individual lease, the application of these two methods will result in more expenses charged to net earnings earlier in the lease term and less expenses charged in the later years.

Consequently, the adoption of IFRS 16 will increase total assets, total liabilities, depreciation and amortization, financial expenses, while reducing Operating, selling, administrative and general expenses. The right-of-use assets will be measured for the major portion of the leases at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to each lease as well as other balances related to those contracts. The Corporation will also use the exemptions for short-term leases and leases for which the underlying asset is of low-value.

The Corporation will elect to include in the right-of-use assets and lease liabilities fixed amounts related to non-lease components including, but not limited to, utility charges, and common area maintenance charges. Other lease-related expenses not within the scope of IFRS 16 will continue to be expensed as incurred and recorded in Operating, selling, administrative and general expenses.

Adoption of IFRS 16 will impact the presentation of cash flows relating to leases in the Corporation's consolidated statements of cash flows, even though the new standard will not impact the amount of cash transferred between the parties of a lease. Total expenses recognized over the lease term will be equal to total cash paid over the lease term.

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 short-term contracts to contracts with maturities up to more than 50 years and also include options to renew at market prices when applicable.

Information systems

The Corporation analyzed the need to make changes within its information systems environment to optimize the management of more than 9,000 leases that will fall within the scope of the new standard. The Corporation has evaluated different IT solutions for the eventual recognition and measurement of leases in scope. IT solutions have been selected and their implementation is almost completed.

Control environment

The Corporation performed an analysis and evaluated the impact that the adoption of IFRS 16 will have on its control environment and implemented processes to enable the application of the new accounting standard for fiscal year 2020.

Stakeholders

The Corporation performed an analysis of the impact that the adoption of IFRS 16 will have on the disclosure to its stakeholders. The Corporation discussed the impact of IFRS 16 to internal and external stakeholders and will keep the discussion open during fiscal year 2020.

## 4. BUSINESS ACQUISITIONS

The Corporation has made the following business acquisitions:

**2019**

During the fiscal year ended April 28, 2019, the Corporation acquired six company-operated stores and two commission operated retail sites through distinct transactions. The Corporation owns the land and building for three sites and leases the land and the building for the remaining three sites. These transactions were settled for a total consideration of $13.1 using available cash and existing credit facilities and generated goodwill for an amount of $2.2. Acquisition costs of $2.2 in connection with these acquisitions and other unrealized and ongoing acquisitions are included in Operating, selling, administrative and general expenses for the fiscal year ended April 28, 2019.

**2018**

**Acquisition of CST Brands Inc.**

On June 28, 2017, the Corporation completed the acquisition of all the issued and outstanding shares of CST Brands Inc. ("CST") through an all-cash transaction valued at $48.53 per share, with a total enterprise value of approximately $4,400.0 including net debt assumed. CST is based in San Antonio, Texas and, before the closing of the acquisition, it employed more than 14,000 people at over 2,000 locations throughout the Southwestern U.S., with an important presence in Texas, the Southeastern U.S., the State of New York and Eastern Canada.

Pursuant to the acquisition of CST, the Corporation has also acquired the general partner of CAPL, owns 100% of CAPL's Incentive Distribution Rights ("IDRs") and, as at April 29, 2018, held a 21.4% equity investment in it (20.5% as at June 28, 2017). Non-controlling interests at acquisition date were measured based on proportionate shares. CAPL supplies road transportation fuel under various brands to approximately 1,300 locations in the United States (see Note 5 for more details).

On the same day, the Corporation sold to Parkland Fuel Corporation a significant portion of CST's Canadian assets for approximately CA $986.0 ($752.5). The disposed assets mainly comprised CST's independent dealers and commission agents' network, its heating-oil business, 159 company-operated sites, as well as its Montreal head office. As a result, the Corporation retained 157 of CST's company-operated sites in Canada. Also, on September 6, 2017, as per the requirements of the U.S. Federal Trade Commission, the Corporation sold 70 CST U.S. company-operated sites to Empire Petroleum Partners, LLC for a total consideration of $143.0. No gain or loss was recognized on these sales transactions. The disposed assets and associated liabilities are presented as held for sale in the fair value of assets acquired and liabilities assumed and are recorded at their respective fair value less costs of disposal.

For the fiscal year ended April 29, 2018, acquisition costs of $5.8 in connection with this acquisition are included in Operating, selling, administrative and general expenses.

The final estimates of the fair value of assets acquired and liabilities assumed for the CST acquisition are as follows:

| | Final estimate |
|---|---|
| | $ |
| **Assets** | |
| Current assets | |
| Cash and cash equivalents | 215.8 |
| Accounts receivable[(a)] | 120.8 |
| Inventories | 180.3 |
| Prepaid expenses | 13.1 |
| Assets held for sale | 1,111.3 |
| | 1,641.3 |
| Property and equipment | 2,445.5 |
| Identifiable intangible assets | 345.7 |
| Other assets | 30.2 |
| | 4,462.7 |
| **Liabilities** | |
| Current liabilities | |
| Accounts payable and accrued liabilities | 402.9 |
| Short-term provisions | 8.6 |
| Liabilities associated with assets held for sale | 215.8 |
| Income taxes payable | 20.5 |
| Current portion of long-term debt | 76.4 |
| | 724.2 |
| Long-term debt | 1,483.4 |
| Long-term provisions | 80.5 |
| Deferred credits and other liabilities | 100.6 |
| Deferred income taxes | 358.6 |
| | 2,747.3 |
| Net identifiable assets | 1,715.4 |
| Non-controlling interests | (370.6) |
| Goodwill | 2,340.4 |
| Total cash consideration paid | 3,685.2 |
| Cash and cash equivalents acquired | 215.8 |
| Net cash flow for the acquisition | 3,469.4 |

(a) The fair value of acquired accounts receivable represents the gross contractual amount for accounts receivable of $121.2, net of the uncollectible amount estimated to $0.4.

None of the goodwill related to this transaction was deductible for tax purposes.

On June 28, 2017, the Corporation repaid all of CST's borrowings under its revolving credit facilities for an amount of $498.8. Additionally, on July 28, 2017, the Corporation repaid all of CST's outstanding senior notes for an amount of $577.1 using its acquisition facility.

Prior to the CST acquisition, the Corporation held an available-for-sale investment in CST, and the resulting gains and losses were recorded to Accumulated other comprehensive income (loss). On June 28, 2017, the Corporation disposed of this investment for total proceeds of $91.6. As a result, a gain of $8.8 was realized and transferred from Accumulated other comprehensive income (loss) to earnings for the fiscal year ended April 29, 2018.

The CST acquisition was concluded in order to expand the Corporation's market share, to penetrate new markets and to increase its economies of scale, and was financed using the Corporation's available cash, its existing credit facilities and its acquisition facility (Note 20). This acquisition generated goodwill mainly due to the significant footprint in the Southwestern United States.

**Acquisition of Holiday Stationstores, LLC**

On December 22, 2017, the Corporation acquired all the membership interest of Holiday Stationstores, LLC and certain affiliated companies ("Holiday") for a total cash consideration of approximately $1,600.0. The fair value of the contingent consideration, which is based on specific results achieved over a three-year period, was estimated at $25.0 using the Corporation's best estimate at the acquisition date. Holiday is an important convenience store and fuel player in the U.S. Midwest region. As of the closing of the transaction, it had 516 sites, of which 373 were operated by Holiday and 143 were operated by franchisees, as well as 27 dealer contracts. Holiday also operates a strong car wash business with 234 locations as at closing date, 2 food commissaries and a fuel terminal in Newport, Minnesota. Its stores are located in Minnesota, Wisconsin, Washington State, Idaho, Montana, Wyoming, North Dakota, South Dakota, Michigan and Alaska.

For the fiscal year ended April 29, 2018, acquisition costs of $4.1 in connection with this acquisition are included in Operating, selling, administrative and general expenses.

The final estimates of the fair value of assets acquired and liabilities assumed for the Holiday acquisition are as follows:

| | Preliminary estimate | Changes | Final estimate |
|---|---|---|---|
| | | | $ |
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | 13.6 | - | 13.6 |
| Accounts receivable[a] | 64.3 | - | 64.3 |
| Inventories | 69.5 | - | 69.5 |
| Prepaid expenses | 4.2 | - | 4.2 |
| | 151.6 | - | 151.6 |
| Property and equipment | 459.2 | 192.9 | 652.1 |
| Identifiable intangible assets | 60.8 | 15.8 | 76.6 |
| Other assets | 15.4 | - | 15.4 |
| Investment in joint ventures and associated companies | 2.9 | 16.1 | 19.0 |
| | 689.9 | 224.8 | 914.7 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 194.9 | (3.6) | 191.3 |
| Short-term provisions | 5.0 | - | 5.0 |
| Current portion of long-term debt | 0.5 | 1.6 | 2.1 |
| | 200.4 | (2.0) | 198.4 |
| Long-term debt | 2.7 | 18.2 | 20.9 |
| Long-term provisions | 23.5 | 0.3 | 23.8 |
| Deferred credits and other liabilities | 1.0 | 3.8 | 4.8 |
| | 227.6 | 20.3 | 247.9 |
| Net identifiable assets | 462.3 | 204.5 | 666.8 |
| Goodwill | 1,195.9 | (204.5) | 991.4 |
| Total consideration | 1,658.2 | - | 1,658.2 |
| Consideration receivable | 4.4 | - | 4.4 |
| Contingent consideration payable | (25.0) | - | (25.0) |
| Cash and cash equivalents acquired | (13.6) | - | (13.6) |
| Net cash flow for the acquisition | 1,624.0 | - | 1,624.0 |

(a) The fair value of acquired accounts receivable represents the gross contractual amount for accounts receivable of $65.3, net of the uncollectible amount estimated to $1.0.

All of the goodwill related to this transaction was deductible for tax purposes.

The Holiday acquisition was concluded in order to expand the Corporation's market share, to penetrate new markets and to increase its economies of scale and was financed using the Corporation's available cash and existing credit facilities. This acquisition generated goodwill mainly due to the significant footprint of Holiday in the Midwest region of the United States and the high profitability of its store network.

**Other acquisitions**

- On May 30, 2017, the Corporation acquired 53 company-operated sites located in Louisiana, United States, from American General Investments, LLC and North American Financial Group, LLC. The convenience stores operate under the *Cracker Barrel* brand. The Corporation owns the land and building for 47 sites and assumes the leases for the remaining 6 locations. On the same date, the Corporation closed seven of those stores.

- On July 7, 2017, the Corporation acquired from Empire Petroleum Partners, LLC, 53 fuel supply contracts with independent operators in the Atlanta, GA, metro area. As part of this transaction, the Corporation also acquired real estate for two sites.

- On November 28, 2017, the Corporation acquired certain assets from Jet Pep, Inc., including a fuel terminal, associated trucking equipment and 18 retail sites located in Alabama. The Corporation owns the land and building for 17 sites and assumes the lease for the remaining location.

  In addition, through a distinct transaction, CAPL purchased other assets of Jet Pep, Inc. consisting of 101 commission operated retail sites, including 92 owned sites, 5 leased sites and 4 independent commission accounts.

- During fiscal 2018, the Corporation also acquired 11 company-operated stores through distinct transactions. The Corporation owns the land and building for eight sites, leases the land and owns the building for two sites, and leases the land and the building for the remaining site.

These transactions were settled for a total consideration of $289.7 using available cash and existing credit facilities. For the fiscal year ended April 29, 2018, acquisition costs of $1.9 in connection with these acquisitions and other unrealized and ongoing acquisitions are included in Operating, selling, administrative and general expenses.

The final estimates of the fair value of assets acquired and liabilities assumed for other acquisitions are as follows:

| | Preliminary estimate | Changes | Final estimate |
|---|---|---|---|
| | | | $ |
| Tangible assets acquired | | | |
| Cash and cash equivalents | 2.2 | - | 2.2 |
| Accounts receivable | 0.8 | - | 0.8 |
| Inventories | 25.6 | - | 25.6 |
| Prepaid expenses | 0.2 | - | 0.2 |
| Income taxes receivable | 0.3 | - | 0.3 |
| Property and equipment | 185.7 | 6.4 | 192.1 |
| Other assets | 0.3 | - | 0.3 |
| Assets held for sale | 2.0 | - | 2.0 |
| Total tangible assets | 217.1 | 6.4 | 223.5 |
| Liabilities assumed | | | |
| Accounts payable and accrued liabilities | 6.8 | - | 6.8 |
| Provisions | 4.8 | - | 4.8 |
| Long-term debt | 0.8 | - | 0.8 |
| Deferred credits and other liabilities | 3.9 | - | 3.9 |
| Deferred income taxes | 7.7 | - | 7.7 |
| Total liabilities | 24.0 | - | 24.0 |
| Net tangible assets acquired | 193.1 | 6.4 | 199.5 |
| Intangible assets | 30.1 | - | 30.1 |
| Goodwill | 69.3 | (6.4) | 62.9 |
| Negative goodwill | (2.8) | - | (2.8) |
| Total cash consideration paid | 289.7 | - | 289.7 |
| Cash and cash equivalents acquired | 2.2 | - | 2.2 |
| Net cash flow for the acquisition | 287.5 | - | 287.5 |

Almost all of the goodwill related to these transactions was deductible for tax purposes.

These acquisitions were concluded in order to expand the Corporation's market share, to penetrate new markets and to increase its economies of scale. These acquisitions generated goodwill mainly due to the strategic location of stores acquired.

