

ALIMENTATION COUCHE-TARD INC.

# Annual Report 2020





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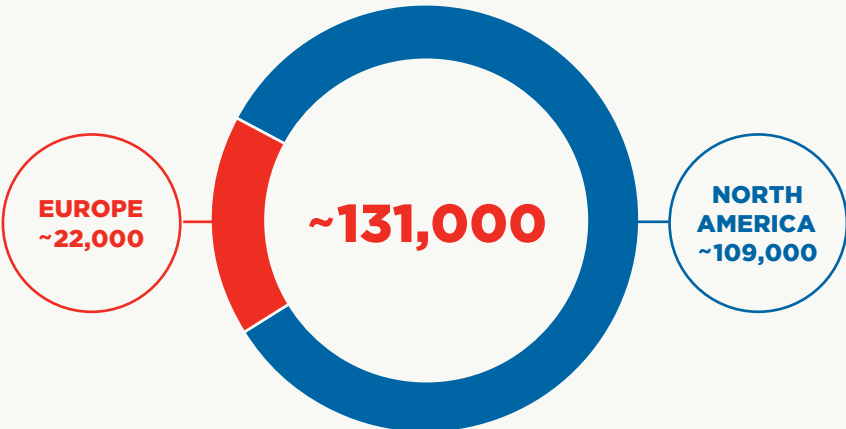
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Financial Results

# Company Highlights

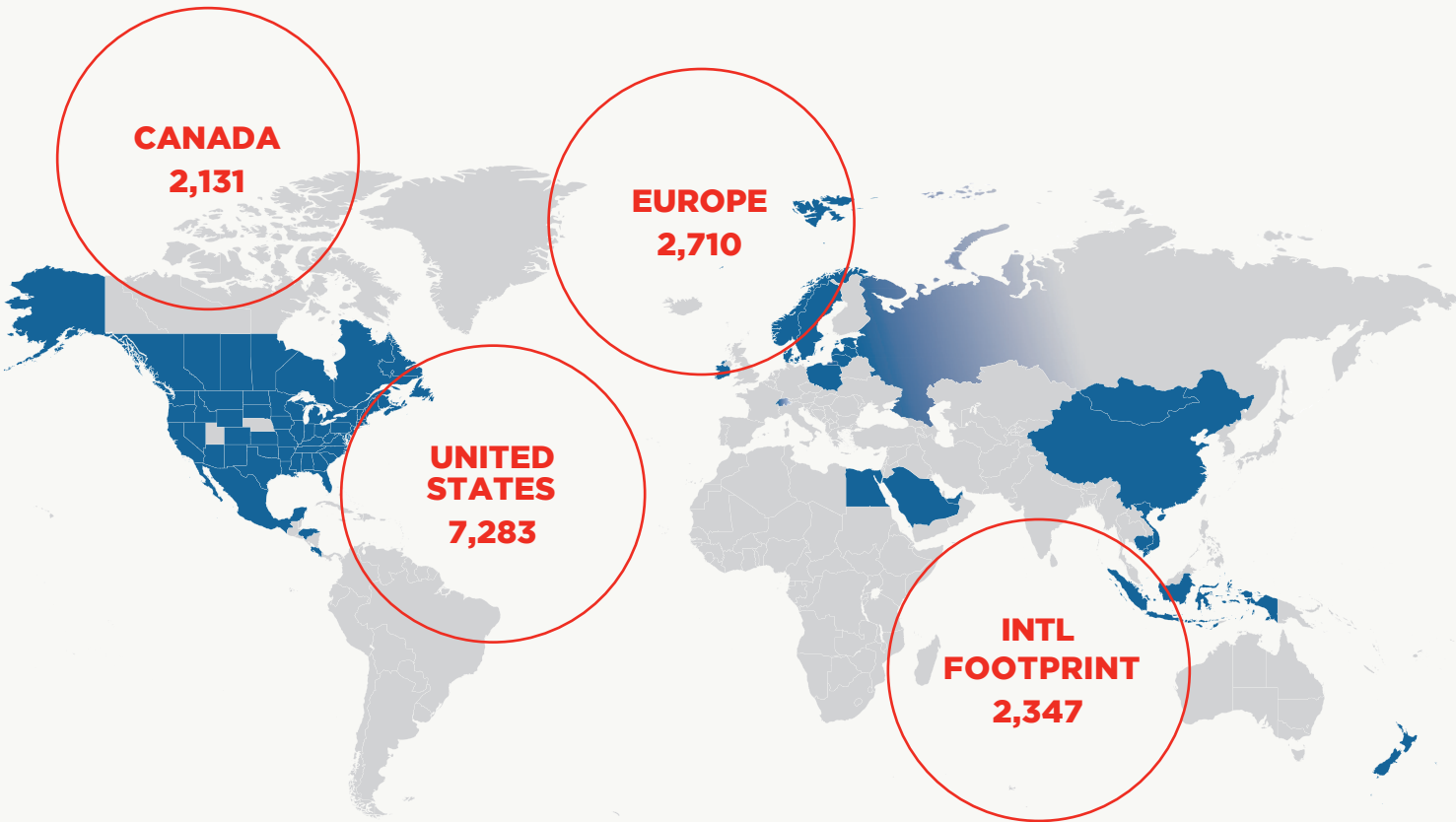
## OUR PEOPLE

Around the world, our people work tirelessly to make our customers' lives a little easier every day. This year, they stepped up to meet the most challenging circumstances our company has ever faced.



## OUR SITES

Our global footprint extends across five continents. We continue to progress through acquisitions and organic growth, in line with our vision to become the world's preferred destination for convenience and fuel.



# Financial Highlights

2020	US	EUROPE	CANADA
Growth of Same-Store Merchandise Revenues	2.1%	0.1%	2.8%
Decrease in Same-Store Road Transportation Fuel Volume	(3.9%)	(3.9%)	(6.0%)

ALL DOLLAR FIGURES ARE IN USD MILLIONS, EXCEPT PER SHARE AMOUNTS WHICH ARE IN USD.

\*Footnotes can be found on page 34.



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# Message from the Founder and Executive Chairman of the Board



**ALAIN  
BOUCHARD**

As we celebrate the 40<sup>th</sup> anniversary of Alimentation Couche-Tard, who could have imagined the current circumstances? Amid some of the most challenging times we have ever faced, I am filled with pride and appreciation.

When my partners and I opened our first convenience store in Laval, Quebec, we never imagined the size and scale that our company would achieve. And back then, we certainly never envisaged a global pandemic and the demand for a rapid response to protect our people, our customers and our company.

Our culture of growth, agility, discipline, and innovation has served us well.

We have always put our people first, and this has stood us in good stead. They are the ones who have made our accomplishments of the last 40 years possible. When COVID-19 appeared, we made sure to be there for them, as they navigated financial, emotional and medical hardship. This empowered our people to be there in turn, and to keep putting our customers first.

We were already well into preparations for a changing world in which new generations of customers have different tastes and needs. Innovation is part of our DNA, and we have always challenged ourselves to evolve with our younger shoppers and developing technology. With the crisis, we actually accelerated the pace of innovations to improve the customer experience, making it even easier and safer for everyone.



Our history of financial discipline allowed us to face the situation with confidence and competence. We were a strong company coming into this, ready to adapt through the pandemic and challenges beyond, both operationally and financially. Never has it been more important to provide what our customers need, when and where they want it, and to make it as easy as possible.

As we care for all our stakeholders, we continue to expand our efforts towards a cleaner, safer world by reducing our energy footprint, empowering our diverse talent at work, and being part of the solution in our communities—all through a unified approach communicated with greater transparency and dialogue. It's a win-win: good for our company, our people, the communities we serve, and the environment. This summer, we will publish our second company-wide sustainability report—a global effort of which I am very proud.

Our 40 years of hard work are paying off. We will continue to be a company dedicated to growth and serving our customers. We will emerge from this crisis an even better, stronger company positioned for the next 40 years, on our journey to become the world's preferred destination for convenience and fuel.

Thank you to all our people, shareholders, partners and customers. We're in this together, and you can continue to count on us.



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# Letter from the President and CEO



**BRIAN  
HANNASCH**

*“I have never been prouder to be CEO of this company!”*

This year has clearly been one that we will always remember. In my almost 20 years with Couche-Tard, I could have never predicted these last twelve months, in particular the last three, when an invisible threat evolved to challenge our businesses, our communities, and our families. We started this historic year as a strong company—and through the compassion, care, and dedication of our team members and customers—ended it a better, stronger company.

Let me back up a little to January, as we came to the end of our third quarter and were on track to have our strongest fiscal year on record. We were hitting milestones of our five-year strategy, driving organic growth, expanding our network through new builds, growing our food program, rebranding at a rapid pace both at our stores and on our fuel courts, and improving the customer experience through innovative solutions. I am extremely proud of this progress and the committed teamwork behind it.

It is because of this solid foundation that Couche-Tard was in a robust position to face the financial volatility and headwinds of the pandemic. We had good liquidities, a healthy balance sheet and developed robust contingency plans, which meant we could stay focused on meeting the needs of our people and customers. For a company whose mission revolves around “easy,” this was not easy; but once again, it did make me proud.





It is clear that through this crisis, our company and the convenience industry became increasingly essential to our communities. In the past, during hurricanes and other natural disasters, we have shown our importance to our localities. However, during this pandemic, we demonstrated on a global scale that we are always here for our customers. Our stores remained open, we maintained strict health and safety protocols, and served millions of free beverages to healthcare workers and first responders and free meals to families in need through our partnership with Feeding America.

No doubt, the future is uncertain and there are many challenges ahead, but I am confident that as we retool for the new normal, we will build on the lessons learned during COVID-19 and continue to progress with relevant technology and offerings, always pushing to make our customers' lives a little easier every day. I am grateful for the trust our employees, customers, partners and shareholders showed us throughout this year and the pandemic.

If we measure a company by how it responds to challenge and controversy, then I must say that Couche-Tard is succeeding in ways we never imagined. Our store employees have become frontline heroes, we are part of the solution in the communities where we work and live, and, with our customary financial discipline, we are positioned to continue our growth journey. I have never been prouder to be CEO of this company!





**A BETTER,  
STRONGER  
COMPANY**

While we faced an unprecedented global challenge in the fourth quarter, this fiscal year has been one of steady and significant progress towards our strategic vision: we are developing a differentiated customer experience both inside our stores and at our fuel courts, adapting and innovating our offering to meet changing customer needs, driving operational excellence and scale, growing the network, enhancing our people's talent base, and putting sustainability at the forefront of our priorities. In this report, we highlight each of these areas of growth in fiscal 2020 as we became a better, stronger company.

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# Developing a Differentiated Customer Experience

At every level of the company, we have been relentlessly focused on transforming and improving the customer experience. The work we do on branding, pricing, promotions, loyalty programs, and innovation forms a seamless whole, designed to make life easier for our people and our customers.

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## ESTABLISHING AND GROWING A POWERFUL GLOBAL BRAND

During the past year, we continued to roll out our global Circle K brand across the network. We completed the conversion of our European stores early in the year and consolidated our focus on North America where we now have more than 6,300 stores with the new global brand.

Our actions are bearing fruit, as brand awareness has never been higher, with our brand trackers in both Europe and North America outperforming the industry. Throughout the global network, our customers can easily identify our Circle K and Couche-Tard brands, and we are seeing increased loyalty and feedback. Importantly, our rebranding allows us to speak with a clear voice and unified message, which was especially meaningful as we navigated through the COVID-19 pandemic and provided support for our employees, customers, and communities.

Actions to strengthen our brand have also extended to our forecourts in North America, as we converted nearly 600 fuel canopies and pumps during the past two years, to reach a total of nearly 2,300 stores under the Circle K fuel brand. We have also reinforced our leadership position in mobility, building on our success in Norway, where Circle K is now the most recognized brand for electric charging, by rolling out our first Circle K branded chargers in Sweden and Ireland. In response to the changing customer habits brought on by electric charging, we have worked hard to adapt our customer experience and increase traffic inside our locations by developing new larger format stores in Europe, enhancing our food offering, and giving our customers a reason to engage with our brand more frequently throughout their daily routines.



*“Operating under one global brand has a number of advantages from increasing brand awareness in consumers and potential employees, to speaking with a consistent voice across the network, and leveraging our scale in procurement and in national marketing campaigns.”*

**Margaret Barron**  
Vice President, Global Marketing & Brand

## **BUILDING LOYALTY THROUGH PERSONALIZED OFFERS**

This past year was key for us from the standpoint of enhancing the shopping experience for our customers and stretching the value of their dollar. We pressed on the accelerator on several basket-building and tactical loyalty initiatives.

We continued to deploy our LIFT platform across the network, providing us with the ability to track our customers’ purchase histories and to offer them personalized discounts based on the composition of their baskets. We have now deployed this capability in close to 7,600 stores across our North American network and are in the planning stage to deploy it to Europe. Additionally, we have expanded our Smart Value Program, a key promotional tool in Holiday’s business model, to the entire North America network. This program has shown great success in growing the shopping basket while providing customers with solid value for the products they love most.

We introduced our Easy Rewards loyalty program in the U.S. last summer, which awards points for fuel, food and beverage purchases that can be converted to cash discounts, and also offers prizes and various other benefits. Both the frequency of visits and fuel volumes purchased have shown good growth with members of the program. We also launched our Easy Pay loyalty program in all U.S. markets, providing everyday fuel discounts to our most loyal customers.

We also made initial strides in a dynamic, state-of-the-art pricing approach that offers our fuel and merchandise at prices aligned with individualized markets. In today’s reality, we believe that flexibility in the retail space will be an integral component of success and, as such, we have deployed enterprising pricing capabilities that set apart our customer experience.



*“With our customer journey and digital innovation practice, we continue to address touch points and frictions throughout the journey in-store or at the fuel pumps. This ensures that we stay grounded in solving real customer problems, not just chasing technology. We continue to reinvent the customer experience by expanding our capacity to serve our customers anywhere, anytime. Our collaboration with start-ups and academia helps us to make this even faster.”*

**Magnus Tägtström**  
Head of Global Digital Innovation





## ACCELERATING INNOVATION IN THE CUSTOMER JOURNEY

Our capacity to invest in innovation is among our characteristic strengths and, in the past year, we pushed our teams to examine new ways of doing business and serving our customers. We built on the success of our gamification initiatives in Europe, and we expanded our home delivery pilots to a broader number of sites. We also developed new methods of accepting payments and new convenience options for our customers.

Following strong results with our gamification work in Europe, we rolled out several mobile-centric games and promotions to our customers in both the U.S. and Canada. These were very well-received and helped drive traffic to our stores, while also enhancing the way in which our customers engage with our brands.

To better respond to the changing needs of our customers both before and during the pandemic, we examined new ways to bring convenience to our customers using our broad network. We expanded our home delivery pilot in Texas and initiated ones in Florida and other regions with new partners. We developed other frictionless solutions including pick-up in store and curbside delivery, leveraging our Circle K app to offer ordering and prepayment capabilities, as well as licence plate recognitions to accept fuel payments in Norway

As the COVID-19 crisis evolved, we doubled-down on these initiatives, using our nimble and decentralized operating structure, to accelerate the expansion of our delivery and low-touch platforms. These innovations will clearly serve the business and our customers in the future as we become a better, stronger company.

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# Adapting Our Offering to Meet Customer Needs

Our scale and agility allow us to share best practices and learn from each other quickly across our global network, constantly improving our offering in convenience and fuel.

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## TRANSFORMING OUR FOODSERVICE OFFER

This past year marked a turning point for our food offer globally, as we moved from a phase of foundation building, to one of executing on the strategy. This foodservice program, inspired by Holiday's model and launched this year in the U.S., creates a satisfying offer that aims to increase traffic, drive loyalty, and delight our customers.

We launched the program in limited pilot stores early this year, testing a variety of formats to identify what worked best before moving to scale the program across our North American network. Our teams also decided on menu options, pricing, ingredient sourcing, and packaging, as well as establishing key partnerships to ensure a smooth and consistent supply chain. We determined equipment needs as we worked hard to minimize capital costs. We believe this tremendous effort will result in a highly profitable food initiative that adds to the customer experience through simple preparation and speed of service.

We are targeting a roll out of this new food offer to 1,500 stores in North America by fall 2020 and have already deployed it to several hundred sites. Prior to the spread of the COVID-19 pandemic, we had been growing the program at a pace of a dozen stores per week, with plans to accelerate this significantly through the summer months. Importantly, we had been seeing positive results and customer enthusiasm, especially for our breakfast sandwich assortment, our best-in-class Hot & Ready pizza offering, and our irresistible freshly baked-in-store cookies.

While safety measures due to the pandemic impacted the sampling and sales of prepared foods as well as employee training, we have maintained our pace of structural buildout, putting critical equipment and material foundations in place. As the pandemic recedes, we will reactivate the offer and remain on track with our U.S. roll out plans. We will also begin to expand the program to Canada.



*“Our new foodservice offering in North America is one of the largest programs we have ever undertaken and there’s no question that it will be fundamentally transformative for our business. Over the last year, we have made tremendous strides in laying the foundation, and we are excited to bring this new assortment to our customers and determined to get things right.”*

**David Hall**  
Vice President, Global Foodservice





## PROVIDING INCREDIBLE VALUE COFFEE AND ADAPTING TO LOCAL TASTES

We deployed our Coffee on Demand program in 95% of our U.S. network, with approximately 13,500 bean-to-cup machines installed and serving fresh coffee 24 hours a day. In January, we launched our first-ever national media campaign for coffee offering incredible value, starting at \$1 a cup through the duration of the campaign. Customer reaction was very positive to on-demand brewing, which delivers the freshest coffee possible, while also reducing waste and maintenance costs. Thanks to analytics embedded in these new machines, we have the ability to measure the demand for individual blends and cup sizes, and better identify peak times by individual store.

We continue to evolve our coffee offer across the different regions in which we operate, as coffee preferences can vary meaningfully from one market to the next. In Europe, we introduced Circle K certified blends with new equipment that delivers a barista-quality beverage in less than 90 seconds, allowing for customization and easy selection by the customer. In Quebec, to deliver the highest quality cup of coffee and meet the needs of our guests, we commissioned focus group research to determine the blend that most resonated with our customers in the region. In February, we started to roll out this blend to our Couche-Tard stores.



*“Froster has been a significant addition to the product offering in our stores. Since its launch in the summer of 2019, we have seen positive sales results and a lot of online viral content on social media. We have introduced Froster to a significant number of stores and continue to see this strong performance. It’s one of my favourite innovations to date!”*

**Judy Glover**  
Senior Market Director, Ireland

## GENERATING TRAFFIC WITH NEW AND EXCLUSIVE OFFERS

In the U.S., we activated a summer national campaign focused on both Polar Pop and Froster. We also expanded the Polar Pop program to our Holiday sites, launching some exclusive and first-to-market flavours to help drive engagement and sales. In Canada, we expanded Polar Pop to an additional 130 stores and introduced exclusive and new limited-time flavours.



*“When you reach the level of penetration we have in Norway with EVs, this can be a major traffic driver and it is also a competitive advantage—being out there before our competition. We are capturing EV drivers that could instead go to other places.”*

**Håkon Stiksrud**  
Senior Director, E-mobility

## **GROWING AWARENESS OF CIRCLE K FUEL**

Fuel remains one of the prime movers of our business, and we continue to focus on it as a critical stand-alone product category. As such, we have worked on incorporating our Circle K brand more prominently in our forecourts and dedicated much effort to developing pricing strategies that will benefit our customers and drive higher volumes.

During the last year, we tested modified branding strategies at nearly 150 sites in the U.S., positioning our Circle K brand and colors on the fuel canopy either on its own or side by side with our fuel partner brands. We have also converted more sites entirely to the Circle K brand, both forecourts and stores, with the aim of creating a stronger ecosystem and enhancing the customer experience. Looking forward, we will continue to work on strategies that grow the Circle K fuel brand.

We also focused overall on developing new promotional and pricing approaches that will benefit our customers. This work includes testing more dynamic pricing strategies in 2,400 sites across our network. In many parts of the network, we have also moved to improve the customer experience at our forecourts by supplying bio-degradable gloves and better lighting.

## **GROWING OUR EV CHARGING AND MOBILITY SHARE**

Our Norway market is ahead of the curve on Electric Vehicles (“EV”) adoption, and we are a clear leader in that evolution, as we look to provide easy charging for our customers, whether at home or on the go. We have currently installed more than 450 chargers at 81 sites across the country. In the urban market of Oslo, we were the first to convert an entire station to EV charging, and are proud to be a global pioneer in this space.

We have also developed a home charging solution that is Circle K-branded and have installed more than 1,100 chargers in partnership with residential complexes. We have extended our offer to office buildings as well. These initiatives have made Circle K the most recognized charging destination in Norway and allow us to keep our customers engaged in our ecosystem while earning perks to spend in our stores.



Couche-Tard



DÉCOUVREZ  
NOS PÂTISSERIES  
CUITES SUR  
PLACE.

Libre service Couche-Tard 10

Couche-Tard 8

Couche-Tard 6

RABAIS  
ESSENCE  
-3¢



## **BUILDING ON OUR TRACK RECORD AS A RESPONSIBLE RETAILER**

As an experienced and responsible retailer of age-restricted products, including tobacco, vaping, alcohol, CBD, and lotteries, we spare no efforts to comply with laws and regulations in each of our markets. Furthermore, we ensure that we only sell products from trusted manufacturers who follow the same approach. Age-restricted products continue to represent an important portion of our sales: in the U.S., we benefitted from the growing demand for smokeless tobacco and other alternative tobacco products, particularly modern white nicotine. In Canada, we observed strong traction for premier vaping products which had been introduced in our stores late in the prior fiscal year.

This past year brought significant regulation and change to the tobacco category in the U.S., including raising the minimum age of sale of all tobacco products to 21 and the removal of flavoured vaping pods from retail locations. We have been monitoring the impact on our business and stand ready to adapt to changes in customer preference and to new government regulations. We have taken the same responsible approach with CBD products in jurisdictions where it has been legalized, and we intend to be the North American market leader in this segment.

We are also exploring the cannabis opportunity in Canada, as it both fits in with our work on innovating the customer experience and our historical experience with age restricted products. We made a strategic agreement with Canopy Growth Corporation to operate Tweed-branded cannabis retail stores in Ontario, Canada. We also invested an initial CA\$26 million in Fire & Flower Holdings Corp., a cannabis retail chain with stores in several Canadian provinces. Both ventures are allowing us to learn more about the space and its growth potential.

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# Driving Operational Excellence and Scale in the Business

Store managers face some of the greatest challenges in our business, which is why we listen carefully to their feedback and have made significant strides in improving operational excellence. Our goal is to make it easier for store employees to better serve our customers by reducing administrative and labor challenges.

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## WORKING TOWARDS OPERATIONAL EXCELLENCE

Operational excellence has been an important focus this year. In North America, we rolled out a best-in-class labour model that adapts to individual store needs and determines labour allocation based on key metrics. The rollout is complete in the U.S. and will begin in Canada in the coming months. A new labour scheduling tool automates the creation of schedules and permits easy shift-swapping. This not only benefits our people, it also ensures increased capacity to meet our customers' needs.

In Europe, administrative-oriented hours in the stores have been cut down almost 15% since the beginning of our five-year strategy. In North America, this past year alone, nearly 5,000 stores underwent a refresh of backrooms, offices, cash register, storages, and cooler areas as part of the Easy Visit initiative.