## 5. CROSSAMERICA PARTNERS LP

As at April 28, 2019, the Corporation owns 100% of the equity interests of the sole member of the General Partner, 100% of the IDRs and 21.7% of the outstanding common units of CAPL. Following the Corporation's evaluation of its relationship with CAPL, the Corporation concluded that it controls the partnership's operations and activities even though it does not have a majority ownership of CAPL's outstanding common units. As a result, the Corporation fully consolidates CAPL in its consolidated financial statements.

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 fiscal year ended April 28, 2019 include those of CAPL for the period beginning April 1, 2018 and ending March 31, 2019 (June 28, 2017 to March 31, 2018 for the fiscal year ended April 29, 2018), adjusted for significant transactions, if any. The consolidated balance sheet as at April 28, 2019 includes the balance sheet of CAPL as at March 31, 2019 (March 31, 2018 for the consolidated balance sheet as at April 29, 2018), adjusted for significant transactions, if any.

All transactions between the Corporation and CAPL are eliminated from the Corporation's consolidated financial statements. These transactions consist of motor fuel purchased and sold between the Corporation and CAPL, rent charged by CAPL to the Corporation, earnings from CAPL's equity ownership interest in CST Fuel Supply, a subsidiary of the Corporation, the Corporation's portion of CAPL's common unit distributions and the Corporation's revenues from CAPL's IDRs. Additionally, the Corporation provides management and corporate support services to CAPL and charges CAPL a management fee under the terms of the Amended and Restated Omnibus Agreement, as well as an allocation of certain incentive compensation. Approximately 78.3% of CAPL's operating results were attributable to non-controlling interests for the fiscal year ended April 28, 2019 (78.3% for the fiscal year 2018). Therefore, the Corporation's shareholders do not have rights to a substantial portion of the operating results of CAPL. The earnings attributable to CAPL's other units holders are presented as non-controlling interests.

CAPL is a publicly traded Delaware limited partnership and its common units are listed for trading on the New York Stock Exchange under the symbol "CAPL." As a result, CAPL is required to file reports with the United States Securities and Exchange Commission ("SEC"), where additional information about its results of operations prepared in accordance with US Generally Accepted Accounting Principles can be found and should be read in conjunction with the table below, which highlights the results of its operations and certain of its financial metrics since June 28, 2017, which are in accordance with IFRS:

| **Statements of Earnings for the periods from**[1] | **April 1, 2018 to March 31, 2019** | June 28, 2017 to March 31, 2018 |
|---|---|---|
| | **$** | $ |
| Revenues | **2,368.8** | 1,671.8 |
| Gross profit | **188.1** | 135.8 |
| Total operating expenses (excluding depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets) | **89.3** | 75.1 |
| Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets (Notes 16 and 17) | **143.5** | 61.1 |
| Net financial expenses | **29.3** | 19.4 |
| Loss before income taxes | **(74.0)** | (19.8) |
| Income tax recovery | **(2.8)** | (28.6) |
| Net (loss) earnings | **(71.2)** | 8.8 |

| **Statements of Cash Flows for the periods from**[1] | **April 1, 2018 to March 31, 2019** | June 28, 2017 to March 31, 2018 |
|---|---|---|
| | **$** | $ |
| Net cash provided by operating activities | **86.8** | 30.4 |
| Net cash used in investing activities | **(14.9)** | (52.8) |
| Net cash (used in) provided by financing activities, including $15.7 and $13.3 of distributions paid to the Corporation, respectively | **(67.3)** | 13.5 |

| **Balance Sheets as at**[1] | **March 31, 2019** | March 31, 2018 |
|---|---|---|
| | **$** | $ |
| Cash and cash equivalents | **6.3** | 1.7 |
| Current assets (other than cash and cash equivalents) | **49.5** | 68.0 |
| Long-term assets | **1,089.6** | 1,224.9 |
| Current liabilities | **64.7** | 64.9 |
| Long-term liabilities | **676.0** | 665.2 |

(1) Adjusted for significant transactions, if any.

**Assets 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 currently held by CAPL for 56 U.S. company-operated stores currently leased and operated by the Corporation pursuant to a master lease that CAPL had previously purchased jointly with or from CST, and 17 company-operated stores currently owned and operated by CAPL in the U.S. Upper Midwest. The aggregate value of this agreement is approximately $185.0. As CAPL is fully consolidated in the Corporation's consolidated financial statements, no gains or losses are expected from these transactions.

As at April 28, 2019, no assets had been exchanged under the asset exchange agreement.

On May 22, 2019, subsequent to the fiscal year ended April 28, 2019, the first transaction was closed for an approximative value of $58.0. The remaining transactions are expected to be completed by the end of the first quarter of calendar year 2020.

## 6. DISPOSAL OF BUSINESS

**Disposal of retail sites**

On February 5, 2019, the Corporation sold 19 retail sites in Oregon and West Washington for a cash consideration of approximately $30.0. This transaction resulted in a gain of $17.3 for the fiscal year ended April 28, 2019.

On July 3, 2018, the Corporation sold to Irving Oil Ltd. 13 retail sites in the Canadian Atlantic provinces for a cash consideration of approximately $30.0. This transaction resulted in a gain of $4.5 for the fiscal year ended April 28, 2019. These stores, which will continue to be operated by the Corporation, were previously acquired through the CST acquisition.

**Statoil Fuel & Retail Marine AS**

On November 27, 2017, the Corporation reached an agreement to sell 100% of its shares in Statoil Fuel & Retail Marine AS to St1 Norge AS. The transaction was subject to the customary regulatory approvals and closing conditions. Therefore, as at April 29, 2018, criteria for its classification as an asset for sale had been met. The Corporation's marine fuel business' contribution to each line of its consolidated balance sheet as at April 29, 2018 has been grouped under the lines Assets held for sale and Liabilities associated with assets held for sale and stated at the lower of its carrying amount and fair value less costs to sell.

On December 1, 2018, the Corporation completed the disposal of its marine fuel business through a share purchase agreement pursuant to which St1 Norge AS acquired 100% of all issued and outstanding shares of Statoil Fuel & Retail Marine AS. Total proceeds from the disposal were $24.3. The Corporation recognized a gain on disposal of $3.2 in relation to this transaction. The disposal also resulted in a $0.8 cumulated gain on translation adjustments being reclassified to earnings. These gains are included in Gain on disposal of property and equipment and other assets in the consolidated statement of earnings for the fiscal year ended April 28, 2019.

## 7. INVESTMENT IN JOINT VENTURES AND ASSOCIATED COMPANIES

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | $ | $ |
| Investment in joint ventures | **134.5** | 138.0 |
| Investment in associated companies | **1.5** | 1.4 |
| | **136.0** | 139.4 |

The Corporation's investment in joint ventures and associated companies, none of which are individually significant to the Corporation, are recorded according to the equity method. The following amounts represent the Corporation's share of the joint ventures' and associated companies' net earnings and comprehensive income:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Joint ventures' net earnings and comprehensive income | **23.2** | 31.9 |
| Associated companies' net earnings and comprehensive income | **0.2** | 0.1 |
| | **23.4** | 32.0 |

## 8. SUPPLEMENTARY INFORMATION RELATING TO EXPENSES

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | $ | $ |
| Cost of sales | **49,922.7** | 43,282.9 |
| | | |
| Selling expenses | **5,852.6** | 5,160.3 |
| Administrative expenses | **758.4** | 805.4 |
| Other operating expenses | **95.0** | 108.9 |
| Total operating expenses | **6,706.0** | 6,074.6 |

The above expenses include rent expense of $416.8 ($412.8 in 2018), net of sub-leasing income of $28.7 ($25.8 in 2018).

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Employee benefit charges | | |
| Salaries | **2,373.4** | 1,991.7 |
| Fringe benefits and other employer contributions | **280.1** | 260.6 |
| Employee future benefits (Note 27) | **126.0** | 107.1 |
| Termination benefits | **10.0** | 4.9 |
| Stock-based compensation and other stock-based payments (Note 25) | **15.4** | 8.5 |
| | **2,804.9** | 2,372.8 |

## 9. COMPENSATION OF KEY MANAGEMENT PERSONNEL

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Salaries and other current benefits | **14.5** | 12.7 |
| Stock-based compensation and other stock-based payments | **9.5** | 7.0 |
| Employee future benefits (Note 27) | **2.9** | 2.8 |
| | **26.9** | **22.5** |

Key management personnel comprise members of the Board of Directors and senior management.

## 10. NET FINANCIAL EXPENSES

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Financial expenses | | |
| Interest expense | | |
| Interest on long-term debt | **259.0** | 214.9 |
| Interest on finance lease obligations | **28.5** | 28.2 |
| Accretion of provisions (Note 22) | **20.4** | 17.2 |
| Interest on bank overdrafts and bank loans | **3.2** | 19.1 |
| Net interest on defined benefit plans (Note 27) | **1.8** | 2.4 |
| Other finance costs | **25.8** | 14.0 |
| | **338.7** | 295.8 |
| Financial revenues | | |
| Interest on bank deposits | **(5.0)** | (5.0) |
| Other financial revenues | **(8.3)** | (3.9) |
| | **(13.3)** | (8.9) |
| Foreign exchange (gain) loss | **(5.3)** | 48.4 |
| Net financial expenses | **320.1** | 335.3 |

## 11. INCOME TAXES

| | **2019** | 2018 (adjusted, Note 2) |
|---|---|---|
| | **$** | $ |
| Current income tax expense | **279.2** | 265.9 |
| Deferred income tax expense (recovery) | **91.7** | (209.8) |
| | **370.9** | 56.1 |

The principal items which resulted in differences between the Corporation's effective income tax rates and the combined statutory rates in Canada are detailed as follows:

| | **2019** | 2018 (adjusted, Note 2) |
|---|---|---|
| | **%** | % |
| Combined statutory income tax rate in Canada[(a)] | **26.67** | 26.77 |
| Impact of other jurisdictions' tax rates | **(4.59)** | 0.31 |
| Impact of tax rate changes | **(0.23)** | (22.73) |
| Other permanent differences | **(4.93)** | (1.11) |
| Effective income tax rate | **16.92** | 3.24 |

(a) The Corporation's combined statutory income tax rate in Canada includes the appropriate provincial income tax rates.

The components of deferred income tax assets and liabilities are as follows:

| | | | | | **2019** |
|---|---|---|---|---|---|
| | **Balance as at April 29, 2018** | **Recognized to earnings** | **Recognized directly to other comprehensive income (loss) or equity** | **Recognized through business acquisitions and disposals (Note 4)** | **Balance as at April 28, 2019** |
| | **$** | **$** | **$** | **$** | **$** |
| Deferred income tax assets | | | | | |
| Property and equipment | **1.2** | **(7.9)** | **(1.8)** | **0.5** | **(8.0)** |
| Expenses deductible during the following years | **(2.0)** | **(0.1)** | **(0.3)** | **-** | **(2.4)** |
| Intangible assets | **25.0** | **(5.0)** | **0.3** | **-** | **20.3** |
| Goodwill | **-** | **(0.1)** | **-** | **-** | **(0.1)** |
| Deferred charges | **18.9** | **7.8** | **(1.2)** | **-** | **25.5** |
| Tax losses and tax credits carried forward | **3.4** | **16.5** | **(5.3)** | **-** | **14.6** |
| Asset retirement obligations | **1.2** | **6.8** | **(0.4)** | **-** | **7.6** |
| Deferred credits | **(4.6)** | **(1.1)** | **(1.1)** | **-** | **(6.8)** |
| Revenues taxable during the following years | **-** | **3.2** | **(0.2)** | **-** | **3.0** |
| Unrealized exchange loss | **14.4** | **2.6** | **15.7** | **-** | **32.7** |
| | **57.5** | **22.7** | **5.7** | **0.5** | **86.4** |

| | | | | | **2019** |
|---|---|---|---|---|---|
| | **Balance as at April 29, 2018** | **Recognized to earnings** | **Recognized directly to other comprehensive income (loss) or equity** | **Recognized through business acquisitions and disposals (Note 4)** | **Balance as at April 28, 2019** |
| | **$** | **$** | **$** | **$** | **$** |
| Deferred income tax liabilities | | | | | |
| Property and equipment | **841.8** | **126.3** | **(16.7)** | **-** | **951.4** |
| Expenses deductible during the following years | **(14.2)** | **(52.1)** | **(6.7)** | **-** | **(73.0)** |
| Intangible assets | **53.8** | **(7.4)** | **(2.4)** | **-** | **44.0** |
| Goodwill | **174.4** | **62.9** | **(1.6)** | **-** | **235.7** |
| Deferred Charges | **(56.3)** | **(16.8)** | **(1.1)** | **-** | **(74.2)** |
| Tax losses and tax credits carried forward | **(51.0)** | **77.8** | **23.1** | **-** | **49.9** |
| Asset retirement obligations | **(58.2)** | **(28.4)** | **3.0** | **-** | **(83.6)** |
| Deferred credits | **(46.8)** | **(4.8)** | **0.4** | **-** | **(51.2)** |
| Revenues taxable during the following years | **-** | **28.8** | **(2.0)** | **-** | **26.8** |
| Unrealized exchange (loss) gain | **37.2** | **(49.2)** | **-** | **-** | **(12.0)** |
| Investment | **38.0** | **(14.2)** | **-** | **-** | **23.8** |
| Other | **8.0** | **(8.5)** | **-** | **-** | **(0.5)** |
| | **926.7** | **114.4** | **(4.0)** | **-** | **1,037.1** |