*“As we move to complete the majority of stores across Canada and the US, we want to recognize the monumental team work behind this Easy Visit store organization project. Our teams have reported great feedback from these efforts, mainly in helping give our people a fresh start with less clutter and creating a more positive workspace for teams.”*

**Eric Lindstrom**

Head of North America Operational Excellence



As we innovate with operational excellence, keeping our people and stores safe is a top priority for us. In the coming year, we will deploy a smart safe project to reduce cash handling, along with improved service with a one-stop support number. We are also introducing an artificial intelligence tool to assist in reducing losses and improving age-restricted sales verification.

Our single labour model across all our European business units made it easier to adapt to COVID-19 traffic and routines, including adding extra essential minutes of cleaning and other routines per hour per store. During the crisis, our operational excellence teams across the globe worked around the clock to ensure our stores remained safe and at the highest sanitization standards as well as meeting labour needs during store closures and openings due to the virus.

## TAKING ADVANTAGE OF OUR LEAN COST STRUCTURE

Our work in operational excellence is not only part of our drive toward improving our customers' and employees' experience; it is also about cost efficiencies, including operating expenses, margins and capital expenditures as well as optimizing the scale of our supply chain. By doing this work, it helps us maintain structural and cost advantages that preserve our ability to take advantage of opportunities to grow the network.

We identified significant cost optimization opportunities in fiscal 2020, the majority of which are already in execution, completed or realized. We began re-negotiation of hundreds of agreements and initiated key changes in the organization to support transformation. We also completed many standardization projects—all leading to greater efficiencies and simplification of back-office processes, and we are finalizing our migration toward a single integrated enterprise management platform in the U.S.

While our decentralization allows us to maintain agility, we are also seeing the benefit of standardization in some areas and globalizing certain functions to take advantage of our scale, and to make it easy for our people. By balancing these strategies, we maintain our advantage as the industry's low-cost operator.



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# Reaching more Customers through Network Growth

Our five-year strategy to double again requires that we grow market share in the U.S. and expand to new growth markets and industries. Maintaining financial discipline allows us to take advantage of opportunities as they arise.

Coming into fiscal 2020, we accelerated the pace of new store construction, after a significant effort to develop our project pipeline. We had good momentum with the new builds until the pandemic triggered a pause in many of these projects. We also introduced a new design for our North American sites that mirrors the Holiday store format and improves the customer journey.

We continued to roll out our new store concept in Europe, which is now at more than 300 sites with enhanced food, fuel, charging, WIFI, washrooms, and parking. These stores provide a welcoming ambience and comfortable seating area, high-quality food displayed in an attractive way and improved merchandising in the rest of the store. We instituted learnings from our initial pilots, which led to improved profitability and sales.



*“We now have the newly refurbished Circle K stores across all nine of our European countries. The offer and modern look and feel are driving new traffic and increased sales. Both younger customers and returning ones are clearly enjoying the enhanced customer experience both inside and outside the store.”*

**Per Selin**  
Director, Concept & Format Development, Europe





This year, we divested our holdings in CrossAmerica Partners LP, a master-limited partnership and leading wholesale fuel distributor, and concurrently transferred to them a part of our U.S. dealer business in exchange for their share of CST Fuel Supply LP, giving us full ownership. These transactions were beneficial to Couche-Tard, allowing us to focus on growing our core fuel business. We also consolidated our position in our Northern Tier division by adding a small Holiday franchise network as well as single stores in various parts of our network.

Our international licensees network grew during the last year, with 166 stores added across our different regions. In particular, we saw our partners in Mexico, Indonesia and Vietnam significantly ramp up their presence in their respective markets. This growth has allowed us an opportunity to learn more about these countries and to adopt best practices and technologies that benefit the rest of our network.

We continue to watch carefully for advantageous M&A opportunities in the U.S., a market we know well, and where we can achieve significant synergies due to our scale. We also remain interested in expanding to the Asia Pacific markets where we see attractive demographic trends and solid economic growth potential.

*“As part of our new store concept in Europe, we are very proud of our recently opened station, one of our largest in Sweden, which welcomes both private individuals and truck drivers. Our entire range of products and services is offered, including our latest food concept, seating concept and even our own electrical speed chargers - everything to make the stop along the way easy and smooth.”*

**Eva Kimborn Heivert**  
Vice President, Operations, Sweden



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# Providing an Environment That Fosters Growing Together

True to our *One Team* philosophy, we seek solutions that improve communications, facilitate recruitment and strengthen employee engagement, making it easier for our people to serve our customers every day. We also strive to build an ever-more inclusive workplace and prepare future growth by training our next generation of leaders.

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## DIGITIZING OUR HUMAN RESOURCES CAPABILITIES

This year, we pushed forward with the implementation of our digital Human Resources platform with the goal of having it accessible to all our North American employees by early fiscal 2021. We have also set the stage to start the deployment in Europe. Through this platform, our people can receive everything from pay stubs to scheduling changes, and we are able to attract and hire the best people through direct, streamlined processes. It has also helped improve the efficiency of our talent identification and reviews.

Having the ability to communicate with all employees directly via a mobile platform is transformative in creating a much more dynamic and engaging work environment and better training capabilities.

*“I am excited to be able to use a new technology to assist in further developing our employees. With the help of our European team, and focus groups, we have created a real in-store experience where the game graphics truly represent our stores and customer base. The training possibilities are endless, and I cannot wait to see how this format will grow in the future.”*

**Troy Beatty**  
Human Resources Director,  
Grand Canyon Division



It has also proved key in communicating vital messaging quickly and effectively with our people as the pandemic was unfolding. We are also gaining valuable analytics and insights through utilizing these mobile systems.

Hiring the right people and providing appropriate training is a key success factor in our business. With gamified training, we make it user-friendly, fun and more efficient for our people. We launched two training modules in all our European divisions, focusing on sales techniques and food, that achieved a 90% employee completion rate and led to an increase in basket sizes. Leveraging our learnings and success in Europe, we will pilot the program in designated U.S. divisions in the first few weeks of fiscal 2021.

## IDENTIFYING AND SUPPORTING OUR FUTURE LEADERS

We are also proactively planning for our future talent needs by putting together development and succession strategies to secure our growth. We continue to provide in-depth knowledge and networking opportunities to our leaders through a NACS partnership with top universities in the U.S.

This year, we also launched two internally-developed programs, tailored to our company culture, to accelerate the growth of our high-potential employees. These programs provide an experiential learning experience by asking participants to work on real business challenges with coaching from executive leaders.



*“In honour of International Women’s Day, the company launched its first global Diversity & Inclusion campaign, ‘Together we make a difference.’ This campaign supports our company’s culture that, together, we will make a difference in promoting a diverse workforce, supporting the professional development and well-being of each of our employees, and driving operational growth. What a great day for ACT!”*

**Elisa Gorla**

Co-Lead of ACT’s Women’s Council





## STRENGTHENING OUR COMMITMENT TO DIVERSITY AND INCLUSION

This year, our President and CEO, Brian Hannasch, signed the CEO Action Pledge, making us the first convenience store retailer to join the largest CEO-driven business commitment to advance diversity and inclusion within the workplace. In addition, the company launched an internal global campaign, «Together we make a difference,» where all employees were able to make their own personal pledge.

This effort was championed by Alimentation Couche-Tard's Women's Council, which celebrated its first year of formation. The Council continues to engage and hold accountable the company leadership to increase the visibility and roles of women and diverse candidates within the company. The Council has also implemented career-advancement training sessions throughout the network. Another one of its milestones has been the rollout of a major training initiative to increase both awareness of unconscious bias and inclusivity.



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# Elevating Sustainability as a Lens in Our Business

This year, we assessed the opportunities and threats related to sustainability and made the strategic decision to elevate sustainability as a lens in our business. We assembled a core team and appointed executives with responsibility for prioritized sustainability areas.



In July 2019, we released our very first global sustainability report, where we started our journey around defined areas that anchor the many sustainability initiatives taking place across our locations and regions.

*“I’m so happy to have been given the opportunity to be part of the journey as our company has started to evolve a stronger focus on sustainability. I truly believe that doing good for our people, environment and society is also good for the business.”*

**Helena Winberg**  
Senior Manager, HSE & Sustainability

## SINCE RELEASING OUR FIRST REPORT IN 2019, WE HAVE CONTINUED TO MAKE PROGRESS ON OUR SUSTAINABILITY JOURNEY:



### CUSTOMER EXPERIENCE

We want to make it easier for our customers to access fresh, healthy and sustainable food and beverage options, all while maintaining our commitment to be a responsible retailer of age-restricted products. We aim to provide a faster, cleaner and more environmentally-friendly car wash service. We are supporting the transition to a cleaner future through our sustainable fuel options and electric charging stations, and we continue to roll out renewable fuels across all markets.



### ENVIRONMENTAL MANAGEMENT

Our focus is to find innovative ways to use resources efficiently, reduce our carbon footprint and minimize the waste generated by our products and services through our operations and supply chain. We also worked hard on improving our packaging: in Europe this year, we developed and introduced more sustainable food packaging that reduces the use of plastic and increases the potential for recycling. In the US, we rolled out coffee on demand, which reduces energy consumption and waste while increasing quality.



### PEOPLE

Our global 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 continuously work with programs to make our employees feel safe, respected and included, as we strive to be a diverse and attractive employer, building the capabilities of our talent so they can thrive. This year's employee survey confirms that we are headed in the right direction: we see an increase in overall engagement, improvement in our respect for each other and employees feeling safer at work.



### COMMUNITY ENGAGEMENT

We are committed to be a good neighbour, contributing to safe, healthy and vibrant communities. In addition to supporting local community causes, through strategic investments and partnerships we support programs to help youth and prevent crime. During the pandemic, we became part of the solutions in our localities giving away millions of free drinks to healthcare workers, meals to local food banks, care packages to hospitals, and deliveries to the elderly and frail.



### GOVERNANCE

We strive to conduct our business in compliance with the highest standards of ethical conduct and integrity, engaging our partners and reporting transparently as part of our commitment to be open about our business activities. We began setting ambitious five-year targets for 2025 and integrating sustainability across key aspects of our business. We intend to announce our priorities and targets in our second global sustainability report in the summer of 2020.

Visit [acttoevolve.com](https://acttoevolve.com) for more information.

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# Facing an Invisible Threat with a Long-Term Mindset

When COVID-19 first emerged, Couche-Tard had powerful tools to face it—an experienced team that had prepared for crises in the past and successfully protected the company during natural disasters, as well as an agile, decentralized model allowing us to react quickly to local conditions.

Right away, the crisis team mobilized the network, bringing best practices from Europe where the virus first hit the network to North America. By February, we had put into place a ban on travel and large meetings and established the technical ability for office employees to work remotely and maintain essential business continuity.

## KEY PRIORITY HEALTH AND SAFETY

More importantly, we moved rapidly to ensure the health and safety of our frontline store employees and customers. Many preventive measures were established, including extensive sanitization procedures, the installation of plexiglass dividers at checkouts, the addition of queue line separators and floor markings to ensure proper social distancing, and the supply of gloves at the fuel pumps and masks for team members where permitted or required.

As well, we took critical steps around food safety, enforcing strict cleaning in stores and food preparation areas, adding single-item packaging to bakery and other self-serve food items, suspending the use of refillable mugs and cups, and ceasing in-store product sampling. At the distribution centres in North America, temperature checks were taken to screen employees for possible symptoms of the virus .







## SUPPORTING FRONTLINE EMPLOYEES

Additional measures were quickly implemented to support employees and ensure their well-being, especially for North American hourly workers, who do not have the same government safety nets as in other regions where the company operates. These included an emergency appreciation pay premium of \$2.50 per hour as well as emergency sick care plans that included both a bank of sick days, as well as a pay continuation benefit for anyone who had either been diagnosed with COVID-19 or placed under mandatory quarantine.

## BEING PART OF THE SOLUTION

Most of all, the company was operating at all times and committed to being part of the solution in the communities where we work and live. We were among the first retailers to offer globally free dispensed beverages for all health care workers, giving away over two million drinks in the first few weeks of the pandemic. We pledged to donate 25 million meals to Feeding America®, and by the end of the fiscal year had exceeded that target and hit 40 million meals given to local food banks. Other meaningful initiatives took place across the globe including Little Thank Yous digital gift coupons in Canada and Europe and home delivery to the elderly and frail in Ireland.

Throughout this unprecedented crisis, our team members have been in this together, showing compassion, care, and dedication to each other, to our customers and to the business.

*“From the moment we took our first preventive measures in January, our teams across our global network came together to support each other. We have faced this unprecedented crisis with courage, determination and a unified approach, and I am so impressed by all that has been achieved in such a short time to help protect and support our employees and customers.”*

**Michael Sandberg**

Head of Global HSE & Sustainability



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# Retooling for a Better, Stronger Company

As we enter a new fiscal year, and a future where the threat posed by the virus is still looming and the global economy is uncertain, the company is reflecting and learning from the lasting implications of the pandemic and how we can position our people and business to continue to thrive and grow in the long term.

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There is no doubt that the company, with its strong financial performance and healthy balance sheet, fared much better than most. Not only did we stay operational throughout the crisis—even as inside store traffic and fuel volumes were significantly affected by global lockdowns—we used our customary financial discipline and decentralized model to our advantage. Early in the crisis, Couche-Tard cut back on capital expenditures, put people first in our financial planning, and stayed committed to our strategic priorities such as developing our food program and new stores growth.

## **POSITIVE LEARNINGS FROM THE PANDEMIC**

Even during these troubled times, there was a silver lining from the pandemic: the convenience industry became essential parts of its communities, store team members showed incredible bravery as a frontline workforce, and customer feedback, in surveys and social media, was the most positive in the company's history. We intend to maintain the extensive sanitization and health measures in our stores and offices into the future and expect our customers to choose the ease and safety of our locations more often over big box retail sites. We will also continue to focus on supplying products, which became popular during the pandemic, from emergency goods, alcohol and tobacco to prepared food items and more.



## A MORE FRICTIONLESS FUTURE

During the COVID-19 pandemic, we did not stand still on the innovation front, rather we have shown that we accelerated and adapted to those changing customer behaviours. Because of our agile and decentralized business model, we were able to expand many delivery platforms and pull forward enabling technologies that will serve customers beyond the pandemic. These initiatives include the expansion of home delivery capabilities, curbside delivery in both Europe and North America with pre-ordering and payment through the Circle K app, and frictionless payment technology in Norway to accept fuel payments using license plate recognition.

## A BETTER, STRONGER COMPANY

As underscored in this report, we have stayed on course with our five-year strategy and remained committed to growing both organically and through acquisitions in our journey to become the world's preferred destination for convenience and fuel.

In conclusion, this year was clearly one for the history books, where we used our foundational strength built over 40 years to achieve record financial and operational performance, face a deadly virus with a long-term mindset, become a better steward of the environment, and emerge a better, stronger company.

*“Click & Collect and curbside delivery were fast-tracked projects, where we as an organization have shown how we can accomplish incredible things. A fantastic team has delivered more than anyone could expect in this COVID-19 situation. To design, scope, develop and put a solution in the market in just two weeks and hereafter scale it to seven additional markets within a month must be quite a record.”*

**Charlotte Haue**

Click & Collect Project Manager  
and European Head of Digital

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# Financial Highlights

## Footnotes

### **ALL DOLLAR FIGURES ARE IN USD MILLIONS, EXCEPT PER SHARE AMOUNTS WHICH ARE IN USD.**

1. 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 interest divided by average capital employed for the corresponding period. Capital employed represents total assets less short-term liabilities not bearing interest. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 14.1%. We believe this measure is useful to investors and analysts.
2. Until November 2019, 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.
3. This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity for the corresponding period. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 22.3%. We believe this measure is useful to investors and analysts.
4. This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt plus the product of eight times rent expense, net of cash and cash equivalents and temporary investments divided by EBITDAR (Earnings before Interest, Tax, Depreciation, Amortization, Impairment and Rent expense) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, until November 2019, CAPL's interest bearing debt was excluded as it was a non-recourse debt to the Corporation, as referenced in footnote 2. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 2.29 : 1. We believe this measure is useful to investors and analysts.
5. The Adjusted Free Cash flow is presented for information purposes only and excludes 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 net of interest received, 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.



# **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 26, 2020. More specifically, it aims to let the reader better understand our development strategy, performance in relation to objectives, future expectations, and how we address risk and manage our financial resources. This MD&A also provides information to improve the reader’s understanding of Couche-Tard’s 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 2020 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 June 29, 2020, 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. Additionally, we are uncertain of the duration and impacts of the current COVID-19 pandemic on our business. We are actively monitoring the effect of the COVID-19 pandemic on all aspects of our business and geographies, including how it will impact our people, our customers, our suppliers, our business partners and distribution channels.

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 2020 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 26, 2020, our network comprised 9,414 convenience stores throughout North America, including 8,221 stores with road transportation fuel dispensing. Our North American network consists of 18 business units, including 14 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 Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through 10 business units. As of April 26, 2020, our network comprised 2,710 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 22,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, close to 2,350 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, Egypt, Guam, Guatemala, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings the worldwide total network to close to 14,500 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 are a customer-centric, financially disciplined organization that routinely compares best practices, and uses our global experience to enhance our operational expertise and continually invests in our people and our stores.

## Value Creation

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

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

## Exchange Rate Data

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

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

	12-week periods ended		52-week periods ended		
	April 26, 2020	April 28, 2019	April 26, 2020	April 28, 2019	April 29, 2018
<b>Average for period<sup>(1)</sup></b>					
Canadian dollar	<b>0.7275</b>	0.7510	<b>0.7494</b>	0.7595	0.7826
Norwegian krone	<b>0.1005</b>	0.1165	<b>0.1096</b>	0.1195	0.1241
Swedish krone	<b>0.1016</b>	0.1077	<b>0.1038</b>	0.1108	0.1205
Danish krone	<b>0.1467</b>	0.1514	<b>0.1485</b>	0.1542	0.1587
Zloty	<b>0.2485</b>	0.2627	<b>0.2568</b>	0.2675	0.2800
Euro	<b>1.0953</b>	1.1298	<b>1.1087</b>	1.1499	1.1810
Ruble	<b>0.0141</b>	0.0153	<b>0.0153</b>	0.0153	0.0172

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

	As at April 26, 2020	As at April 28, 2019
<b>Period end</b>		
Canadian dollar	<b>0.7118</b>	0.7412
Norwegian krone	<b>0.0941</b>	0.1152
Swedish krone	<b>0.0993</b>	0.1053
Danish krone	<b>0.1448</b>	0.1491
Zloty	<b>0.2385</b>	0.2596
Euro	<b>1.0800</b>	1.1133
Ruble	<b>0.0134</b>	0.0154

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

## Fiscal 2020 Overview

### Financial Results

Net earnings attributable to shareholders of the Corporation ("net earnings") amounted to \$2.4 billion for fiscal 2020, compared with \$1.8 billion for fiscal 2019. Diluted net earnings per share stood at \$2.09, compared with \$1.62 for the previous year.

The results for fiscal 2020 were affected by a pre-tax net gain of \$61.5 million on the disposal of our interests in CrossAmerica Partners LP ("CAPL"), a pre-tax net gain of \$41.0 million on the disposal of a portion of our U.S. wholesale fuel business as part of an asset exchange with CAPL, a positive impact on income tax of \$33.6 million from an adjustment to deferred tax assets, a pre-tax net foreign exchange gain of \$33.5 million, pre-tax acquisition costs of \$6.7 million, pre-tax restructuring costs of \$4.5 million and an income tax expense of \$2.7 million following the asset exchange transactions with CAPL.

The results for fiscal 2019 were affected by a pre-tax impairment 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 net 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.

Excluding these items, the adjusted net earnings would have been approximately \$2.2 billion<sup>1</sup> (1.97<sup>1</sup> per share on a diluted basis) for fiscal 2020, compared with \$1.8 billion<sup>1</sup> (1.63<sup>1</sup> per share on a diluted basis) for fiscal 2019, an increase of \$374.0 million or 20.3%, driven by higher road transportation fuel margins in the U.S. and Europe and strong organic growth in our convenience operations, partly offset by the negative impact of COVID-19 on the traffic in our network.

### Changes in our Network

#### *Disposal of our interests in CAPL*

On November 19, 2019, we announced the closing of the sale of our interests in CAPL, representing 100% of the equity interests of the sole member of the General Partner, 100% of the incentive distribution rights and 21.7% of the outstanding common units of CAPL to investment entities controlled by Joe Topper, the founder of CAPL and a member of the Board of Directors of its General Partner for an amount of \$190.0 million. We recognized a net gain on disposal of \$61.5 million in relation to this transaction. The decision to divest our interests in CAPL was based on the outcome of a strategic review. This transaction also led to the release of a deferred tax asset valuation allowance of \$29.0 million in relation with capital losses which were not expected to be used before their expiration date.

#### *Asset Exchange Agreements with CAPL*

##### *November 2019 asset exchange agreement*

On March 26, 2020, we announced the closing of an asset exchange agreement with CAPL (the "November 2019 asset exchange agreement") under which we transferred a portion of our U.S. wholesale road transportation fuel operations, which consisted of wholesale fuel supply agreements covering 333 sites, 33 fee and leasehold properties also covered by wholesale fuel supply agreements for a total of 366 supply agreements, as well as cash consideration of approximately \$14.0 million, receiving in return CAPL's 17.5% limited partnership interest in CST Fuel Supply LP. We recognized a net gain on disposal of \$41.0 million in relation to this transaction. Following this asset exchange agreement, we own a 100% interest in CST Fuel Supply LP. Therefore, an amount of \$105.2 million, net of taxes, was recognized to retained earnings corresponding to the difference between the non-controlling interest in CST Fuel Supply LP recognized in our consolidated financial statements and the fair value of the consideration to acquire the remaining 17.5% interest in CST fuel Supply LP. This transaction also led to the release of a deferred tax asset valuation allowance of \$4.6 million in relation with capital losses which were not expected to be used before their expiration date.

<sup>1</sup> Please refer to the section "Net earnings attributable to shareholders of the Corporation ("net earnings") and adjusted net earnings attributable to shareholders of the Corporation ("adjusted net earnings")" of this MD&A for additional information on this performance measure not defined by IFRS. These performance measures, for the 52-week period ended April 28, 2019, have been adjusted for the estimated impact of IFRS 16, the previously reported adjusted net earnings were approximately \$1.9 billion and adjusted diluted net earnings per share was \$1.66.



### *December 2018 asset exchange agreement*

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

During fiscal 2020, we closed the first four transactions of the December 2018 asset exchange agreement with CAPL. In these transactions, 139 Circle K U.S. stores for a total value of approximately \$132.0 million have been exchanged against 17 company-operated stores owned and operated by CAPL and the real estate for 39 properties held by CAPL for an equivalent value.

The first two transactions of the December 2018 asset exchange agreement, which occurred while CAPL was fully consolidated in our consolidated financial statements, resulted in a reclassification of \$7.7 million between equity attributable to the shareholders of the Corporation and equity attributable to the non-controlling interests. Following these exchange transactions, we performed a re-evaluation of our deferred tax assets and liabilities which generated a net income tax expense of \$4.4 million, of which \$2.7 million are attributable to shareholders of the Corporation. The third and fourth transactions of the same agreement, which occurred after the disposal of our interests in CAPL, resulted in a gain on disposal of \$1.9 million in relation to these transactions.

On May 5, 2020, subsequent to the end of fiscal 2020, we closed the fifth transaction of the December 2018 asset exchange agreement with CAPL. In this fifth transaction, we transferred 29 Circle K U.S. stores for a total value of approximately \$32.0 million. In exchange, CAPL transferred the real estate for 13 properties for an equivalent value. The remaining assets of this agreement are expected to be exchanged in the second half of calendar 2020.