| | | | | | 2018 (adjusted, Note 2) |
|---|---|---|---|---|---|
| | Balance as at April 30, 2017 | Recognized to earnings | Recognized directly to other comprehensive income (loss) or equity | Recognized through business acquisitions and disposals (Note 4) | Balance as at April 29, 2018 |
| | $ | $ | $ | $ | $ |
| Deferred income tax assets | | | | | |
| Property and equipment | 21.1 | (19.9) | - | - | 1.2 |
| Expenses deductible during the following years | 16.5 | (18.5) | - | - | (2.0) |
| Intangible assets | - | 25.0 | - | - | 25.0 |
| Goodwill | (4.0) | 4.0 | - | - | - |
| Deferred charges | 3.7 | 14.9 | 0.3 | - | 18.9 |
| Unused tax losses and unused tax credits | - | 1.4 | 2.0 | - | 3.4 |
| Asset retirement obligations | 1.8 | (0.6) | - | - | 1.2 |
| Deferred credits | (7.3) | 2.7 | - | - | (4.6) |
| Revenues taxable during the following years | - | 0.2 | (0.2) | - | - |
| Unrealized exchange loss (gain) | 1.8 | 14.6 | (2.0) | - | 14.4 |
| Other | 6.1 | (22.9) | 16.8 | - | - |
| | 39.7 | 0.9 | 16.9 | - | 57.5 |
| Deferred income tax liabilities | | | | | |
| Property and equipment | 742.1 | (167.0) | 8.4 | 258.3 | 841.8 |
| Goodwill | 94.2 | 79.8 | - | 0.4 | 174.4 |
| Expenses deductible during the following years | (130.2) | 109.7 | (0.1) | 6.4 | (14.2) |
| Intangible assets | 81.7 | (39.6) | 2.5 | 9.2 | 53.8 |
| Asset retirement obligations | (63.5) | 15.8 | (0.3) | (10.2) | (58.2) |
| Unused tax losses and unused tax credits | (34.0) | (13.6) | 5.7 | (9.1) | (51.0) |
| Deferred charges | (2.7) | (125.4) | 0.1 | 71.7 | (56.3) |
| Deferred credits | (17.7) | (12.4) | 0.1 | (16.8) | (46.8) |
| Revenues taxable during the following years | 69.0 | (69.0) | - | - | - |
| Investment | - | (20.9) | (1.4) | 60.3 | 38.0 |
| Unrealized exchange gain | 15.8 | 18.4 | 3.0 | - | 37.2 |
| Other | (6.6) | 15.3 | 3.2 | (3.9) | 8.0 |
| | 748.1 | (208.9) | 21.2 | 366.3 | 926.7 |

On December 22, 2017, the United States enacted the “U.S. Tax Cuts and Jobs Act”, commonly referred to as the U.S. tax reform, which resulted in the U.S. statutory federal income tax rate to be reduced to 21.0% from the previous rate of 35.0%, effective January 1, 2018.

The Corporation recorded a net tax benefit of $288.3 for the fiscal year ended April 29, 2018, which is mostly derived from the remeasurement of the Corporation's deferred income tax balances using the new U.S. statutory federal income tax rate, partly offset by the Deemed Repatriation Transition Tax ("Transition tax").

The losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $1,272.5 as at April 28, 2019 ($783.3 as at April 29, 2018), of which $554.2 will reverse through Other comprehensive income (loss) ($321.0 as at April 29, 2018).

Of these amounts, approximately $705.6 as at April 28, 2019 had no expiration date ($479.3 as at April 29, 2018). Net capital losses can be carried forward indefinitely and can only be used against future taxable gains. Other losses carried forward and deductible temporary differences will expire as follows:

| | $ |
|---|---|
| Less than one year | - |
| One to two years | 9.5 |
| Two to three years | 6.4 |
| Three to four years | 26.5 |
| Four to five years | 231.8 |
| Five to ten years | 15.9 |
| Ten to twenty years | 276.8 |
| | 566.9 |

Deferred income tax liabilities that would be payable upon repatriation of the retained earnings of certain foreign subsidiaries have not been recognized because such amounts are not expected to materialize in the foreseeable future. Temporary differences related to these investments amounted to $2,685.1 ($2,177.7 in 2018).

## 12. NET EARNINGS PER SHARE

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

| | **2019** | 2018 (adjusted, Note 2) |
|---|---|---|
| | **$** | $ |
| Net earnings available to Class A and B shareholders | **1,833.9** | 1,670.6 |
| Weighted average number of shares (in thousands) | **564,289** | 566,090 |
| Dilutive effect of stock options (in thousands) | **766** | 788 |
| Weighted average number of diluted shares (in thousands) | **565,055** | 566,878 |
| Basic net earnings per share available to Class A and B shareholders | **3.25** | 2.95 |
| Diluted net earnings per share available to Class A and B shareholders | **3.25** | 2.95 |

In calculating diluted net earnings per share for 2019, 161,768 stock options are excluded due to their antidilutive effect (315,938 stock options excluded in 2018).

For fiscal 2019, the Board declared total dividends of CA 45.00¢ per share (CA 37.00¢ per share in 2018).

## 13. SUPPLEMENTARY INFORMATION RELATING TO THE STATEMENTS OF CASH FLOWS

### Changes in non-cash working capital

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Accounts receivable | **40.2** | (299.7) |
| Inventories | **(126.3)** | (204.5) |
| Prepaid expenses | **14.8** | (14.4) |
| Accounts payable and accrued liabilities | **205.9** | 343.9 |
| Income taxes payable | **(55.1)** | (32.0) |
| | **79.5** | (206.7) |

### Changes in debt arising from financing activities

| | 2019 | | 2018 (adjusted, Note 2) | |
|---|---|---|---|---|
| | **Obligations under finance leases and other debts** | **Long-term debt, excluding obligations under finance leases and other debts** | Obligations under finance leases and other debts | Long-term debt, excluding obligations under finance leases and other debts |
| | **$** | **$** | $ | $ |
| Balance, beginning of year | **372.2** | **8,534.5** | 304.7 | 3,050.2 |
| **Cash flows** | | | | |
| Net (decrease) increase in long-term debt | **(52.2)** | **(1,767.0)** | (42.9) | 4,882.9 |
| Repayment of debts assumed on the CST acquisition (Note 4) | **-** | **-** | - | (1,075.9) |
| **Non-cash movements** | | | | |
| New obligations under finance leases, net of disposals | **29.6** | **-** | 29.2 | - |
| Business acquisitions | **-** | **-** | 63.2 | 1,520.4 |
| Change in fair value of associated swaps | **-** | **2.9** | - | (6.8) |
| Amortization of financing costs | **-** | **8.3** | - | 6.9 |
| Reclassified to assets held for sale | **-** | **-** | (0.7) | - |
| Effect of exchange rate fluctuations | **(16.0)** | **(160.9)** | 18.7 | 156.8 |
| Balance, end of year | **333.6** | **6,617.8** | 372.2 | 8,534.5 |

### Changes in net other financial liabilities arising from financing activities

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **171.7** | 304.1 |
| **Cash flows** | | |
| Settlement of derivative financial instruments | **3.0** | (81.3) |
| **Non-cash movements** | | |
| Change in fair value | **84.0** | (51.1) |
| Balance, end of year | **258.7** | 171.7 |

## 14. ACCOUNTS RECEIVABLE

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Trade accounts receivable and vendor rebates receivable[a] | **846.9** | 989.7 |
| Credit and debit cards receivable[a] | **801.8** | 784.4 |
| Provision for credit losses | **(30.8)** | (31.0) |
| Credit and debit cards receivable and trade accounts receivable and vendor rebates receivable – net | **1,617.9** | 1,743.1 |
| Other accounts receivable | **246.0** | 264.0 |
| Provision for credit losses | **-** | (0.7) |
| | **1,863.9** | 2,006.4 |

(a) These amounts are presented net of an amount of $338.1 from Accounts payable and accrued expenses due to netting arrangements ($313.4 as at April 29, 2018).

The following table details the aging of credit and debit cards receivable and trade accounts receivable and vendor rebates receivable on a gross basis as well as the aging of provision for expected credit loss based on expected loss rate for fiscal year ended April 28, 2019:

| | **Gross carrying amount** | **Expected loss rate** | **Loss allowance** |
|---|---|---|---|
| | **$** | **%** | **$** |
| Not past due | **1,460.1** | **0.1** | **1.6** |
| Past due 1-30 days | **94.6** | **0.5** | **0.5** |
| Past due 31-60 days | **17.9** | **1.7** | **0.3** |
| Past due 61-90 days | **15.1** | **8.6** | **1.3** |
| Past due 91 days and over | **61.0** | **44.4** | **27.1** |
| | **1,648.7** | | **30.8** |

The following table details the aging of credit and debit cards receivable and trade accounts receivable and vendor rebates receivable that are not impaired for fiscal year ended April 29, 2018:

| | 2018 |
|---|---|
| | $ |
| Not past due | 1,554.6 |
| Past due 1-30 days | 128.8 |
| Past due 31-60 days | 16.0 |
| Past due 61-90 days | 21.2 |
| Past due 91 days and over | 22.5 |
| | 1,743.1 |

Movement in the provisions for credit loss is as follows:

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **31.7** | 27.4 |
| Provision for credit loss, net of unused beginning balance | **11.3** | 9.7 |
| Receivables written off during the year | **(10.0)** | (7.7) |
| Effect of exchange rate variations | **(2.2)** | 2.3 |
| Balance, end of year | **30.8** | 31.7 |

## 15. INVENTORIES

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Merchandise | **782.7** | 762.0 |
| Road transportation fuel | **665.2** | 594.3 |
| Other products | **19.8** | 12.7 |
| | **1,467.7** | 1,369.0 |

The cost of sales amounts presented in the consolidated statements of earnings are almost entirely composed of inventory recognized as an expense.

## 16. PROPERTY AND EQUIPMENT

| | **Land** | **Buildings and building components** | **Equipment[b]** | **Leasehold improvements** | **Total** |
|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** |
| **Year ended April 28, 2019** | | | | | |
| Net book amount, beginning | **3,917.2** | **3,306.6** | **3,768.7** | **293.3** | **11,285.8** |
| Additions | **23.6** | **98.0** | **1,060.6** | **36.0** | **1,218.2** |
| Business acquisitions (Note 4) | **2.1** | **4.8** | **3.2** | **-** | **10.1** |
| Disposals | **(52.1)** | **(47.6)** | **(87.7)** | **(4.0)** | **(191.4)** |
| Depreciation, amortization and impairment expense | **(12.7)** | **(273.7)** | **(553.3)** | **(69.6)** | **(909.3)** |
| Transfers | **47.7** | **96.1** | **(245.3)** | **101.5** | **-** |
| Effect of exchange rate variations | **(97.6)** | **(88.8)** | **(93.3)** | **(3.8)** | **(283.5)** |
| **Net book amount, end[a]** | **3,828.2** | **3,095.4** | **3,852.9** | **353.4** | **11,129.9** |
| **As at April 28, 2019** | | | | | |
| Cost | **3,866.4** | **4,382.2** | **6,368.2** | **828.6** | **15,445.4** |
| Accumulated depreciation, amortization and impairment | **(38.2)** | **(1,286.8)** | **(2,515.3)** | **(475.2)** | **(4,315.5)** |
| **Net book amount [a]** | **3,828.2** | **3,095.4** | **3,852.9** | **353.4** | **11,129.9** |
| Portion related to finance leases | **143.2** | **105.2** | **58.1** | **-** | **306.5** |
| **Year ended April 29, 2018 (adjusted, Note 2)** | | | | | |
| Net book amount, beginning | 2,619.5 | 2,060.8 | 2,574.3 | 256.8 | 7,511.4 |
| Additions | 33.9 | 141.0 | 1,024.6 | 9.0 | 1,208.5 |
| Business acquisitions (Note 4) | 1,215.0 | 1,208.2 | 821.0 | 45.5 | 3,289.7 |
| Disposals | (41.1) | (53.5) | (59.9) | (1.4) | (155.9) |
| Depreciation and amortization expense | (9.8) | (278.5) | (446.6) | (57.6) | (792.5) |
| Transfers | 5.7 | 157.7 | (199.8) | 36.4 | - |
| Reclassified to assets held for sale | - | (2.9) | (17.5) | - | (20.4) |
| Effect of exchange rate variations | 94.0 | 73.8 | 72.6 | 4.6 | 245.0 |
| **Net book amount, end[a]** | 3,917.2 | 3,306.6 | 3,768.7 | 293.3 | 11,285.8 |
| **As at April 29, 2018 (adjusted, Note 2)** | | | | | |
| Cost | 3,944.6 | 4,391.4 | 5,994.1 | 724.9 | 15,055.0 |
| Accumulated depreciation, amortization and impairment | (27.4) | (1,084.8) | (2,225.4) | (431.6) | (3,769.2) |
| **Net book amount [a]** | 3,917.2 | 3,306.6 | 3,768.7 | 293.3 | 11,285.8 |
| Portion related to finance leases | 147.4 | 122.8 | 60.1 | - | 330.3 |

(a) The net book amount as at April 28, 2019 includes $818.2 related to construction in progress ($677.5 as at April 29, 2018).

(b) For the fiscal year ended April 28, 2019, an impairment expense of $13.0 was recorded for this category in Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets on the consolidated statement of earnings (nil for the fiscal year ended April 29, 2018).