### *Multi-site acquisition <sup>1</sup>*

On January 13, 2020, we acquired 17 stores from a franchise operator. These convenience stores operate under the Holiday banner in South Dakota and Minnesota, within the United States.

### *Single-site acquisitions*

During fiscal 2020, we acquired 13 company-operated stores through distinct transactions.

### *Store construction*

During fiscal 2020, we completed the construction of 56 stores and the relocation or reconstruction of 29 stores. As of April 26, 2020, another 30 stores were under construction and should open in the upcoming quarters.

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<sup>1</sup> A multi-site acquisition is defined as an acquisition of seven store or more.

## Summary of changes in our store network during the fourth quarter and fiscal 2020

The following tables present certain information regarding changes in our store network over the 12-week and 52-week periods ended April 26, 2020<sup>(1)</sup>:

Type of site	12-week period ended April 26, 2020				Total
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	
Number of sites, beginning of period	9,732	449	1,025	1,290	12,496
Acquisitions	3	—	—	—	3
Openings / constructions / additions	10	1	18	27	56
Closures / disposals / withdrawals	(33)	(26)	(345)	(27)	(431)
Store conversion	(21)	29	(9)	1	—
<b>Number of sites, end of period</b>	<b>9,691</b>	<b>453</b>	<b>689</b>	<b>1,291</b>	<b>12,124</b>
Circle K branded sites under licensing agreements					2,347
<b>Total network</b>					<b>14,471</b>
Number of automated fuel stations included in the period-end figures <sup>(6)</sup>	982	—	10	—	992

Type of site	52-week period ended April 26, 2020				Total
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	
Number of sites, beginning of period	9,794	514	1,052	1,215	12,575
Acquisitions	30	—	—	—	30
Openings / constructions / additions	72	3	37	163	275
Closures / disposals / withdrawals	(128)	(151)	(389)	(88)	(756)
Store conversion	(77)	87	(11)	1	—
<b>Number of sites, end of period</b>	<b>9,691</b>	<b>453</b>	<b>689</b>	<b>1,291</b>	<b>12,124</b>
Circle K branded sites under licensing agreements					2,347
<b>Total network</b>					<b>14,471</b>

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

## COVID-19 Pandemic

Due to the implementation of restrictive social measures in the various geographies where we operate, the COVID-19 pandemic had a meaningful impact on our financial results, mostly driven by declining traffic in our entire network. These measures led to fewer visits to our stores starting mid-March in Europe and slightly later in North America. The impact of lower traffic was partially offset by the purchasing of larger baskets by consumers. From a merchandise category standpoint, product demand shifted during the pandemic negatively impacting margins due to a different product mix. From a fuel perspective, volumes declined rapidly during the first weeks following the stay-at-home orders across the different regions, while margins remained healthy. Additionally, various measures were enacted to support the health and safety of our employees and customers driving incremental operating expenses. These additional costs were partly offset by initiatives implemented across our network to reduce our controllable expenses.

## Global Circle K Brand

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

As of April 26, 2020, more than 6,300 stores in North America, including 995 stores acquired from CST, now proudly display our new global brand. This represents more than 86.0% of our overall North American project.

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

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

## Share Repurchase Program

During fiscal 2020, under our share repurchase program launched on April 8, 2019, we repurchased 16,354,384 Class B subordinate voting shares for a net amount of \$470.8 million. The last share repurchase was traded on March 26, 2020. The share repurchase program expired on April 9, 2020 and was not renewed.

## Repayment of Senior Unsecured Notes

On December 13, 2019, we fully repaid, at maturity, our \$600.0 million US-dollar-denominated senior unsecured notes issued on December 14, 2017, and on the same date the associated fixed-to-floating interest rate swaps matured.

On November 1, 2019, we fully repaid, at maturity, our CA \$450.0 million (\$341.4 million) Canadian-dollar-denominated senior unsecured notes issued on November 1, 2012. On the same date, we settled, at maturity, the following cross-currency interest rate swaps:

Receive – Notional (in millions)	Receive – Rate	Pay – Notional (in millions)	Pay – Rate
CA \$450.0 (US \$341.4)	3.319%	US \$451.4	From 2.733% to 2.740%

On May 28, 2019, we repaid, without penalty, \$150.0 million of our \$300.0 million US-dollar-denominated senior unsecured notes issued on December 14, 2017, and maturing on December 13, 2019. On August 13, 2019, we repaid, without penalty, the remaining \$150.0 million of our \$300.0 million US-dollar-denominated senior unsecured notes.

## Issuance of Senior Unsecured Notes

On January 22, 2020, we issued US-dollar-denominated senior unsecured notes totaling \$1.5 billion, consisting of the following:

Nominal amount (in millions)	Maturity	Coupon rate	Effective rate as at April 26, 2020	Interest payment dates
\$750.0	January 25, 2030	2.950%	3.033%	July 25, and January 25
\$750.0	January 25, 2050	3.800%	3.880%	July 25, and January 25

A part of the net proceeds from these issuances, which were \$1,484.1 million, was used to repay our term revolving unsecured operating credit D.

## Interest Rate Locks

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

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

The instruments allowed us to hedge the variability of our interest payments on the anticipated issuance of US-dollar-denominated senior unsecured notes due to changes in the US Treasury rates. These instruments were designated as a cash flow hedge of our interest rate risk and as a result, during fiscal 2020, a gain of \$7.5 million was recognized in Accumulated other comprehensive loss to reflect the fluctuation in the interest rate locks' fair value. On January 22, 2020, prior to their maturity, we settled all of our interest rate locks. The total cumulative gain of \$7.5 million is amortized over the term of the related US-dollar-denominated senior unsecured notes issued on January 22, 2020, and maturing on January 25, 2030, as an adjustment to the related interest expense.

## Restructuring

During fiscal 2020, 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 \$4.5 million were recorded to earnings during fiscal 2020.

## Investment in Fire & Flower

On August 7, 2019, we invested an amount of CA \$26.0 million (\$19.5 million) in Fire & Flower Holdings Corp. ("Fire & Flower"), a leading independent cannabis retailer listed on the Toronto Stock Exchange and based in Alberta, Canada. This investment is in the form of unsecured convertible debentures which would result, as at April 26, 2020 and on a fully-diluted basis, in a 11.3% ownership interest in Fire & Flower upon conversion. We have also been issued common share purchase warrants, that, if exercised in accordance with the terms thereof, would subsequently increase our ownership interest in Fire & Flower up to 51.6% as at April 26, 2020 on a fully-diluted basis. As at April 26, 2020, the unsecured convertible debentures were not converted, and no common share purchase warrants were exercised.

## Dividends

During its June 29, 2020 meeting, the Board of Directors declared a quarterly dividend of CA 7.0¢ per share, for the fourth quarter of fiscal 2020 to shareholders on record as at July 9, 2020, and approved its payment for July 23, 2020. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

For fiscal 2020, the Board of Directors declared total dividends of CA 26.5¢ per share, an increase of 17.8% compared with fiscal 2019.

## Outstanding Shares and Stock Options

As at June 26, 2020, Couche-Tard had 253,803,700 Class A multiple-voting shares and 858,952,631 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 3,254,697 outstanding stock options for the purchase of Class B subordinate voting shares.

## New Accounting Standard Adopted by the Corporation

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

52-week period ended April 28, 2019							
(in millions of US dollars)	Pre – IFRS 16 As reported	Excluding: rent under IAS 17	Including: depreciation and interests <sup>(1)</sup>	Other	Total estimated pro forma IFRS 16 adjustments	Pro forma - IFRS 16	Total estimated pro forma IFRS 16 impacts – attributable to shareholders of the Corporation
Revenues	59,117.6	—	—	40.0	40.0	59,157.6	20.0
Cost of sales	49,922.7	—	—	—	—	49,922.7	—
<b>Gross profit</b>	<b>9,194.9</b>	<b>—</b>	<b>—</b>	<b>40.0</b>	<b>40.0</b>	<b>9,234.9</b>	<b>20.0</b>
Operating, selling, administrative and general expenses	5,646.1	(390.0)	—	28.0	(362.0)	5,284.1	(361.0)
Restructuring costs	10.5	—	—	—	—	10.5	—
Gain on disposal of property and equipment and other assets	(21.3)	—	—	—	—	(21.3)	—
Depreciation, amortization and impairment	1,070.7	(18.0)	388.0	—	370.0	1,440.7	356.0
<b>Total operating expenses</b>	<b>6,706.0</b>	<b>(408.0)</b>	<b>388.0</b>	<b>28.0</b>	<b>8.0</b>	<b>6,714.0</b>	<b>(5.0)</b>
<b>Operating income</b>	<b>2,488.9</b>	<b>408.0</b>	<b>(388.0)</b>	<b>12.0</b>	<b>32.0</b>	<b>2,520.9</b>	<b>25.0</b>
Share of earnings of joint ventures and associated companies	23.4	—	—	—	—	23.4	—
<b>EBITDA</b>	<b>3,583.0</b>	<b>390.0</b>	<b>—</b>	<b>12.0</b>	<b>402.0</b>	<b>3,985.0</b>	<b>381.0</b>
Financial expenses	338.7	(20.0)	90.0	—	70.0	408.7	62.0
Financial revenues	(13.3)	—	—	—	—	(13.3)	—
Foreign exchange gain	(5.3)	—	—	—	—	(5.3)	—
<b>Net financial expenses</b>	<b>320.1</b>	<b>(20.0)</b>	<b>90.0</b>	<b>—</b>	<b>70.0</b>	<b>390.1</b>	<b>62.0</b>
Earnings before income taxes	2,192.2	428.0	(478.0)	12.0	(38.0)	2,154.2	(37.0)
Income taxes	370.9	108.0	(120.0)	3.0	(9.0)	361.9	(9.0)
Net earnings including non-controlling interests	1,821.3	320.0	(358.0)	9.0	(29.0)	1,792.3	(28.0)
Net loss attributable to non-controlling interests	12.6	(3.0)	20.0	(16.0)	1.0	13.6	—
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>1,833.9</b>	<b>317.0</b>	<b>(338.0)</b>	<b>(7.0)</b>	<b>(28.0)</b>	<b>1,805.9</b>	<b>(28.0)</b>

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

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

## Statements of Earnings Categories

*Merchandise and service revenues.* In-store merchandise revenues are comprised primarily of the sale of tobacco and alternative tobacco products, beer, wine, beverage, grocery items, candy and snacks 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 car wash revenues, 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 sales of bus tickets.

Service revenues also include franchise and license fees as well as commissions from agents, and royalties from franchisees and licensees. We also generate license fees revenues derived from the underlying sale of cannabis product through a licensed store 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 and 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 main items comprising Operating, selling, administrative and general expenses are labor, occupancy costs, electronic payment modes fees, repairs, maintenance and overhead.

Key performance indicators used by management, which can be found under “Summary Analysis of Consolidated Results of Fiscal 2020 - 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 2020

The following table highlights certain information regarding our operations for the 12-week periods ended April 26, 2020, and April 28, 2019. CAPL refers to CrossAmerica Partners LP.

<i>(in millions of US dollars, unless otherwise stated)</i>	<b>12-week period ended April 26, 2020</b>	12-week period ended April 28, 2019	Variation %
Revenues	<b>9,687.2</b>	13,113.3	(26.1)
Operating income	<b>769.6</b>	410.2	87.6
Net earnings attributable to shareholders of the Corporation	<b>576.3</b>	293.1	96.6
<b>Selected Operating Data – excluding CAPL:</b>			
Merchandise and service gross margin <sup>(1)</sup> :			
Consolidated	<b>33.5%</b>	34.6%	(1.1)
United States	<b>33.0%</b>	33.9%	(0.9)
Europe	<b>40.6%</b>	41.8%	(1.2)
Canada	<b>31.8%</b>	33.0%	(1.2)
Growth of (decrease in) same-store merchandise revenues <sup>(2)</sup> :			
United States <sup>(3)</sup>	<b>(0.5%)</b>	3.4%	
Europe	<b>(6.5%)</b>	4.7%	
Canada <sup>(3)</sup>	<b>4.7%</b>	4.2%	
Road transportation fuel gross margin:			
United States (cents per gallon) <sup>(3)</sup>	<b>46.88</b>	18.51	153.3
Europe (cents per liter)	<b>8.67</b>	8.28	4.7
Canada (CA cents per liter) <sup>(3)</sup>	<b>8.40</b>	8.13	3.3
Growth of (decrease in) same-store road transportation fuel volume:			
United States <sup>(3)</sup>	<b>(18.3%)</b>	0.3%	
Europe <sup>(3)</sup>	<b>(13.4%)</b>	(1.8%)	
Canada <sup>(3)</sup>	<b>(23.5%)</b>	(0.4%)	

(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 in Europe is calculated based on local currencies.

(3) For company-operated stores only.

### Revenues

Our revenues were \$9.7 billion for the fourth quarter of fiscal 2020, down by \$3.4 billion, a decrease of 26.1% compared with the corresponding quarter of fiscal 2019, mainly attributable to the negative impact of COVID-19 on fuel demand, to a lower average road transportation fuel selling price and to the disposal of our interests in CAPL, which had an impact of approximately \$387.0 million, as well as by the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, which had an impact of approximately \$197.0 million.

#### Merchandise and service revenues

Total merchandise and service revenues for the fourth quarter of fiscal 2020 were \$3.2 billion, a decrease of \$85.2 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues decreased by approximately \$33.0 million or 1.0%. This decrease is primarily attributable to decreased traffic in our network partly offset by growth in basket size. Same-store merchandise revenues decreased by 0.5% in the United States, and by 6.5% in Europe, while they increased by 4.7% in Canada due to changes in the competitive landscape.

#### Road transportation fuel revenues

Total road transportation fuel revenues for the fourth quarter of fiscal 2020 were \$6.3 billion, a decrease of \$3.3 billion compared with the corresponding quarter of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by approximately \$2.7 billion or 29.7%. This decrease is mostly attributable to the negative impact of COVID-19 on fuel demand, as well as to a lower average road transportation fuel selling price, which had a negative impact of approximately \$1.0 billion. Same-store road transportation fuel volume decreased in the United States by 18.3%, in Europe by 13.4%, and in Canada by 23.5%.

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 28, 2019:

Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
52-week period ended April 26, 2020					
United States (US dollars per gallon) – excluding CAPL	2.66	2.55	2.51	2.21	2.50
Europe (US cents per liter)	77.35	70.86	73.92	60.95	71.20
Canada (CA cents per liter)	111.16	105.14	103.47	88.78	103.21
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

### Other revenues

Total other revenues for the fourth quarter of fiscal 2020 were \$129.1 million, a decrease of \$88.8 million compared with the corresponding period of fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues decreased by \$69.6 million in the fourth quarter of fiscal 2020, primarily driven by lower demand and lower prices in our aviation fuel activities.

### **Gross profit**

Our gross profit was \$2.3 billion for the fourth quarter of fiscal 2020, up by \$312.2 million, or 15.8% compared with the corresponding quarter of fiscal 2019, mainly attributable to higher road transportation fuel gross margin in the U.S. and in Europe, partly offset by the negative impact of COVID-19 on fuel demand, by the disposal of our interests in CAPL, which had an impact of approximately \$38.0 million, and to the net negative impact from the translation of our Canadian and European operations into US dollars, which had an impact of approximately \$29.0 million.

### Merchandise and service gross profit

In the fourth quarter of fiscal 2020, our merchandise and service gross profit was \$1.1 billion, a decrease of \$60.5 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit decreased by approximately \$45.0 million or 3.9%, mainly attributable to lower traffic in our network due to COVID-19. Our gross margin decreased by 0.9% in the United States to 33.0%, by 1.2% in Europe to 40.6%, and by 1.2% to 31.8% in Canada. These performances reflect changes in our product mix towards lower margin categories.

### Road transportation fuel gross profit

In the fourth quarter of fiscal 2020, our road transportation fuel gross profit was \$1.2 billion, an increase of \$392.3 million compared with the corresponding quarter of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, our fourth quarter road transportation fuel gross profit increased by approximately \$431.0 million or 56.8%. Our road transportation fuel gross margin was strong at 46.88¢ per gallon in the United States, an increase of 28.37¢ per gallon, driven by the sharp decline in crude oil prices during the quarter as well as by changes in the competitive landscape. In Europe, road transportation fuel margin was US 8.67¢ per liter, an increase of US 0.39¢ per liter, while in Canada, it was CA 8.40¢ per liter, an increase of CA 0.27¢ 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 28, 2019, were as follows:

(US cents per gallon) Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
52-week period ended April 26, 2020					
Before deduction of expenses related to electronic payment modes	26.86	28.29	27.04	46.88	31.19
Expenses related to electronic payment modes	4.70	4.63	4.54	4.97	4.70
After deduction of expenses related to electronic payment modes	22.16	23.66	22.50	41.91	26.49
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	4.67	4.55	4.31	4.40	4.50
After deduction of expenses related to electronic payment modes	18.03	17.33	25.11	14.11	19.10

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



Generally, during normal economic cycles, road transportation fuel margins in the United States can be volatile from one quarter to another but have historically trended higher over longer periods. The historical trends for Europe and Canada are similar, while the margin volatility and expenses related to electronic payment modes are not as significant.

#### Other revenues gross profit

In the fourth quarter of fiscal 2020, other revenues gross profit was \$33.2 million, a decrease of \$19.6 million compared with the corresponding period of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues gross profit decreased by approximately \$6.0 million in the fourth quarter of fiscal 2020. The decrease is mainly attributable to lower demand of aviation fuel products.

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

For the fourth quarter of fiscal 2020, expenses decreased by 8.0% compared with the corresponding period of fiscal 2019. If we exclude the decrease in rent from the transition to IFRS 16 and certain items that are not considered indicative of future trends, expenses increased by 2.3%.

	<u>12-week period ended April 26, 2020</u>
<b>Total variance, as reported</b>	<b>(8.0%)</b>
Adjusted for:	
Decrease in rent expense from transition to IFRS 16	6.3%
Decrease from the net impact of foreign exchange translation	1.7%
Decrease in CAPL's expenses	1.6%
Decrease from higher electronic payment fees, excluding acquisitions	1.1%
Increase from incremental expenses related to acquisitions	(0.2%)
Acquisition costs recognized to earnings of fiscal 2020	(0.2%)
<b>Remaining variance</b>	<b>2.3%</b>

Growth in expenses, amongst other items, was driven by COVID-19 related expenses, normal inflation, higher labor costs from minimum wage increases in certain regions and incremental investments in our stores to support our strategic initiatives. COVID-19 related expenses include, but are not limited to, an emergency appreciation pay premium of \$2.50 per hour in North America for hourly store employees and distribution center employees, the installation of plexiglass dividers and other social distancing tools in our stores, additional cleaning and sanitizing supplies as well as masks and gloves for our employees. 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 2020, EBITDA increased from \$655.3 million to \$1.1 billion, an increase of 65.5% compared with the same quarter last year. Excluding the specific items shown in the table below the adjusted EBITDA for the fourth quarter of fiscal 2020 increased by \$314.0 million or 42.9% compared with the corresponding period of the previous fiscal year, mainly from higher road transportation fuel gross margins in the U.S. and in Europe, partly offset by the negative impact of COVID-19 on our traffic, the disposal of our interests in CAPL, as well as from the net negative impact from the translation of our Canadian and European operations into US dollars. The variation in exchange rates had a net negative impact of approximately \$6.0 million.

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

(in millions of US dollars)	12-week periods ended	
	April 26, 2020	April 28, 2019
Net earnings including non-controlling interests, as reported	578.3	289.9
Add:		
Income taxes	145.4	45.3
Net financial expenses	53.2	78.6
Depreciation, amortization and impairment	307.4	241.5
EBITDA	1,084.3	655.3
Adjusted for:		
Net gain on disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Acquisition costs	2.9	0.4
EBITDA attributable to non-controlling interests	(2.0)	(16.2)
Restructuring costs attributable to shareholders of the Corporation	0.9	2.6
Adjusted EBITDA, as previously reported	1,045.1	642.1
Estimated pro forma impact from transition to IFRS 16 attributable to shareholders of the Corporation	—	89.0
Adjusted EBITDA	1,045.1	731.1

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

For the fourth quarter of fiscal 2020, our depreciation expense increased by \$65.9 million compared with the fourth quarter of fiscal 2019. Excluding CAPL's results, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, the depreciation expense increased by approximately \$88.0 million, mainly driven by the additional depreciation expense arising from right-of-use assets due to the adoption of IFRS 16, which had an impact of approximately \$84.0 million.

## Net financial expenses

Net financial expenses for the fourth quarter of fiscal 2020 were \$53.2 million, a decrease of \$25.4 million compared with the fourth quarter of fiscal 2019. Excluding the items shown in the table below, net financial expenses decreased by \$10.0 million, mainly attributable to the lower average cost of our long-term debt compared to the fourth quarter of fiscal 2019.

(in millions of US dollars)	12-week periods ended	
	April 26, 2020	April 28, 2019
Net financial expenses, as reported	53.2	78.6
Adjusted for:		
Net foreign exchange gain	22.8	1.1
CAPL's financial expenses	—	(7.7)
Estimated pro forma impact from transition to IFRS 16	—	14.0
Net financial expenses excluding items above	76.0	86.0

## Income taxes

The income tax rate for the fourth quarter of fiscal 2020 was 20.1% compared with 13.5% for the corresponding period of fiscal 2019. The income tax rate for the fourth quarter of fiscal 2020 includes a net tax benefit of \$4.6 million derived from the release of deferred tax asset valuation allowance following the disposal of a portion of our U.S. wholesale fuel business. Excluding this adjustment, the income tax rate would have been 20.7% for the fourth quarter of fiscal 2020, an increase compared to the fourth quarter of fiscal 2019, stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

	12-week periods ended	
	April 26, 2020	April 28, 2019
Income tax rate, as reported	20.1%	13.5%
Adjusted for:		
Release of deferred tax asset valuation allowance	0.6%	—
Net income tax rate excluding item above	20.7%	13.5%

## 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 2020 were \$576.3 million, compared with \$293.1 million for the fourth quarter of the previous fiscal year, an increase of \$283.2 million or 96.6%. Diluted net earnings per share stood at \$0.52, compared with \$0.26 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 \$2.0 million on net earnings of the fourth quarter of fiscal 2020.

Excluding the items shown in the table below from net earnings of the fourth quarter of fiscal 2020 and fiscal 2019, adjusted net earnings for the fourth quarter of fiscal 2020 would have been approximately \$521.0 million, compared with \$289.0 million for the fourth quarter of fiscal 2019, an increase of \$232.0 million or 80.3%. Adjusted diluted net earnings per share would have been \$0.47 for the fourth quarter of fiscal 2020 compared with \$0.26 for the corresponding period of fiscal 2019, an increase of 80.8%.

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

(in millions of US dollars)	12-week periods ended	
	April 26, 2020	April 28, 2019
Net earnings attributable to shareholders of the Corporation, as reported	576.3	293.1
Adjusted for:		
Net gain on disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Net foreign exchange gain	(22.8)	(1.1)
Release of deferred tax asset valuation allowance	(4.6)	—
Acquisition costs	2.9	0.4
Restructuring costs attributable to shareholders of the Corporation	0.9	2.6
Tax impact of the items above and rounding	9.3	—
Adjusted net earnings attributable to shareholders of the Corporation, as previously reported	521.0	295.0
Estimated pro forma impact from transition to IFRS 16	—	(6.0)
Adjusted net earnings attributable to shareholders of the Corporation	521.0	289.0

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 2020

The following table highlights certain information regarding our operations for the 52-week periods ended April 26, 2020, April 28, 2019, and April 29, 2018. CAPL refers to CrossAmerica Partners LP.