## 17. GOODWILL AND INTANGIBLE ASSETS

### Goodwill

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | $ | $ |
| Net book amount, beginning of year | **5,845.8** | 2,370.2 |
| CAPL's goodwill impairment | **(55.0)** | - |
| Disposal of business (Note 6) | **(25.5)** | - |
| Business acquisitions (Note 4) | **2.2** | 3,394.7 |
| Reclassified to assets held for sale | **-** | (4.4) |
| Effect of exchange rate variations | **(84.4)** | 85.3 |
| **Net book amount, end of period** | **5,683.1** | 5,845.8 |

### Intangible assets

| | Trademarks | Franchise agreements | Software[a] | Fuel supply agreements | Favorable leases | Other | Total |
|---|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** | **$** |
| **Year ended April 28, 2019** | | | | | | | |
| Net book amount, beginning | **275.3** | **75.2** | **177.7** | **297.9** | **129.7** | **92.2** | **1,048.0** |
| Additions | **-** | **0.2** | **41.6** | **-** | **-** | **4.9** | **46.7** |
| Business acquisitions (Note 4) | **-** | **-** | **-** | **-** | **-** | **0.3** | **0.3** |
| Disposals | **(0.8)** | **-** | **(0.5)** | **(1.2)** | **(1.5)** | **(0.8)** | **(4.8)** |
| Rent, depreciation and amortization expense | **(10.9)** | **(12.3)** | **(37.4)** | **(28.9)** | **(19.4)** | **(8.2)** | **(117.1)** |
| Transfers | **-** | **-** | **(0.9)** | **0.1** | **(0.1)** | **0.9** | **-** |
| Effect of exchange rate variations | **(8.0)** | **(2.1)** | **(10.1)** | **-** | **(4.2)** | **(4.3)** | **(28.7)** |
| **Net book amount, end** | **255.6** | **61.0** | **170.4** | **267.9** | **104.5** | **85.0** | **944.4** |
| **As at April 28, 2019** | | | | | | | |
| Cost | **295.3** | **149.7** | **335.6** | **360.7** | **152.0** | **199.2** | **1,492.5** |
| Accumulated depreciation and amortization | **(39.7)** | **(88.7)** | **(165.2)** | **(92.8)** | **(47.5)** | **(114.2)** | **(548.1)** |
| **Net book amount** | **255.6** | **61.0** | **170.4** | **267.9** | **104.5** | **85.0** | **944.4** |
| **Year ended April 29, 2018 (adjusted, Note 2)** | | | | | | | |
| Net book amount, beginning | 284.4 | 38.8 | 160.4 | 9.4 | 93.8 | 83.3 | 670.1 |
| Additions | - | 0.1 | 31.4 | - | - | 0.4 | 31.9 |
| Business acquisitions (Note 4) | 25.3 | 45.0 | 11.0 | 315.2 | 47.8 | 8.1 | 452.4 |
| Disposals | (1.5) | - | (0.5) | (2.8) | (1.6) | (0.1) | (6.5) |
| Rent, depreciation and amortization expense | (41.5) | (10.8) | (33.1) | (23.9) | (15.8) | (7.9) | (133.0) |
| Effect of exchange rate variations | 8.6 | 2.1 | 8.5 | - | 5.5 | 8.4 | 33.1 |
| **Net book amount, end** | 275.3 | 75.2 | 177.7 | 297.9 | 129.7 | 92.2 | 1,048.0 |
| **As at April 29, 2018 (adjusted, Note 2)** | | | | | | | |
| Cost | 305.2 | 158.4 | 315.6 | 364.4 | 162.9 | 208.0 | 1,514.5 |
| Accumulated depreciation and amortization | (29.9) | (83.2) | (137.9) | (66.5) | (33.2) | (115.8) | (466.5) |
| **Net book amount** | 275.3 | 75.2 | 177.7 | 297.9 | 129.7 | 92.2 | 1,048.0 |

(a) The net book amount as at April 28, 2019 includes $14.5 related to software in progress ($13.7 as at April 29, 2018).

Goodwill and intangible assets with indefinite useful lives are allocated to CGUs based on the geographical location of the acquired stores. Allocation as at April 28, 2019 and April 29, 2018 is as follows:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| CGU | **Intangible assets with indefinite useful lives** | **Goodwill** | Intangible assets with indefinite useful lives | Goodwill (adjusted, Note 2) |
| | **$** | **$** | $ | $ |
| Canada | **-** | **773.8** | - | 829.1 |
| United States | **185.4** | **4,313.1** | 185.2 | 4,320.7 |
| CAPL[a] | **-** | **73.2** | - | 128.5 |
| Scandinavia | **59.5** | **444.6** | 64.7 | 482.4 |
| Central and Eastern Europe | **26.0** | **11.7** | 28.4 | 12.6 |
| Ireland | **-** | **66.7** | - | 72.5 |
| | **270.9** | **5,683.1** | 278.3 | 5,845.8 |

(a) This amount is presented net of a $55.0 accumulated impairment loss as at April 28, 2019 (nil as at April 29, 2018).

The intangible assets with indefinite useful lives for the United States CGU are the Circle K trademark and licenses, which are expected to provide economic benefits to the Corporation indefinitely. The intangible asset with indefinite useful life for the Scandinavia and Central and Eastern Europe ("CEE") CGUs is the droplet logo, which are expected to provide economic benefits to the Corporation indefinitely. The Scandinavia CGU includes the activities of Norway, Sweden and Denmark, while the CEE CGU includes the activities of Estonia, Latvia, Lithuania, Poland and Russia.

For the annual impairment test, the recoverable amount of the CGUs is determined on the basis of their fair value less costs to sell. The Corporation uses an approach based on Earnings before interest, taxes, depreciation and amortization ("EBITDA", which is a non-IFRS measure) multiples of comparable corporations (Level 3) ranging from 8.7x to 11.3x to determine these values. For CAPL, the Corporation uses an approach based on its market capitalization (Level 1) and the discounted cash flows of its IDRs (Level 3).

During the first quarter of fiscal 2019, the Corporation performed its annual goodwill impairment test. As a result of the decrease in the market capitalization of the CAPL CGU, which is fully included in the United States geographic area, and the decrease in the fair value of the IDRs, an impairment loss on Goodwill of $55.0 was recorded to Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets in the consolidated statement of earnings.

At the time the goodwill impairment test was performed, the recoverable amount of the Corporation's share of the CAPL CGU was $157.3 and the impairment loss recorded reduced the carrying amount of the goodwill for the CAPL CGU to $73.2. The recoverable amount of the CAPL CGU was determined on the basis of its fair value less costs of disposal, which includes the Corporation's shares in CAPL's market capitalization (Level 1) and the discounted cash flows of its IDRs (Level 3).

The fair value less costs of disposal of the Corporation's shares in CAPL's market capitalization was determined using the following observable inputs:

| | |
|---|---|
| CAPL's common unit closing value as at July 23, 2018, date of the annual goodwill impairment test | **$17.41** |
| Number of CAPL's outstanding common units as at July 22, 2018 | **34,433,574** |
| % of CAPL's common units owned by the Corporation as at July 22, 2018 | **21.7%** |

With all other variables held constant, every $1.00 decrease in CAPL's common unit value would have increased the impairment loss recorded by $7.5.

The fair value less costs of disposal of the IDRs was determined using discounted cash flows based on CAPL's strategic plan which was established by its management based on past experience. The following key assumptions were used in establishing the recoverable amount of the IDRs and there were no changes in the valuation technique used:

| | |
|---|---|
| Annual Distributable cash flows/Total distributions ratio[(a)] | **1.1x to 1.2x** |
| Debt/Equity financing ratio on business acquisitions[(b)] | **57/43** |
| Discount rate[(c)] | **12.5%** |
| Projection period of the cash flows | **4 years** |

**(a) Distributable cash flows/Total distributions ratio**

Based on past experience and management's expectations for the future. With all other variables held constant, a 0.01x increase for each year would have increased by $1.8 the impairment loss recorded.

**(b) Debt/Equity financing ratio on business acquisitions**

Based on past experience and management's expectations for the future. With all other variables held constant, a 5.00% decrease in Debt financing (5.00% increase in Equity financing) would have increased by $2.0 the impairment loss recorded.

**(c) Discount rate**

The discount rate used reflects specific risks relating to the CAPL CGU and its geographic area. With all other variables held constant, a 1.00% increase in the discount rate would have increased by $2.4 the impairment loss recorded.

**Annual growth rate of CAPL's EBITDA**

In addition to the above key assumptions, in establishing the discounted cash flows of the IDRs, the Corporation considered an annual growth rate of CAPL's EBITDA which was determined by taking into consideration organic growth, growth generated by business acquisitions as well as synergies.

## 18. OTHER ASSETS

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Environmental costs receivable (Note 22) | **75.5** | 77.9 |
| Deferred compensation assets | **49.1** | 40.9 |
| Pension benefit assets (Note 27) | **36.6** | 46.1 |
| Indexed deposit contract (including an embedded total return swap in 2018) (Note 28) | **39.7** | 29.9 |
| Deferred incentive payments | **38.2** | 34.5 |
| Deposits | **14.9** | 18.3 |
| Other | **52.6** | 55.5 |
| | **306.6** | 303.1 |

## 19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | $ | $ |
| Accounts payable and accrued expenses[(a)] | **2,550.1** | 2,461.6 |
| Sales and excise taxes | **767.0** | 748.4 |
| Salaries and related benefits | **275.8** | 259.8 |
| Other | **324.2** | 339.4 |
| | **3,917.1** | 3,809.2 |

(a) This amount is presented net of an amount of $261.6 from Credit and debit cards receivable and $76.5 from Trade accounts receivable and vendor rebates receivable due to netting arrangements ($229.8 and $83.6, respectively as at April 29, 2018).

## 20. LONG-TERM DEBT

| | 2019 | 2018 (adjusted, Note 2) |
|---|---|---|
| | $ | $ |
| US-dollar-denominated senior unsecured notes[(a)] | **3,379.9** | 3,373.6 |
| Canadian-dollar-denominated senior unsecured notes[(a)] | **1,774.5** | 1,857.3 |
| Euro-denominated senior unsecured notes, maturing in May 2026[(b)] | **831.2** | 900.7 |
| CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation, maturing in April 2024[(c)] | **514.8** | - |
| NOK-denominated senior unsecured notes, maturing in February 2026[(d)] | **77.4** | 83.9 |
| US-dollar-denominated term revolving unsecured operating credit D, maturing in December 2023[(e)] | **40.0** | 1,397.4 |
| Acquisition facility[(f)] | **-** | 412.1 |
| Former CAPL US-dollar-denominated senior secured revolving credit facility[(c)] | **-** | 509.5 |
| Obligations related to buildings and equipment under finance leases, with an average rate of 8.689%, payable on various dates until 2070, and other debts | **333.6** | 372.2 |
| | **6,951.4** | 8,906.7 |
| Current portion of long-term debt | **1,310.7** | 44.5 |
| | **5,640.7** | 8,862.2 |

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

As at April 28, 2019, the Corporation had Canadian-dollar-denominated senior unsecured notes totaling CA $2,400.0, and US-dollar-denominated senior unsecured notes totaling $3,400.0, divided as follows:

| | Notional amount | Maturity | Coupon rate | Effective rate as at April 28, 2019 | Interest payment dates |
|---|---|---|---|---|---|
| Tranche 2 – November 1, 2012 issuance | CA $450.0 | November 1, 2019 | 3.319% | 3.404% | May 1st and November 1st |
| Tranche 3 – November 1, 2012 issuance | CA $250.0 | November 1, 2022 | 3.899% | 3.963% | May 1st and November 1st |
| Tranche 4 – August 21, 2013 issuance | CA $300.0 | August 21, 2020 | 4.214% | 4.317% | August 21st and February 21st |
| Tranche 5 – June 2, 2015 issuance | CA $700.0 | June 2, 2025 | 3.600% | 3.649% | June 2nd and December 2nd |
| Tranche 6 – July 26, 2017 issuance | $1,000.0 | July 26, 2022 | 2.700% | 2.819% | July 26th and January 26th |
| Tranche 7 – July 26, 2017 issuance | CA $700.0 | July 26, 2024 | 3.056% | 3.133% | July 26th and January 26th |
| Tranche 8 – July 26, 2017 issuance | $1,000.0 | July 26, 2027 | 3.550% | 3.642% | July 26th and January 26th |
| Tranche 9 – July 26, 2017 issuance | $500.0 | July 26, 2047 | 4.500% | 4.576% | July 26th and January 26th |
| Tranche 10 – December 14, 2017 issuance | $600.0 | December 13, 2019 | 2.350% | 2.557% | June 13th and December 13th |
| Tranche 11 – December 14, 2017 issuance | $300.0 | December 13, 2019 | Three-month LIBOR plus 0.500% | 3.358% | June 13th, September 13th, December 13th and March 13th |

Canadian-dollar-denominated notes issued on November 1, 2012, June 2, 2015 and July 26, 2017 are associated with cross-currency interest rate swaps, and fixed interest rate US-dollar-denominated senior unsecured notes issued on December 14, 2017 are subject to fixed-to-floating interest rate swaps (Note 21).

Also, a portion of the US-dollar-denominated senior unsecured notes issued on July 26, 2017 were subject to interest rate locks in anticipation of their issuance. The settlement of the interest rate locks on July 20, 2017 resulted in a loss which was

recognized to Accumulated other comprehensive loss and is amortized over the term of the related US-dollar-denominated senior unsecured notes issued on July 26, 2017 as an adjustment to the related interest expense.

On May 28, 2019, subsequent to the fiscal year ended April 28, 2019, the Corporation repaid $150.0 on Tranche 11 of its US-dollar-denominated senior unsecured notes.