	52-week period 2020	52-week period 2019	52-week period 2018
<i>(in millions of US dollars, unless otherwise stated)</i>			
<b>Statement of Operations Data:</b>			
Merchandise and service revenues <sup>(1)</sup> :			
United States	10,918.4	10,781.8	9,432.0
Europe	1,416.3	1,457.8	1,413.9
Canada	2,302.7	2,172.7	2,053.5
CAPL	29.6	95.8	76.6
Elimination of intercompany transactions with CAPL	(0.8)	(2.7)	—
Total merchandise and service revenues	14,666.2	14,505.4	12,976.0
Road transportation fuel revenues:			
United States	25,724.8	28,195.6	23,327.3
Europe	7,481.1	8,380.7	7,684.1
Canada	4,415.7	4,957.9	4,819.9
CAPL	1,365.7	2,211.8	1,547.6
Elimination of intercompany transactions with CAPL	(288.0)	(444.7)	(262.4)
Total road transportation fuel revenues	38,699.3	43,301.3	37,116.5
Other revenues <sup>(2)</sup> :			
United States	36.9	21.8	25.1
Europe	652.0	1,220.7	1,217.7
Canada	21.3	24.5	27.6
CAPL	65.6	61.2	47.6
Elimination of intercompany transactions with CAPL	(8.9)	(17.3)	(16.1)
Total other revenues	766.9	1,310.9	1,301.9
<b>Total revenues</b>	<b>54,132.4</b>	<b>59,117.6</b>	<b>51,394.4</b>
Merchandise and service gross profit <sup>(1)</sup> :			
United States	3,686.7	3,646.3	3,140.1
Europe	587.6	609.0	602.3
Canada	750.9	729.7	707.7
CAPL	6.8	23.3	18.6
Elimination of intercompany transactions with CAPL	(0.8)	(2.3)	—
Total merchandise and service gross profit	5,031.2	5,006.0	4,468.7
Road transportation fuel gross profit:			
United States	3,131.3	2,471.5	1,868.1
Europe	932.0	981.1	1,024.2
Canada	344.2	392.8	424.9
CAPL	57.5	103.6	69.6
Total road transportation fuel gross profit	4,465.0	3,949.0	3,386.8
Other revenues gross profit <sup>(2)</sup> :			
United States	36.9	21.8	23.2
Europe	123.6	149.7	173.7
Canada	21.2	24.5	27.6
CAPL	65.7	61.2	47.6
Elimination of intercompany transactions with CAPL	(8.9)	(17.3)	(16.1)
Total other revenues gross profit	238.5	239.9	256.0
<b>Total gross profit</b>	<b>9,734.7</b>	<b>9,194.9</b>	<b>8,111.5</b>
Operating, selling, administrative and general expenses			
Excluding CAPL	5,276.4	5,584.8	5,069.5
CAPL	46.8	80.5	67.8
Elimination of intercompany transactions with CAPL	(9.2)	(19.2)	(12.5)
Total operating, selling, administrative and general expenses	5,314.0	5,646.1	5,124.8
Restructuring costs	4.5	10.5	56.9
Gain on disposal of property and equipment and other assets	(83.1)	(21.3)	(17.7)
Depreciation, amortization and impairment			
Excluding CAPL	1,282.9	927.2	849.5
CAPL	53.9	143.5	61.1
Total depreciation, amortization and impairment	1,336.8	1,070.7	910.6
<b>Operating income</b>			
Excluding CAPL	3,137.7	2,534.0	2,040.9
CAPL	25.3	(44.7)	(0.4)
Elimination of intercompany transactions with CAPL	(0.5)	(0.4)	(3.6)
Total operating income	3,162.5	2,488.9	2,036.9
Net financial expenses	284.5	320.1	335.3
<b>Net earnings including non-controlling interests</b>	<b>2,357.6</b>	<b>1,821.3</b>	<b>1,677.5</b>
Net (earnings) loss attributable to non-controlling interests	(4.0)	12.6	(6.9)
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>2,353.6</b>	<b>1,833.9</b>	<b>1,670.6</b>
<b>Per Share Data:</b>			
Basic net earnings per share (dollars per share)	2.10	1.62	1.48
Diluted net earnings per share (dollars per share)	2.09	1.62	1.47
Adjusted diluted net earnings per share (dollars per share) <sup>(15)</sup>	1.97	1.63	1.30
Cash dividend per share declared for fiscal year ended (CA cents per share)	26.50	22.50	18.50

	52-week period	52-week period	52-week period
	2020	2019	2018
<i>(in millions of US dollars, unless otherwise stated)</i>			
<b>Other Operating Data – excluding CAPL:</b>			
Merchandise and service gross margin <sup>(1)</sup> :			
Consolidated	34.3%	34.6%	34.5%
United States	33.8%	33.8%	33.3%
Europe	41.5%	41.8%	42.6%
Canada	32.6%	33.6%	34.5%
Growth of same-store merchandise revenues <sup>(3)</sup> :			
United States <sup>(4)</sup>	2.1%	4.1%	0.8%
Europe	0.1%	4.8%	2.7%
Canada <sup>(4)</sup>	2.8%	5.2%	0.4%
Road transportation fuel gross margin:			
United States (cents per gallon) <sup>(4)</sup>	31.19	23.60	19.39
Europe (cents per liter)	8.48	8.61	8.72
Canada (CA cents per liter) <sup>(4)</sup>	7.91	8.38	8.84
Total volume of road transportation fuel sold:			
United States (millions of gallons)	10,476.1	10,979.5	9,794.1
Europe (millions of liters)	10,990.3	11,391.2	11,747.6
Canada (millions of liters)	5,815.6	6,198.9	6,161.4
Growth of (decrease in) same-store road transportation fuel volume:			
United States <sup>(4)</sup>	(3.9%)	0.7%	(0.4%)
Europe <sup>(4)</sup>	(3.9%)	(0.9%)	—
Canada <sup>(4)</sup>	(6.0%)	(1.6%)	(1.4%)

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

	April 26, 2020	April 28, 2019	April 29, 2018 <sup>(14)</sup>
<b>Balance Sheet Data<sup>(5)</sup>:</b>			
Total assets (including \$1.1 billion and \$1.3 billion for CAPL as at April 28, 2019 and as at April 29, 2018, respectively)	25,679.5	25,033.0	23,156.7
Interest-bearing debt (including \$696.0 million and \$536.8 million for CAPL as at April 28, 2019 and as at April 29, 2018, respectively) <sup>(6)</sup>	10,379.3	9,575.3	8,906.7
Equity attributable to shareholders of the Corporation	10,066.6	8,913.7	7,560.4
<b>Indebtedness Ratios<sup>(7)</sup>:</b>			
Net interest-bearing debt/total capitalization <sup>(6)(8)</sup>	0.40 : 1	0.48 : 1	0.50 : 1
Leverage ratio <sup>(9)(13)</sup>	1.54 : 1	2.09 : 1	2.46 : 1
Adjusted leverage ratio <sup>(10)(13)</sup>	1.60 : 1	2.18 : 1	3.13 : 1
<b>Returns<sup>(7)</sup>:</b>			
Return on equity <sup>(11)(13)</sup>	24.8%	21.9%	24.8%
Return on capital employed <sup>(12)(13)</sup>	15.0%	12.6%	12.0%

(1) Includes revenues derived from franchise fees, royalties, suppliers' rebates on some purchases made by franchisees and licensees, as well as from wholesale of merchandise.

(2) Includes revenues from the rental of assets and from the sale of aviation fuel, energy for stationary engines and marine fuel (until November 30, 2018).

(3) Does not include services and other revenues (as described in footnotes 1 and 2 above). Growth in Canada and in Europe is calculated based on local currencies.

(4) For company-operated stores only.

(5) The balance sheet data as at April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16. The previous total assets reported was \$22,607.7 million, the interest-bearing debt was \$6,951.4 million and the equity attributable to shareholders of the Corporation was \$8,923.2 million for the 52-week period ended April, 28, 2019. The balance sheet data as at April 29, 2018 has not been adjusted for any estimated pro forma impact of IFRS 16.

(6) This measure is presented including the following balance sheet accounts: Current portion of long-term debt, Long-term debt, Current portion of lease liabilities, and Lease liabilities.

(7) Until November 2019, these measures are presented as if our investment in CAPL was reported using the equity method as we believe it allows a more relevant presentation of the underlying performance of the Corporation.

(8) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and interest-bearing debt, net of cash and cash equivalents and temporary investments. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, until November 2019, CAPL's long-term debt was excluded as it was a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 0.39 : 1. We believe this ratio is useful to investors and analysts.

(9) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt, net of cash and cash equivalents and temporary investments divided by EBITDA (Earnings before Interest, Tax, Depreciation, Amortization and Impairment) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, until November 2019, CAPL's long-term debt was excluded as it was a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 1.61 : 1. We believe this measure is useful to investors and analysts.

(10) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: interest-bearing debt plus the product of eight times rent expense, net of cash and cash equivalents and temporary investments divided by EBITDAR (Earnings before Interest, Tax, Depreciation, Amortization, Impairment and Rent expense) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, until November 2019, CAPL's long-term debt was excluded as it was a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 2.29 : 1. We believe this measure is useful to investors and analysts.

(11) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity for the corresponding period. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 22.3%. We believe this measure is useful to investors and analysts.

(12) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: earnings before income taxes and interests divided by average capital employed for the corresponding period. Capital employed represents total assets less short-term liabilities not bearing interests. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 14.1%. We believe this measure is useful to investors and analysts.

(13) 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.

(14) 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. The information, for the 52-week period ended April 29, 2018, has not been adjusted for the estimated pro forma impact of IFRS 16.

(15) This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously reported adjusted diluted net earnings per share was \$1.66. The performance measure, for the 52-week period ended April 29, 2018 has not been adjusted for any estimated pro forma impact of IFRS 16.

## Revenues

For fiscal 2020, our revenues decreased by \$5.0 billion or 8.4% compared with fiscal 2019, mainly attributable to the negative impact of COVID-19 on fuel demand, to a lower road transportation fuel average selling price, to the disposal of our interests in CAPL and of our marine fuel business, as well as to the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, which had a net negative impact of approximately \$670.0 million, partly offset by organic growth.

### Merchandise and service revenues

For fiscal 2020, the growth in merchandise and service revenues was \$160.8 million. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately \$322.0 million or 2.2%. This increase is primarily attributable to organic growth, partly offset by the impact of COVID-19 in the fourth quarter. Same-store merchandise revenues increased by 2.1% in the United States, by 0.1% in Europe and by 2.8% 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, partly offset by the negative impact of COVID-19 on traffic toward the end of the fiscal year.

### Road transportation fuel revenues

For fiscal 2020, the road transportation fuel revenues decreased by \$4.6 billion compared with 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 decreased by approximately \$3.4 billion or 8.2%. This decrease is mostly attributable to the negative impact of COVID-19 on fuel demand, as well as to a lower average road transportation fuel selling price, which had a negative impact of approximately \$1.5 billion. Same-store road transportation fuel volume decreased by 3.9% in the United States and in Europe. In Canada, same-store road transportation fuel volume decreased by 6.0%, mainly attributable to the competitive landscape as well as to the significant drop in demand toward the end of the fiscal year due to COVID-19.

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 28, 2019:

Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
<u>52-week period ended April 26, 2020</u>					
United States (US dollars per gallon) – excluding CAPL	2.66	2.55	2.51	2.21	2.50
Europe (US cents per liter)	77.35	70.86	73.92	60.95	71.20
Canada (CA cents per liter)	111.16	105.14	103.47	88.78	103.21
<u>52-week period ended April 28, 2019</u>					
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

### Other revenues

Total other revenues for fiscal 2020 were \$766.9 million, a decrease of \$544.0 million compared with fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues decreased by \$496.7 million for fiscal 2020, primarily driven by the disposal of our marine fuel business during the third quarter of fiscal 2019, which had an impact of approximately \$267.0 million, as well as lower demand and lower prices in our aviation fuel activities.