**(b) Euro-denominated senior unsecured notes**

As at April 28, 2019, the Corporation had Euro-denominated senior unsecured notes totaling €750.0 with a coupon rate of 1.875% and maturing on May 6, 2026. Interest is payable annually on May 6 and the effective rate is 1.944%.

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

On April 1, 2019, CAPL fully repaid its credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of $650.0, under which swing-line loans could be drawn up to $25.0 and standby letters of credit could be issued up to an aggregate of $45.0 (the "Former CAPL US-dollar-denominated senior secured revolving credit facility"). On the same day, CAPL entered into a new credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of $750.0, maturing on April 25, 2024, under which swing-line loans may be drawn up to $35.0 and standby letters of credit may be issued up to an aggregate of $65.0 (the "CAPL US-dollar-denominated senior secured revolving credit facility"). This facility replaced the Former CAPL US-dollar-denominated senior secured revolving credit facility and is without recourse to the Corporation.

As at April 28, 2019, the effective interest rate was 4.730% (4.740% as at April 29, 2018) and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

**(d) Norwegian-krone-denominated senior unsecured notes**

As at April 28, 2019, the Corporation had Norwegian-krone-denominated senior unsecured notes totaling NOK 675.0 with a coupon rate of 3.850% and maturing on February 18, 2026. Interest is payable semi-annually on April 20 and October 20 of each year and the effective rate is 3.927%.

**(e) Term revolving unsecured operating credit D**

As at April 28, 2019, the Corporation had a credit agreement consisting of a revolving unsecured facility of a maximum amount of $2,525.0. The credit facility was available in the following forms:

- A term revolving unsecured operating credit, available i) in Canadian dollars, ii) in US dollars, iii) in Euros, and iv) in the form of standby letters of credit not exceeding $150.0 or the equivalent in Canadian dollars, with applicable fees. Depending on the form and the currency of the loan, the amounts borrowed bear interest at variable rates based on the Canadian prime rate, the bankers' acceptance rate, the US base rate, LIBOR or EURIBOR plus a variable margin; and
- An unsecured line of credit in the maximum amount of $115.0, available in Canadian or US dollars, bearing interest at variable rates based, depending on the form and currency of the loan, on the Canadian prime rate, the US prime rate or the US base rate plus a variable margin.

Standby fees, which vary based on the Corporation's credit rating, were applied to the unused portion of the credit facility. Letters of credit fees and the variable margin used to determine the interest rate applicable to borrowed amounts were determined according to the Corporation's credit rating as well. Under this credit agreement, the Corporation must maintain certain financial ratios and respect certain restrictive provisions.

On November 9, 2018, this operating credit's maturity was extended to December 2023 and the maximum amount available on the unsecured line of credit was increased from $50.0 to $115.0.

As at April 28, 2019, the term revolving unsecured operating credit was unused ($1,370.4 borrowed with a weighted average effective interest rate of 3.236% as at April 29, 2018) and the Corporation had $40.0 borrowed on the unsecured line of credit ($27.0 as at April 29, 2018) bearing interests at 5.625%. The Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

**(f) Acquisition facility**

Tranche C of the acquisition facility was fully repaid by the Corporation during fiscal 2019.

**US-dollar denominated unsecured non-revolving credit facility**

On November 28, 2018, the Corporation entered into a new credit agreement consisting of an unsecured non-revolving credit facility of an aggregate maximum amount of $213.5, maturing June 27, 2020.

The unsecured non-revolving credit facility was available exclusively to repay a portion of amounts outstanding in principal, interest and fees under the acquisition facility. The unsecured non-revolving credit facility was available in US dollars by way of loans bearing interest at the US base rate or the LIBOR rate plus 0.850%.

The unsecured non-revolving credit facility was fully repaid by the Corporation on April 26, 2019.

**Term revolving unsecured operating credit F**

During the fiscal year ended April 28, 2019, the Corporation canceled its unused term revolving unsecured operating credit F, which was unused as at April 29, 2018.

**Bank overdraft facilities**

The Corporation had access to bank overdraft facilities totaling approximately $65.2 as at April 28, 2019 ($165.4 as at April 29, 2018). As at April 28, 2019 and April 29, 2018, they were unused.

**Letters of credit**

As at April 28, 2019, the Corporation had outstanding letters of credit related to its own operations of $81.0 ($97.9 as at April 29, 2018), of which $12.6 ($16.1 as at April 29, 2018) reduced funds available under the Corporation's term revolving unsecured operating credit D.

## 21. INTEREST RATE AND CROSS-CURRENCY SWAPS

The Corporation has entered into cross-currency interest rate swap agreements, allowing it to synthetically convert a portion of its Canadian-dollar-denominated senior unsecured notes into US dollars.

| Receive – Notional | Receive – Rate | Pay – Notional | Pay – Rate | Maturity | Fair value as at (Note 28) | |
|---|---|---|---|---|---|---|
| | | | | | **April 28, 2019** | April 29, 2018 |
| | | | | | **$** | $ |
| CA $2,100.0 | From 3.056% to 3.899% | US $1,829.3 | From 2.733% to 3.870% | From November 1, 2019 to June 2, 2025 | **250.1** | 166.7 |
| | | | **Current portion of financial liabilities** | | **115.0** | - |
| | | | **Other long-term financial liabilities** | | **135.1** | 166.7 |

These agreements are designated as foreign exchange hedges of the Corporation's net investment in its operations in the United States.

In addition to the agreements presented in the table above, the Corporation enters from time to time into short-term cross-currency interest rate swap agreements. As at April 28, 2019, the Corporation was not taking part in any of these agreements. As at April 29, 2018, these agreements had a fair value of $1.8 and are presented in Other short-term financial assets.

Furthermore, the Corporation has entered into fixed-to-floating interest rate swap agreements, synthetically converting its Tranche 10 fixed interest rate US-dollar-denominated senior unsecured notes to floating interest rates. These agreements became effective on December 14, 2017, and all mature on December 13, 2019.

| Notional amount | Receive – Rate | Pay – Rate | Fair value as at (Note 28) | |
|---|---|---|---|---|
| | | | **April 29, 2018** | April 29, 2018 |
| **$** | | | **$** | $ |
| 600.0 | 2.350% | Three-month LIBOR plus rates varying from 0.350% to 0.355% | 3.9 | 6.8 |

These agreements are designated as fair value hedges of the Corporation's US-dollar-denominated senior unsecured notes issued on December 14, 2017, which have a carrying amount of $595.4 and are presented in Current portion of long-term debt on the consolidated balance sheet as at April 28, 2019. This carrying amount includes an accumulated amount of fair value hedge adjustments of $3.9 and no ineffectiveness was recognized during the fiscal year ended April 28, 2019 in relation with this fair value hedge designation.

## 22. PROVISIONS

The reconciliation of the Corporation's main provisions is as follows:

| | Asset retirement obligations[(a)] | Provision for environmental costs[(b)] | Restructuring provision[(c)] | Provision for workers' compensation[(d)] | Provision for general liability[(d)] | Other | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **2019** | | | | | | | |
| Balance, beginning of year | **465.9** | **180.1** | **20.4** | **44.1** | **36.0** | **43.6** | **790.1** |
| Business acquisitions (Note 4) | **0.2** | **-** | **-** | **-** | **-** | **-** | **0.2** |
| Liabilities incurred | **2.7** | **14.4** | **10.5** | **23.5** | **27.5** | **4.2** | **82.8** |
| Liabilities settled | **(5.4)** | **(19.8)** | **(14.2)** | **(25.6)** | **(24.5)** | **(11.0)** | **(100.5)** |
| Accretion expense | **18.2** | **1.6** | **-** | **0.5** | **0.1** | **-** | **20.4** |
| Reversal of provisions | **(4.9)** | **(6.8)** | **(1.0)** | **(0.1)** | **(0.1)** | **(2.8)** | **(15.7)** |
| Change in estimates | **(5.8)** | **1.4** | **-** | **(1.4)** | **3.3** | **-** | **(2.5)** |
| Effect of exchange rate variations | **(18.7)** | **(4.2)** | **(0.8)** | **(0.3)** | **-** | **(0.7)** | **(24.7)** |
| Balance, end of year | **452.2** | **166.7** | **14.9** | **40.7** | **42.3** | **33.3** | **750.1** |
| Current portion | **72.1** | **47.4** | **14.3** | **12.5** | **8.7** | **5.0** | **160.0** |
| Long-term portion | **380.1** | **119.3** | **0.6** | **28.2** | **33.6** | **28.3** | **590.1** |
| **2018 (adjusted, Note 2)** | | | | | | | |
| Balance, beginning of year | 368.1 | 159.2 | 12.5 | 35.3 | 35.4 | 9.4 | 619.9 |
| Business acquisitions (Note 4) | 75.8 | 29.9 | - | 4.9 | 3.3 | 33.8 | 147.7 |
| Liabilities incurred | 3.1 | 9.1 | 56.9 | 26.0 | 19.5 | 4.6 | 119.2 |
| Liabilities settled | (7.3) | (10.1) | (49.7) | (21.7) | (18.0) | (4.4) | (111.2) |
| Accretion expense | 15.8 | 0.8 | - | 0.5 | 0.1 | - | 17.2 |
| Reversal of provisions | (6.0) | (7.7) | - | - | (0.1) | (0.6) | (14.4) |
| Change in estimates | 3.3 | (4.3) | - | (1.2) | (4.2) | - | (6.4) |
| Reclassified to assets held for sale | (0.6) | - | - | - | - | - | (0.6) |
| Effect of exchange rate variations | 13.7 | 3.2 | 0.7 | 0.3 | - | 0.8 | 18.7 |
| Balance, end of year | 465.9 | 180.1 | 20.4 | 44.1 | 36.0 | 43.6 | 790.1 |
| Current portion | 80.9 | 45.5 | 17.6 | 20.1 | 12.1 | 3.2 | 179.4 |
| Long-term portion | 385.0 | 134.6 | 2.8 | 24.0 | 23.9 | 40.4 | 610.7 |

(a) The total undiscounted amount of estimated cash flows to settle the asset retirement obligations is approximately $826.6 and is expected to be incurred over the next 40 years. Should changes occur in estimated future removal costs, tank useful lives, lease terms or governmental regulatory requirements, revisions to the liability could be made.
(b) Environmental costs should be disbursed over the next 20 years.
(c) Restructuring costs should be settled over the next two years.
(d) Workers' compensation and general liability indemnities should be disbursed over the next five years.

### Environmental costs

The Corporation is subject to Canadian, United States and European legislation governing the storage, handling and sale of road transportation fuel and other petroleum-based products. The Corporation considers that it is compliant with all important aspects of current environmental legislation.

The Corporation has an ongoing training program for its employees on environmental issues and performs preventative site testing and site restoration in cooperation with regulatory authorities. The Corporation also examines its motor fuel equipment annually.

In most of the U.S. states in which the Corporation operates, with the exception of Alaska, California, Florida, Iowa, Maryland, New York, Oregon, Texas, Washington, West Virginia and Wisconsin, the Corporation participates in a state fund to cover the cost of certain environmental remediation activities after the applicable trust fund deductible is met, which varies by state. These state funds provide insurance for motor fuel facilities operations to cover some of the costs of cleaning up certain environmental contamination caused by the use of road transportation fuel equipment. Road transportation fuel storage tank registration fees and/or a motor fuel tax in each of the states finance the trust funds. The Corporation pays annual registration fees and remits sales taxes to applicable states. Insurance coverage differs from state to state.

In order to provide for the above-mentioned environmental costs, the Corporation has recorded a $166.7 provision for environmental costs as at April 28, 2019 ($180.1 as at April 29, 2018). Furthermore, the Corporation has recorded an amount of $87.3 for environmental costs receivable from trust funds as at April 28, 2019 ($87.0 as at April 29, 2018), of which $11.8 ($9.1 as at April 29, 2018) is included in Accounts receivable and $75.5 in Other assets.

## 23. DEFERRED CREDITS AND OTHER LIABILITIES

| | **2019** | 2018 (adjusted, Note 2) |
|---|---|---|
| | **$** | $ |
| Unfavorable leases | **102.7** | 130.9 |
| Deferred compensation liabilities | **75.2** | 63.7 |
| Deferred rent expense | **55.6** | 60.3 |
| Deposits | **39.4** | 36.9 |
| Deferred credits | **29.5** | 19.2 |
| Deferred branding credits | **22.9** | 16.1 |
| Other liabilities | **23.7** | 24.2 |
| | **349.0** | 351.3 |

## 24. CAPITAL STOCK

### Authorized

Unlimited number of shares without par value

- First and second preferred shares issuable in series, non-voting, ranking prior to other classes of shares with respect to dividends and payment of capital upon dissolution. The Board of Directors is authorized to determine the designation, rights, privileges, conditions and restrictions relating to each series of shares prior to their issuance.
- Class A multiple voting and participating shares, ten votes per share except for certain situations which provide for only one vote per share, convertible into Class B subordinate voting shares on a share-for-share basis at the holder's option. Under the articles of amendment, no new Class A multiple voting shares may be issued.
- Class B subordinate voting and participating shares, convertible automatically into Class A multiple voting shares on a share-for-share basis on the earlier of the following:
  - When all 4 of the Corporation's co-founders will have reached the age of 65 years old; or
  - When all 4 of the Corporation's co-founders will hold, directly or indirectly, less than 50% of the voting rights attached to all of the Corporation's outstanding Class A multiple voting shares and Class B subordinate voting shares.

The order of priority for the payment of dividends is as follows:

- First preferred shares;
- Second preferred shares; and
- Class B subordinate voting shares and Class A multiple voting shares, ranking pari passu.

### Issued and fully paid

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

| | **2019** | 2018 |
|---|---|---|
| **Class A multiple voting shares** | | |
| Balance, beginning of year | **132,023,873** | 147,766,540 |
| Conversion into Class B shares | **(5,114,923)** | (15,742,667) |
| Balance, end of year | **126,908,950** | 132,023,873 |
| **Class B subordinate voting shares** | | |
| Balance, beginning of year | **432,194,025** | 420,683,538 |
| Issued on conversion of Class A shares | **5,114,923** | 15,742,667 |
| Repurchased and cancelled shares[(a) (b)] | **-** | (4,372,923) |
| Stock options exercised | **192,962** | 140,743 |
| Balance, end of year | **437,501,910** | 432,194,025 |

### (a) Share repurchase program

On April 8, 2019, the Toronto Stock Exchange approved the implementation of a new share repurchase program, which took effect on April 10, 2019. This program allows the Corporation to repurchase up to 16,977,576 Class B subordinate voting shares, representing 4.00% of the 424,439,404 Class B subordinate voting shares of the public float issued and outstanding as at April 5, 2019 (3.88% of the 437,425,103 Class B subordinate voting shares issued and outstanding as at April 5, 2019). In accordance with the Toronto Stock Exchange requirements, the Corporation is entitled to purchase, on any trading day, up to a total of 245,374 Class B subordinate voting shares representing 25.00% of the net average daily trading volume of the Class B subordinate voting shares for the six-month period preceding April 1, 2019. When making such repurchases, the number of Class B subordinate voting shares in circulation is reduced and the proportionate interest of all remaining shareholders in the

Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled upon repurchase. The share repurchase period will end no later than April 9, 2020.

As at April 28, 2019, the Corporation had not repurchased any Class B subordinate voting shared under the share repurchase program.

During the month of May 2019, subsequent to the fiscal year ended April 28, 2019, the Corporation repurchased 245,274 Class B subordinate voting shares under its share repurchase program, for a net amount of $14.4. All shares repurchased were cancelled.

**(b) Share repurchase and conversion**

On October 11, 2017, the Corporation repurchased 4,372,923 Class B subordinate voting shares held by Metro Canada Holdings Inc., a wholly owned subsidiary of Metro Inc., for a net amount of $193.1. The Class A shares held by Metro Canada Holdings Inc. were converted into an equivalent number of Class B shares before the repurchase. The transaction closed on October 17, 2017, and all shares repurchased were cancelled. The dividend deemed to have been paid to Metro Canada Holdings Inc. as a result of this repurchase was an eligible dividend within the meaning of the *Income Tax Act* (Canada) and the *Taxation Act* (Quebec).

## 25. STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

**Stock option plan**

The Corporation has a stock option plan (the "Plan") under which it has authorized the grant of up to 50,676,000 stock options for the purchase of its Class B subordinate voting shares.

Stock options have up to a 10-year term, vest 20.0% on the date of the grant and cumulatively thereafter on each anniversary date of the grant and are exercisable at the designated market price on the date of the grant. The grant price of each stock option shall not be set below the weighted average closing price for a board lot of the Class B shares on the Toronto Stock Exchange for the five days preceding the grant. Each stock option is exercisable into one Class B share of the Corporation at the price specified in the terms of the stock option. To enable option holders to proceed with a cashless exercise of their options, the Plan allows them to elect to receive a number of subordinate shares equivalent to the difference between the total number of subordinate shares underlying the options exercised and the number of subordinate shares required to settle the exercise of the options.

The table below presents the status of the Corporation's Plan as at April 28, 2019 and April 29, 2018 and the changes therein during the years then ended:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Number of stock options** | **Weighted average exercise price** | Number of stock options | Weighted average exercise price |
| | | **CA $** | | CA $ |
| Outstanding, beginning of year | **1,726,482** | **33.36** | 1,715,070 | 28.27 |
| Granted | **163,593** | **61.86** | 161,682 | 61.43 |
| Exercised | **(224,982)** | **10.03** | (150,270) | 5.43 |
| Forfeited | **(12,297)** | **54.29** | - | - |
| Outstanding, end of year | **1,652,796** | **39.20** | 1,726,482 | 33.36 |
| Exercisable, end of year | **1,333,419** | **34.07** | 1,290,792 | 27.08 |

For options exercised in fiscal 2019, the weighted average share price at the date of exercise was CA $71.87 (CA $62.86 in 2018).

The following table presents information on the stock options outstanding and exercisable as at April 28, 2019:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Number of stock options outstanding as at April 28, 2019 | Weighted average remaining contractual life (years) | Weighted average exercise price | Number of stock options exercisable as at April 28, 2019 | Weighted average exercise price |
| CA $ | | | CA $ | | CA $ |
| 4 – 16 | 345,270 | 1.54 | 8.74 | 345,270 | 8.74 |
| 16 – 35 | 648,891 | 5.41 | 34.44 | 648,891 | 34.44 |
| 35 – 65 | 658,635 | 7.72 | 59.88 | 339,258 | 59.12 |
| | 1,652,796 | | | 1,333,419 | |

The fair value of stock options granted is 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 year:

| | **2019** | 2018 |
|---|---|---|
| Expected dividends (per share) | **CA $0.40** | CA $0.36 |
| Expected volatility | **24%** | 25% |
| Risk-free interest rate | **2.12%** | 1.77% |
| Expected life | **8 years** | 8 years |

The fair value of stock options granted was CA $17.67 in 2019 (weighted average fair value of CA $17.55 in 2018).

For 2019, the compensation cost charged to the consolidated statements of earnings amounts to $2.4 ($2.2 in 2018).

**Deferred share unit plan**

The Corporation has a DSU plan for the benefit of its external directors which allows them, at their option, to receive all or a portion of their annual compensation and directors' fee in the form of DSUs. A DSU is a notional unit, equivalent in value to the Corporation's Class B share. Upon leaving the Board of Directors, participants are entitled to receive the payment of their cumulated DSUs either in a) the form of cash based on the price of the Corporation's Class B shares as traded on the open market on the date of payment, or b) Class B shares bought by the Corporation on the open market on behalf of the participant.

The DSU expense and the related liability are recorded at the grant date. The liability is adjusted periodically to reflect any variation in the market value of the Class B shares. As at April 28, 2019, the Corporation had a total of 176,982 DSUs outstanding (260,374 as at April 29, 2018) and an obligation related to this plan of $10.4 ($11.5 as at April 29, 2018) was recorded in Deferred credits and other liabilities. The exposure to the Corporation's share price risk is managed with an embedded total return swap (Note 28). For 2019, the net compensation cost amounted to $0.9 ($0.5 of net compensation recovery in 2018).

**Phantom stock units**

The Corporation has a PSU plan allowing the Board of Directors, through its Human Resources and Corporate Governance Committee, to grant PSUs to the officers and selected key employees of the Corporation (the "participants"). A PSU is a notional unit whose value is based on the weighted average reported closing price for a board lot of the Corporation's Class B subordinated voting share (the "Class B share") on the Toronto Stock Exchange for the five trading days immediately preceding the grant date. The PSU provides the participant with the opportunity to earn a cash award. Each PSU initially granted vests no later than one day prior to the third anniversary of the grant date subject, namely, to the achievement of performance objectives of the Corporation, based on external and internal benchmarks, over a three-year performance period. PSUs are antidilutive since they are payable solely in cash.

The table below presents the status of the Corporation's PSU plan as at April 28, 2019 and April 29, 2018 and the changes therein during the years then ended in number of units:

| | **2019** | 2018 |
|---|---|---|
| Outstanding, beginning of year | **725,652** | 727,331 |
| Granted | **296,996** | 311,541 |
| Paid | **(162,534)** | (297,712) |
| Forfeited | **(109,722)** | (15,508) |
| Outstanding, end of year | **750,392** | 725,652 |

As at April 28, 2019, an obligation related to this notional unit allocation plan of $9.2 was recorded in Accounts payable and accrued liabilities ($4.1 as at April 29, 2018) and $12.4 was recorded in Deferred credits and other liabilities ($7.3 as at April 29, 2018). The price risk of this obligation is also managed with the embedded total return swap (Note 28). For 2019, the compensation cost amounted to $12.1 ($6.8 for 2018).

## 26. ACCUMULATED OTHER COMPREHENSIVE LOSS

**As at April 28, 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 | Accumulated other comprehensive loss |
| | $ | $ | $ | $ | $ |
| **Balance, before income taxes** | **(496.1)** | **(354.3)** | **(7.0)** | **(6.9)** | **(864.3)** |
| **Less: Income taxes** | **-** | **(6.1)** | **1.3** | **(2.9)** | **(7.7)** |
| **Balance, net of income taxes** | **(496.1)** | **(348.2)** | **(8.3)** | **(4.0)** | **(856.6)** |

As at April 29, 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 | Accumulated other comprehensive loss |
| | $ | $ | $ | $ | $ |
| Balance, before income taxes | (287.4) | (266.4) | (14.0) | (3.1) | (570.9) |
| Less: Income taxes | - | (2.7) | (0.5) | (1.4) | (4.6) |
| Balance, net of income taxes | (287.4) | (263.7) | (13.5) | (1.7) | (566.3) |

## 27. EMPLOYEE FUTURE BENEFITS

The Corporation has a number of funded and unfunded defined benefit and defined contribution plans that provide retirement benefits to certain employees.

### Defined benefit plans

The Corporation measures its accrued defined benefit obligation and the fair value of plan assets for accounting purposes on the last Sunday of April of each year.

The Corporation has defined benefit plans in Canada, the United States, Norway, Sweden and Ireland. Those plans provide benefits based on average earnings at retirement, or based on the years with the highest salaries and the number of years of service. The most recent actuarial valuation of the pension plans for funding purposes was as at December 31, 2018, and the next required valuation will be as at December 31, 2019.

Some plans include benefit adjustments in line with the consumer price index, whereas most of them do not provide such adjustments. The majority of the benefit payments are from trustee-administered funds. However, there is also a number of unfunded plans where the Corporation meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Corporation and the trustees and their composition. Responsibility for governance of the plans, investment decisions and contribution schedules lies jointly with the plan committees and the Corporation.

Reconciliation of the funded status of the benefit plans to the amount recorded in the consolidated financial statements:

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Present value of defined benefit obligation for funded pension plans | **(125.9)** | (124.9) |
| Fair value of plans' assets | **165.9** | 172.2 |
| Net funded status of funded plans – net surplus | **40.0** | 47.3 |
| Present value of defined benefit obligation for unfunded pension plans | **(96.0)** | (101.2) |
| Net accrued pension benefit liability | **(56.0)** | (53.9) |

The pension benefit asset of $36.6 ($46.1 as at April 29, 2018) is included in Other assets and the Pension benefit liability of $92.6 ($100.0 as at April 29, 2018) is presented separately in the consolidated balance sheets.

The defined benefit obligation and plan assets are composed by country as follows:

| | **Canada** | **United States** | **Norway** | **Sweden** | **Ireland** | **Total** |
|---|---|---|---|---|---|---|
| **2019** | **$** | **$** | **$** | **$** | **$** | **$** |
| Present value of defined benefit obligation | **(57.6)** | **(14.5)** | **(34.9)** | **(106.3)** | **(8.6)** | **(221.9)** |
| Fair value of plans' assets | **21.4** | **-** | **1.8** | **142.7** | **-** | **165.9** |
| Funded status of plan – (deficit) surplus | **(36.2)** | **(14.5)** | **(33.1)** | **36.4** | **(8.6)** | **(56.0)** |
| 2018 | | | | | | |
| Present value of defined benefit obligation | (59.6) | (14.1) | (40.4) | (102.7) | (9.3) | (226.1) |
| Fair value of plans' assets | 22.0 | - | 2.0 | 148.2 | - | 172.2 |
| Funded status of plan – (deficit) surplus | (37.6) | (14.1) | (38.4) | 45.5 | (9.3) | (53.9) |

As at the measurement date, the plans' assets consisted of:

| | | | | **2019** | | | | 2018 |
|---|---|---|---|---|---|---|---|---|
| | **Quoted** | **Unquoted** | **Total** | **Plan's assets allocation** | Quoted | Unquoted | Total | Plan's assets allocation |
| | **$** | **$** | **$** | **%** | $ | $ | $ | % |
| Cash and cash equivalents | **0.3** | **-** | **0.3** | **0.2** | 0.1 | - | 0.1 | 0.1 |
| Equity securities | **88.7** | **-** | **88.7** | **53.5** | 92.8 | - | 92.8 | 53.9 |
| Debt instruments | | | | | | | | |
| Government | **66.5** | **-** | **66.5** | **40.1** | 68.2 | - | 68.2 | 39.6 |
| Corporate | **4.0** | **-** | **4.0** | **2.4** | 4.8 | - | 4.8 | 2.8 |
| Real estate | **-** | **0.9** | **0.9** | **0.5** | - | 0.9 | 0.9 | 0.5 |
| Other assets | **5.5** | **-** | **5.5** | **3.3** | 5.4 | - | 5.4 | 3.1 |
| Total | **165.0** | **0.9** | **165.9** | **100.0** | 171.3 | 0.9 | 172.2 | 100.0 |

The Corporation's pension benefit expense for the fiscal year is determined as follows:

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Current service cost, net of employee contributions | **3.7** | 3.6 |
| Administrative expenses | **0.1** | 0.1 |
| Pension expense for the year | **3.8** | 3.7 |
| Net interest expense | **1.8** | 2.4 |
| Curtailment gain | **(2.7)** | (0.6) |
| Amount recognized in earnings for the year | **2.9** | 5.5 |

The amount recognized in Other comprehensive income (loss) for the fiscal year is determined as follows:

| | **2019** | 2018 |
|---|---|---|
| | **$** | $ |
| Losses (gains) from change in financial assumptions | **16.7** | (1.9) |
| Experience gains | **(4.9)** | (4.5) |
| Return on assets (excluding amounts included in interest income) | **(8.0)** | (26.3) |
| Amount recognized in Other comprehensive income (loss) | **3.8** | (32.7) |

The Corporation expects to make a contribution of $5.8 to the defined benefit plans during the next fiscal year.

The significant weighted average actuarial assumptions, which management considers the most likely to determine the accrued benefit obligations and the pension expense, are the following:

| | | | | | **2019** | | | | | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Canada** | **United States** | **Norway** | **Sweden** | **Ireland** | Canada | United States | Norway | Sweden | Ireland |
| | **%** | **%** | **%** | **%** | **%** | % | % | % | % | % |
| Discount rate | **3.30** | **4.00** | **2.50** | **2.25** | **1.20** | 3.65 | 4.25 | 2.50 | 2.75 | 1.50 |
| Rate of compensation increase | **3.00** | **3.00** | **2.75** | **2.75** | **-** | 3.71 | 4.00 | 2.50 | 2.75 | - |
| Rate of benefit increase | **2.00** | **2.00** | **0.80** | **1.75** | **1.30** | 2.00 | 2.00 | 0.10 | 1.75 | 1.60 |
| Rate of social security base amount increase (*G-amount*) | **-** | **-** | **2.50** | **2.75** | **-** | - | - | 2.25 | 2.75 | - |

The Corporation uses mortality tables provided by regulatory authorities and actuarial associations in each country. The social security base amount (*G-amount*) is the expected increase of pensions paid from the state. In some European countries, the Corporation is responsible for the difference between what the pensioners receive from the state and the entitled pension based on their salary at the time of retirement.

The weighted average duration of the defined benefit obligation of the Corporation is 20 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal actuarial assumptions is as follows:

| | Change in assumption | Increase in assumption | Decrease in assumption |
|---|---|---|---|
| Discount rate | 0.50% | Decrease by 9.5% | Increase by 10.6% |
| Rate of compensation increase | 0.50% | Increase by 2.2% | Decrease by 2.9% |
| Rate of benefit increase | 0.50% | Increase by 7.7% | Decrease by 7.7% |
| Increase of life expectancy | 1 year | Increase by 4.1% | - |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, because changes in some of the assumptions may be correlated. When calculating the above sensitivity analysis, the same method has been applied as when calculating the pension liability recognized in the consolidated balance sheets.

Through its defined benefit pension plans, the Corporation is exposed to the following risks:

*Asset returns:* The value of the defined benefit pension plan obligations is calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. All of the capitalized plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term. Furthermore, the Corporation actively monitors the performance of the assets to ensure the expected return. To mitigate the risks of assets underperforming, investment policies require a diversified portfolio that spreads risk across different types of instruments.

*Changes in bond yields:* A decrease in corporate bond yields will increase defined benefit pension plan obligations. However, this same decrease will increase existing bond values held by the various plans.

*Change in demographic assumptions:* A change in demographic assumptions (rate of salary increase or pension increase, change in mortality tables) will increase or decrease the obligation.

For funded plans, the individual plans have investment policy objectives to bring investment average duration in line with the average expected life of the obligation and scheduled benefit payments. The Corporation and the trustees actively monitor the duration and the expected yield of the investments to ensure they match the expected cash outflows arising from the pension benefit payments. Also, as presented above, to mitigate the risks, the investments are well diversified. The Corporation does not use derivatives to offset its risk and has not changed the processes from the previous fiscal year.

In Europe, it is the Corporation's responsibility to make or not to make contributions to the defined benefit plans. The Corporation contributes to these plans except when they are overcapitalized. For funded plans that are running a deficit, the Corporation makes payments based on the actuaries' recommendations and existing regulations. The Corporation is committed to making special payments in the coming years to eliminate the deficit. These contributions have no significant impact on the Corporation's cash flows. The Corporation does not have a funded plan in the United States.

**Defined contribution plans**

The Corporation's total pension expense under its defined contribution plans and mandatory governmental plans for the fiscal year 2019 is $125.0 ($104.1 for 2018).

**Deferred compensation plan – United States operations**

The Corporation sponsors a deferred compensation plan that allows certain employees in its United States operations to defer up to 25.0% of their base salary and 100.0% of their cash bonuses for any given year. Interest accrued on the deferral and amounts due to the participants are generally payable on retirement, except in certain limited circumstances. Obligations under this plan amount to $52.4 as at April 28, 2019 ($44.4 as at April 29, 2018) and are included in Deferred credits and other liabilities. The assets of the plan are held in a trust and are subject to the claims of the Corporation's general creditors under federal and state laws in the event of insolvency, the trust therefore qualifies as a Rabbi trust for income tax purposes. The plan's assets mainly consist of mutual funds and are classified as investments measured at fair value through earnings or loss. Assets under this plan amount to $49.1 as at April 28, 2019 ($40.9 as at April 29, 2018) and are included in Other assets (Note 18).

## 28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

**Financial risk management objectives and policies**

The Corporation's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. The Corporation uses cross-currency interest rate swaps to hedge its foreign currency risk related to its net investments in its operations in the United States, Norway, Denmark, the Baltics and Ireland. The Corporation also uses from time to time interest rate locks to hedge the interest rates on forecasted debt issuance, and fixed-to-floating interest rate swaps to hedge the interest rates associated with fixed interest rate debt.

The Corporation's risk management is predominantly controlled by its treasury department and its road transportation fuel and other fossil fuel supply group under policies approved by the Board of Directors. These groups controlling risk management identify, evaluate and hedge financial risks in close co-operation with the Corporation's operating units. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, investment of excess liquidity and capital risk management.

**Foreign currency risk**

A large portion of the Corporation's consolidated revenues and expenses are received or denominated in the functional currency of the business units operating in the markets in which it does business. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The Corporation is exposed to foreign currency risk with respect to its cash and cash equivalents denominated in foreign currencies, long-term debt denominated in US dollars, its Norwegian-krone and Euro-denominated senior unsecured notes and the cross-currency interest rate swaps, a portion of which are designated as net investment hedges of its operations in the United States, Norway, Denmark, the Baltics and Ireland. As the Corporation uses the US dollar as its reporting currency, part of these impacts is compensated by the translation of the Canadian-dollar consolidated financial statements into US dollars. For the long-term debt denominated in US dollars, Norwegian-krone and Euro-denominated senior unsecured notes and cross-currency interest rate swaps, as at April 28, 2019 and with all other variables held constant, a hypothetical variation of 5.0% of the US-dollar would have had a net impact of $36.0 on Other comprehensive income (loss) which would be offset by equivalent amounts from the hedged net investments. For the cash and cash equivalent denominated in foreign currencies, as at April 28, 2019 and with all other variables held constant, a hypothetical variation of 5.0% of the US-dollar would have had a net impact of $8.3 on Other comprehensive income (loss).

**Interest rate risk**

The Corporation's fixed rate long-term debt is exposed to a risk of change in fair value due to changes in interest rates. To mitigate a portion of this risk, the Corporation has entered into fixed-to-floating interest rate swaps in order to hedge a portion of the interest rate fair value risk associated with fixed interest rate debt.

The Corporation is exposed to a risk of change in cash flows due to changes in interest rates on its variable rate long-term debt. As at April 28, 2019, the Corporation did not hold any derivative instruments to mitigate this risk. The Corporation analyzes its cash flow exposure on an ongoing basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Corporation calculates the impact on net financial expenses of a defined interest rate shift. Based on variable rate and synthetically variable rate long-term debt balances as at April 28, 2019, the annual impact on net financial expenses of a 1.0% shift in interest rates would have been $14.2 ($31.9 based on balances as at April 29, 2018).

The Corporation is exposed to a risk of change in cash flows due to changes in interest rates on future debt issuance. To mitigate this risk, the Corporation enters from time to time into interest rate locks in order to hedge the interest rates on forecasted debt issuance.

**Credit risk**

The Corporation is exposed to credit risk with respect to Cash and cash equivalents, Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable, the indexed deposit contract including an embedded total return swap and derivative financial instruments when their fair value is favorable to the Corporation.

Key elements of the Corporation's credit risk management approach include credit risk policies, credit mandates, an internal credit rating process, credit risk mitigation tools and continuous monitoring and management of credit exposures. Prior to entering into transactions with new counterparties, the Corporation's credit policy requires counterparties to be formally identified, approved, and assigned internal credit ratings as well as exposure limits. Once established, counterparties are reassessed

according to policy and monitored on a regular basis. Counterparty risk assessments are based on a quantitative and qualitative analysis of recent financial statements, when available, and other relevant business information. In addition, the Corporation evaluates any past payment performance, the counterparties' size and business diversification, and the inherent industry risk. The internal credit ratings reflect the Corporation's assessment of the counterparties' credit risk. The Corporation has maximum credit exposures for individual counterparties. The Corporation monitors outstanding balances and individual exposures against limits on a regular basis.

Credit risk related to Trade accounts receivable and vendor rebates receivable related to convenience store operations is limited considering the nature of the Corporation's activities and its counterparties. As at April 28, 2019, no single creditor accounted for over 10.0% of total Trade accounts receivable and vendor rebates receivable and the related maximum credit risk exposure corresponds to their carrying amount.

The Corporation mitigates the credit risk related to Cash and cash equivalents and Credit and debit cards receivable by dealing with major financial institutions that have very low or minimal credit risk. As at April 28, 2019, the maximum credit risk exposure related to Cash and cash equivalents and Credit and debit cards receivable corresponds to their carrying amount in addition to the credit risk exposure related to the Circle K/MasterCard credit cards as described below.

In some European markets, customers can settle their purchases at the Corporation's multiple points of sale or at any other merchants with a combined Circle K/MasterCard credit card. The Corporation has entered into agreements whereby the risks and rewards related to the credit cards, such as fee income, administration expenses and bad debt, are shared between the Corporation and external banks. Outstanding balances are charged to the customer monthly. The Corporation's exposure as at April 28, 2019, relates to receivables of $147.2, of which $64.5 was interest-bearing. These receivables from cardholders are not recognized in the Corporation's consolidated balance sheet. For fiscal year 2019, the expensed losses were not significant. In light of accurate credit assessments and continuous monitoring of outstanding balances, the Corporation believes that the credits do not represent any significant risk. The income and risks related to these arrangements with the banks are reported, settled and accounted for on a monthly basis.

The Corporation is exposed to credit risk arising from the indexed deposit contract containing an embedded total return swap and from derivative financial instruments when their fair value is favorable to the Corporation. In accordance with its risk management policy, to reduce this risk, the Corporation has entered into these derivatives with major financial institutions with a very low credit risk.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its obligations associated with financial liabilities and lease commitments. The Corporation is exposed to this risk mainly through its Long-term debt, Accounts payable and accrued expenses, lease agreements and derivative financial instruments when their fair value is unfavorable to the Corporation. The Corporation's liquidity is provided mainly by cash flows from operating activities and borrowings available under its revolving credit facilities.

On an ongoing basis, the Corporation monitors rolling forecasts of its liquidity reserve on the basis of expected cash flows taking into account operating needs, the tax situation and capital requirements and ensures that it has sufficient flexibility under its available liquidity resources to meet its obligations.

The contractual maturities of financial liabilities and their related interest as at April 28, 2019, are as follows:

| | Carrying amount | Contractual cash flows | Less than one year | Between one and two years | Between two and five years | More than five years |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Non-derivative financial liabilities[1] | | | | | | |
| Accounts payable and accrued liabilities[2] | 3,091.5 | 3,091.5 | 3,091.5 | - | - | - |
| US-dollar-denominated senior unsecured notes | 3,379.9 | 4,458.6 | 1,006.1 | 85.0 | 1,214.5 | 2,153.0 |
| Canadian-dollar-denominated senior unsecured notes | 1,774.5 | 2,041.5 | 395.7 | 268.8 | 303.4 | 1,073.6 |
| US-dollar-denominated term revolving unsecured operating credit D | 40.0 | 40.0 | 40.0 | - | - | - |
| Euro-denominated senior unsecured notes | 831.2 | 960.3 | 15.7 | 15.7 | 47.0 | 881.9 |
| CAPL senior secured revolving credit facility | 514.8 | 638.0 | 24.4 | 24.4 | 589.2 | - |
| NOK-denominated senior unsecured notes | 77.4 | 98.2 | 3.0 | 3.0 | 9.0 | 83.2 |
| Obligations related to buildings and equipment under finance leases and other debts[3] | 333.6 | 488.4 | 64.6 | 80.0 | 133.4 | 210.4 |
| Cross-currency interest rate swaps payable[1] | 250.1 | 2,119.3 | 512.6 | 48.9 | 388.6 | 1,169.2 |
| Cross-currency interest rate swaps receivable[1] | | (1,805.1) | (386.3) | (41.8) | (303.4) | (1,073.6) |
| Fixed-to-floating interest rate swaps payable[1] | 3.9 | 3.7 | 3.7 | - | - | - |
| | 10,296.9 | 12,134.4 | 4,771.0 | 484.0 | 2,381.7 | 4,497.7 |

(1) Based on spot rates, as at April 28, 2019, for balances in Canadian dollars, in Norwegian krone, in Euros and for balances bearing interest at variable rates.
(2) Excludes deferred credits as well as statutory accounts payable and accrued liabilities such as sales taxes, excise taxes and property taxes.
(3) For these items, the present value of future minimum payments as at April 28, 2019 is broken down as follows:

| | Obligations related to buildings and equipment under finance leases | Other debts | Total |
|---|---|---|---|
| | $ | $ | $ |
| Less than one year | 40.2 | 1.2 | 41.4 |
| One to five years | 134.7 | 3.6 | 138.3 |
| More than five years | 153.4 | 0.5 | 153.9 |
| | 328.3 | 5.3 | 333.6 |

**Price risk**

The Corporation's sales of refined oil products, which include road transportation fuel and energy for stationary engines, constitute a material share of its gross profit. As a result, its business, financial position, results of operation and cash flows are affected by changes in the commodity prices of such products. The Corporation seeks to pass on any changes in purchase prices to its customers by adjusting sale prices to reflect changes in refined oil product prices. The time lag between a change in refined oil product prices and a change of prices of fuel sold by the Corporation can impact the gross profit on sales of these products. From time to time, based on purchases timing and price risk assessments, the Corporation enters into commodity financial derivatives to mitigate a portion of this risk for its sales and purchases of road transportation fuel and other fossil fuels. As at April 28, 2019, the notional volume of such financial derivatives was 95,000 metric tons of road transportation fuel and other fossil fuels and hedge accounting was not applied for any of these financial derivatives.

The Corporation's obligations related to its PSU plan and DSU plan create a form of price risk as the recorded amounts of the related liabilities fluctuate in part with the fair value of the Corporation's Class B shares. To mitigate this risk, the Corporation has entered into a indexed deposit contract with an investment grade financial institution which includes an embedded total return swap with an underlying index representing Class B shares recorded at fair market value on the consolidated balance sheets under Other assets and Other accounts receivable (for the fiscal year ended April 29, 2018, the embedded derivative was recorded at fair market value). As at April 28, 2019, the indexed deposit contract had a nominal value of $38.3. The indexed deposit contract is adjusted as needed to reflect new awards, adjustments and/or settlements of PSUs and DSUs. As at April 28, 2019, the impact on net earnings or shareholders' equity of a 5.0% shift in the value of the Corporation's share price would not have been significant.

**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 fair value of Obligations related to buildings and equipment under finance leases is comparable to its carrying amount, given that implicit interest rates are generally consistent with equivalent market interest rates for similar obligations. 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 $49.5 as at April 28, 2019 ($36.3 as at April 29, 2018) (Level 2). As at April 28, 2019, they are presented as Accounts receivable for an amount of $9.8 ($6.4 as at April 29, 2018) and Other assets for an amount of $39.7 ($29.9 as at April 29, 2018) on the consolidated balance sheets;
- The fair value of the cross-currency interest rate swaps, which is determined based on market rates, was $250.1 as at April 28, 2019 ($164.9 as at April 29, 2018) (Level 2). As at April 28, 2019, they are presented as Other short-term financial liabilities for an amount of $115.0 and Other long-term financial liabilities for an amount of $135.1, and as at April 29, 2018, they are presented as Other short-term financial assets for an amount of $1.8 and Other long-term financial liabilities for an amount of $166.7 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 $3.9 as at April 28, 2019 ($6.8 as at April 29, 2018) (Level 2). As at April 28, 2019, they are presented as Other short-term financial liabilities and as at April 29, 2018, they are presented as Other long-term financial liabilities on the consolidated balance sheets.
- The fair value of the fuel swaps, which is determined based on market rates, was $4.7 as at April 28, 2019 ($2.0 as at April 29, 2018) (Level 2). As at April 28, 2019, they are presented as Other short-term financial liabilities and as at April 29, 2018, they are presented as Accounts payable and accrued liabilities on the consolidated balance sheets.

*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 financial instruments which are not measured at fair value on the consolidated balance sheets:

| | | **2019** | | 2018 |
|---|---|---|---|---|
| | **Carrying value** | **Fair value** | Carrying value | Fair value |
| | **$** | **$** | $ | $ |
| US-dollar-denominated senior unsecured notes | **3,379.9** | **3,347.6** | 3,373.6 | 3,279.4 |
| Canadian-dollar-denominated senior unsecured notes | **1,774.5** | **1,815.0** | 1,857.3 | 1,873.5 |
| Euro-denominated senior unsecured notes | **831.2** | **869.2** | 900.7 | 925.9 |
| NOK-denominated senior unsecured notes | **77.4** | **86.0** | 83.9 | 90.5 |

**Capital risk management**

The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital. The Corporation's capital comprises total Shareholders' equity and net interest-bearing debt. Net interest-bearing debt refers to Long-term debt and its current portion, net of Cash and cash equivalents and temporary investments, if any.

In order to maintain or adjust its capital structure, the Corporation may issue new shares, redeem its shares, sell less performing assets to reduce debt or adjust the amount of dividends paid to shareholders (Notes 20 and 24).

In its capital structure, the Corporation considers its stock option, PSU and DSU plans (Note 25). From time to time, the Corporation uses share repurchase programs to achieve its capital management objectives (Note 24).

The Corporation monitors capital on the basis of the net interest-bearing debt to total capitalization ratio and also monitors its credit ratings as determined by third parties. This measure is presented as if the Corporation's investment in CAPL was reported using the equity method as the Corporation believes it allows a more relevant presentation of its underlying performance. Also, for the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation.

As at the consolidated balance sheets dates, the net interest-bearing debt to total capitalization ratio was as follows:

| | **2019** | 2018 (adjusted, Note 2) |
|---|---|---|
| | **$** | $ |
| Current portion of long-term debt | **1,308.4** | 41.6 |
| Long-term debt | **5,103.8** | 8,328.3 |
| Less: Cash and cash equivalents, including restricted cash | **736.6** | 684.1 |
| Net interest-bearing debt | **5,675.6** | 7,685.8 |
| | | |
| Shareholders' equity | **8,923.2** | 7,560.4 |
| Net interest-bearing debt | **5,675.6** | 7,685.8 |
| Total capitalization | **14,598.8** | 15,246.2 |
| | | |
| Net interest-bearing debt to total capitalization ratio | **38.9%** | 50.4% |

Under its term revolving unsecured operating credits, the Corporation must meet the following ratios on a consolidated basis, which however exclude CAPL's financial positions and results:

- An adjusted leverage ratio, which is the ratio of total Long-term debt plus the product of eight times consolidated rent expense of the Corporation less Cash and cash equivalents to Earnings before interest, taxes, depreciation and amortization and rent, which is a non-IFRS measure, for the four most recent quarters; and
- An interest coverage ratio, which is the ratio of EBITDA for the four most recent quarters to the total interest paid in the same periods.

The Corporation monitors these ratios regularly and was in compliance with these covenants as at April 28, 2019 and April 29, 2018.

The Corporation is not subject to any significant externally imposed capital requirements.

## 29. CONTRACTUAL OBLIGATIONS

### Minimum lease payments

As at April 28, 2019, the Corporation has entered into operating lease agreements which call for aggregate minimum lease payments of $3,260.7 for the rental of commercial space, equipment and warehouses. Several of these leases contain renewal options, and certain sites are subleased to third parties. The minimum lease payments for the next fiscal years are including payments under the current lease term of each lease as well as payments under one or more options to extend these leases when the Corporation is reasonably certain to exercise these options. These minimum lease payments are as follows:

| | **$** |
|---|---|
| Less than one year | 459.8 |
| One to five years | 1,382.3 |
| More than five years | 1,418.6 |

As at April 28, 2019, the total amount of future minimum sublease payments expected to be received under sublease agreements related to these operating leases is $231.5. These minimum sublease payments are expected to be received as follows:

| | **$** |
|---|---|
| Less than one year | 42.5 |
| One to five years | 106.6 |
| More than five years | 82.4 |

### Purchase commitments

The Corporation has entered into various property purchase agreements, as well as product purchase agreements, which require the Corporation to purchase minimum amounts or quantities of merchandise and road transportation fuel annually. The Corporation has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in termination of the contracts, penalties for shortfall volumes, change in pricing of the products, payments to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received.

## 30. CONTINGENCIES AND GUARANTEES

### Contingencies

Various claims and legal proceedings have been initiated against the Corporation in the normal course of its operations and through acquisitions. Although the outcome of such matters is not predictable with assurance, the Corporation has no reason to believe that the outcome of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

### Guarantees

The Corporation assigned a number of lease agreements for premises to third parties. Under some of these agreements, the Corporation retains ultimate responsibility to the landlord for payment of amounts under the lease agreements should the sub lessees fail to pay. As at April 28, 2019, the total future lease payments under such agreements are approximately $3.4 and the fair value of the guarantee is not significant. Historically, the Corporation has not made any significant payments in connection with these indemnification provisions.

The Corporation has also issued guarantees to third parties and on behalf of third parties for maximum undiscounted future payments totaling $16.7. These guarantees primarily relate to financial guarantee commitments under car rental agreements and on behalf of retailers in Sweden. Guarantees on behalf of retailers in Sweden comprise items such as guarantees towards retailers' store inventory, in addition to guarantees towards leased store equipment. The carrying amount and fair value of the guarantee commitments recognized in the consolidated balance sheet as at April 28, 2019 were not significant.

## 31. 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 stores and franchised stores. The Corporation operates its convenience store chain under several banners, including Circle K, Corner Store, Couche-Tard, Holiday, Ingo, Mac's, Re.Store and Topaz. 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:

| | | | | **2019** | | | | 2018 (Adjusted, Note 2) |
|---|---|---|---|---|---|---|---|---|
| | **United States** | **Europe** | **Canada** | **Total** | United States | Europe | Canada | Total |
| | **$** | **$** | **$** | **$** | $ | $ | $ | $ |
| **External customer revenues[(a)]** | | | | | | | | |
| Merchandise and services | **10,874.9** | **1,457.8** | **2,172.7** | **14,505.4** | 9,508.6 | 1,413.9 | 2,053.5 | 12,976.0 |
| Road transportation fuel | **29,962.7** | **8,380.7** | **4,957.9** | **43,301.3** | 24,612.5 | 7,684.1 | 4,819.9 | 37,116.5 |
| Other | **65.7** | **1,220.7** | **24.5** | **1,310.9** | 56.6 | 1,217.7 | 27.6 | 1,301.9 |
| | **40,903.3** | **11,059.2** | **7,155.1** | **59,117.6** | 34,177.7 | 10,315.7 | 6,901.0 | 51,394.4 |
| **Gross profit** | | | | | | | | |
| Merchandise and services | **3,667.3** | **609.0** | **729.7** | **5,006.0** | 3,158.7 | 602.3 | 707.7 | 4,468.7 |
| Road transportation fuel | **2,575.1** | **981.1** | **392.8** | **3,949.0** | 1,937.7 | 1,024.2 | 424.9 | 3,386.8 |
| Other | **65.7** | **149.7** | **24.5** | **239.9** | 54.7 | 173.7 | 27.6 | 256.0 |
| | **6,308.1** | **1,739.8** | **1,147.0** | **9,194.9** | 5,151.1 | 1,800.2 | 1,160.2 | 8,111.5 |
| **Total long-term assets[(b)]** | **12,617.5** | **3,402.1** | **2,104.1** | **18,123.7** | 12,585.0 | 3,726.7 | 2,234.5 | 18,546.2 |

(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.

## 32. SUBSEQUENT EVENT

### Dividends

During its July 9, 2019 meeting, the Corporation's Board of Directors declared a quarterly dividend of CA 12.5¢ per share for the fourth quarter of fiscal 2019 to shareholders on record as at July 18, 2019, and approved its payment for August 1, 2019. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

# Board of Directors

As at April 28, 2019

**Alain Bouchard**
Founder and Executive Chairman of the Board

**Nathalie Bourque**[1]

**Eric Boyko**[2]
Chair of the Audit Committee

**Jacques D'Amours**
Co-founder

**Jean A. Élie**[2]

**Richard Fortin**
Co-founder

**Brian Hannasch**
President and Chief Executive Officer

**Mélanie Kau**[1]
Lead Director and Chair of the Human Resources and Corporate Governance Committee

**Monique F. Leroux**[2]

**Réal Plourde**
Co-founder

**Daniel Rabinowicz**[1]

(1) Member of the Human Resources and Corporate Governance Committee
(2) Member of the Audit Committee

# Senior Management

As at April 28, 2019

**Alain Bouchard**
Founder and Executive Chairman of the Board

**Brian Hannasch**
President and Chief Executive Officer

**Claude Tessier**
Chief Financial Officer

**Kathleen K. Cunnington**
Senior Vice President, Global Shared Services

**Darrell Davis**
Senior Vice President, Operations

**Deborah Hall Lefevre**
Chief Information Officer

**Hans-Olav Høidahl**
Acting Group President, European Operations and Executive Vice President, Scandinavia

**Kevin Lewis**
Chief Marketing Officer

**Jørn Madsen**
Executive Vice President, Ireland, Central and Eastern Europe

**Timothy Alexander Miller**
Senior Vice President, Operations and Global Fuels

**Ina Strand**
Chief Human Resources Officer

**Dennis Tewell**
Senior Vice President, Operations

**Stéphane Trudel**
Senior Vice President, Operations

# General Information

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**Stock Exchange**
Toronto Stock Exchange
Symbols: ATD.A and ATD.B
Constituent of the TSX 60 index.

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**Media Relations**
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**Annual Shareholders Meeting**
September 18, 2019 in Laval, Québec, Canada

Additional information on Alimentation Couche-Tard Inc. and press releases are available on the company's website at:
**www.corpo.couche-tard.com**

corpo.couche-tard.com