## Gross profit

For fiscal 2020, our gross profit was \$9.7 billion, an increase of \$539.8 million or 5.9% compared with fiscal 2019, mainly attributable to higher fuel margins in the U.S. and in Europe and to organic growth in our convenience activities, partly offset by the net negative impact from the translation of our Canadian and European operations into US dollars, which had an impact of approximately \$91.0 million.

### Merchandise and service gross profit

During fiscal 2020, our merchandise and service gross profit was \$5.0 billion, an increase of \$25.2 million compared with fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit increased by approximately \$73.0 million or 1.5%. This increase is mostly attributable to organic growth, partly offset by lower traffic in our network due to COVID-19 toward the end of the fiscal year. The gross margin was steady at 33.8% in the United States, while it decreased by 0.3% in Europe, to 41.5%, due to a different product mix, and by 1.0% in Canada, to 32.6%, mainly as a result of the conversion of our Esso stores from the agent model to the corporate model, as well as from the impact of a different product mix.

### Road transportation fuel gross profit

During fiscal 2020, our road transportation fuel gross profit was \$4.5 billion, an increase of \$516.0 million compared with fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel gross profit increased by approximately \$612.0 million or 15.9%, as a result of higher fuel margins in the U.S. and in Europe, partly offset by the decrease in demand caused by COVID-19 towards the end of fiscal year. The road transportation fuel gross margin was 31.19¢ per gallon in the United States, an increase of 7.59¢ per gallon driven by the volatility in crude oil prices during the year, to their sharp decline toward the end of the fiscal year, as well as by changes to the competitive landscape. In Europe, road transportation fuel margin was US 8.48¢ per liter, a decrease of 0.13¢ per liter mainly as a result of the net negative impact from the translation of our European operations into US dollars, and CA 7.91¢ per liter in Canada, a decrease of CA 0.47¢ 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 28, 2019, were as follows:

(US cents per gallon)

Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
52-week period ended April 26, 2020					
Before deduction of expenses related to electronic payment modes	26.86	28.29	27.04	46.88	31.19
Expenses related to electronic payment modes <sup>(1)</sup>	4.70	4.63	4.54	4.97	4.70
After deduction of expenses related to electronic payment modes	22.16	23.66	22.50	41.91	26.49
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 <sup>(1)</sup>	4.67	4.55	4.31	4.40	4.50
After deduction of expenses related to electronic payment modes	18.03	17.33	25.11	14.11	19.10

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

Generally, during normal economic cycles, road transportation fuel margins in the United States can be volatile from one quarter to another but have historically trended higher over longer periods. The historical trends for Europe and Canada are similar, while the margin volatility and expenses related to electronic payment modes are not as significant.

### Other revenues gross profit

During fiscal 2020, other revenues gross profit was \$238.5 million, a decrease of \$1.4 million, compared with fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues gross profit decreased by approximately \$5.0 million in fiscal 2020. This decrease is mainly attributable to lower demand for other fuel products as well as by the disposal of our marine fuel business in December 2018, which had an impact of approximately \$9.0 million in fiscal 2019.

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

For fiscal 2020, expenses decreased by 5.9% compared with fiscal 2019. If we exclude the decrease in rent from the transition to IFRS 16 and certain items that are not considered indicative of future trends, expenses increased by 2.8%.

	52-week period ended April 26, 2020
<b>Total variance, as reported</b>	<b>(5.9%)</b>
Adjusted for:	
Decrease in rent expense from transition to IFRS 16	6.4%
Decrease from the net impact of foreign exchange translation	1.2%
Decrease in CAPL's expenses	0.6%
Decrease from settlements and reserves adjustments for specific elements recognized to earnings of fiscal 2019 <sup>(1)</sup>	0.4%
Compensatory payment to CAPL for divestiture of assets recognized in fiscal 2019	0.2%
Increase from incremental expenses related to acquisitions	(0.1%)
Acquisition costs recognized to earnings of fiscal 2020	(0.1%)
Disposal of our marine fuel business	0.1%
<b>Remaining variance</b>	<b>2.8%</b>

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

Growth in expenses, amongst other items, was driven by COVID-19 related expenses, normal inflation, higher labor costs from minimum wage increases in certain regions and incremental investments in our stores to support our strategic initiatives. COVID-19 related expenses include, but are not limited to, an emergency appreciation pay premium of \$2.50 per hour in North America for hourly store employees and distribution center employees, the installation of plexiglass dividers and other social distancing tools in our stores, additional cleaning and sanitizing supplies as well as masks and gloves for our employees. We continue to rigorously focus on controlling costs throughout our organization, while ensuring we maintain the quality of service we offer to our customers. Excluding the conversion of our Esso stores from the agent model to the corporate model, the remaining variance for fiscal 2020 would have been 2.5%.

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

During fiscal 2020, EBITDA increased from \$3.6 billion to \$4.5 billion, a growth of 26.3% compared with the previous fiscal year. Excluding the specific items shown in the table below from EBITDA of fiscal 2020 and of fiscal 2019, the adjusted EBITDA for fiscal 2020 increased by \$465.9 million or 11.9% compared with the previous fiscal year, mainly attributable to higher road transportation fuel margins in the U.S. and in Europe and to organic growth on the convenience side, partly offset by the negative impact of COVID-19 on our traffic. The variation in exchange rates had a net negative impact of approximately \$23.0 million.

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

(in millions of US dollars)	52-week periods ended	
	April 26, 2020	April 28, 2019
Net earnings including non-controlling interests, as reported	2,357.6	1,821.3
Add:		
Income taxes	545.9	370.9
Net financial expenses	284.5	320.1
Depreciation, amortization and impairment	1,336.8	1,070.7
<b>EBITDA</b>	<b>4,524.8</b>	<b>3,583.0</b>
Adjusted for:		
EBITDA attributable to non-controlling interests	(66.6)	(77.5)
Net gain on the disposal of the Corporation's interests in CAPL	(61.5)	—
Net gain on the disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Acquisition costs	6.7	2.2
Restructuring costs attributable to shareholders of the Corporation	4.5	10.5
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)
Adjusted EBITDA, as previously reported	4,366.9	3,520.0
Estimated pro forma impact from transition to IFRS 16 attributable to shareholders of the Corporation	—	381.0
<b>Adjusted EBITDA</b>	<b>4,366.9</b>	<b>3,901.0</b>



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

For fiscal 2020, our depreciation expense increased by \$266.1 million compared with fiscal 2019. Excluding CAPL’s results and the \$55.0 million impairment charge on CAPL’s goodwill recorded in the first quarter of fiscal 2019, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, the depreciation expense increased by approximately \$368.0 million for fiscal 2020, mainly driven by the additional depreciation expense arising from right-of-use assets due to the adoption of IFRS 16, which had an impact of approximately \$356.0 million.

## Net financial expenses

Net financial expenses for fiscal 2020 were \$284.5 million, a decrease of \$35.6 million compared with fiscal 2019. Excluding the items shown in the table below, net financial expenses for fiscal 2020 decreased by \$65.7 million mainly attributable to our lower average long-term debt following the repayments made, as well as to the lower average cost of our long-term debt compared to fiscal 2019.

(in millions of US dollars)	52-week periods ended	
	April 26, 2020	April 28, 2019
Net financial expenses, as reported	284.5	320.1
Adjusted for:		
Net foreign exchange gain	33.5	5.3
CAPL’s financial expenses	(25.6)	(29.3)
Estimated pro forma impact from transition to IFRS 16	—	62.0
Net financial expenses excluding items above	292.4	358.1

## Income taxes

For fiscal 2020, the income tax rate was 18.8% compared with 16.9% for fiscal 2019. The income tax rate for fiscal 2020 includes a net tax benefit of \$33.6 million derived from the release of deferred tax asset valuation allowance following the disposal of our interests in CAPL as well as a portion of our U.S. wholesale fuel business. Excluding this adjustment, as well as the impact of the first two transactions of the December 2018 asset exchange, the income tax rate would have been 19.9% for fiscal 2020, an increase compared to fiscal 2019, stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

	52-week periods ended	
	April 26, 2020	April 28, 2019
Income tax rate, as reported	18.8%	16.9%
Adjusted for:		
Release of deferred tax asset valuation allowance	1.2%	—
Income tax expense following the asset exchange transactions with CAPL	(0.1%)	—
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	—	0.3%
Net income tax rate excluding items above	19.9%	17.2%

## 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 2020, net earnings were \$2.4 billion, compared with \$1.8 billion for fiscal 2019, an increase of \$519.7 million or 28.3%. Diluted net earnings per share stood at \$2.09, compared with \$1.62 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 \$11.0 million on net earnings of fiscal 2020.

Excluding the items shown in the table below from net earnings of fiscal 2020 and fiscal 2019, adjusted net earnings for fiscal 2020 would have been approximately \$2.2 billion, compared with \$1.8 billion for fiscal 2019, an increase of \$374.0 million or 20.3%. Adjusted diluted net earnings per share would have been \$1.97 for fiscal 2020, compared with \$1.63 for fiscal 2019, an increase of 20.9%.

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

(in millions of US dollars)	52-week periods ended	
	April 26, 2020	April 28, 2019
Net earnings attributable to shareholders of the Corporation, as reported	2,353.6	1,833.9
Adjusted for:		
Net gain on the disposal of the Corporation's interests in CAPL	(61.5)	—
Net gain on disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Release of deferred tax asset valuation allowance	(33.6)	—
Net foreign exchange gain	(33.5)	(5.3)
Acquisition costs	6.7	2.2
Restructuring costs attributable to shareholders of the Corporation	4.5	10.5
Income tax expense following the asset exchange transactions with CAPL	2.7	—
Impairment charge on CAPL's goodwill	—	55.0
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	—	(6.2)
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)
Tax impact of the items above and rounding	22.1	(17.9)
Adjusted net earnings attributable to shareholders of the Corporation, as previously reported	2,220.0	1,874.0
Estimated pro forma impact from transition to IFRS 16	—	(28.0)
Adjusted net earnings attributable to shareholders of the Corporation	2,220.0	1,846.0

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 2020, CAPL's results were impacted by the fact that fiscal 2020 included 8 months of activities compared to 12 months in fiscal 2019. On November 19, 2019, we disposed of our interests in CAPL.

## Financial Position as at April 26, 2020

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

Our total consolidated assets amounted to \$25.7 billion as at April 26, 2020, an increase of \$3.1 billion over the balance as at April 28, 2019, primarily due to a higher cash position following borrowings on our term revolving unsecured operating credit and refinancing of US senior unsecured notes, as well as to the adoption of IFRS 16, partly offset by the disposal of our interests in CAPL and the net negative impact of the variation in exchange rates at the balance sheet date. It should be noted that, as permitted under the specific transition provisions in the standard, we did not adjust our balance sheet as at April 28, 2019, to reflect the impact of IFRS 16 on our assets and liabilities.

During the 52-week periods ended April 26, 2020 and April 28, 2019, we recorded a return on capital employed<sup>1</sup> of 15.0% and of 12.6%, respectively.

Significant balance sheet variations are explained as follows:

### Accounts receivable

Accounts receivable decreased by \$607.9 million, from \$1.9 billion as at April 28, 2019, to \$1.3 billion as at April 26, 2020. The decrease stems mainly from a lower selling price for road transportation fuel and decline in fuel traffic toward the end of the fiscal year, as well as the negative net impact of approximately \$58.0 million from the variation in exchange rates at the balance sheet date.

### Property and equipment

Property and equipment decreased by \$993.4 million, from \$11.1 billion as at April 28, 2019, to \$10.1 billion as at April 26, 2020, mainly as a result of the depreciation, amortization and impairment expense, the disposal of our interests in CAPL, the adoption of IFRS 16, as finance leases are now part of the right-of-use assets, as well as the net negative impact of approximately \$226.0 million from the exchange rates variation at the balance sheet date. These were partly offset by the investments we made to our network.

### Right-of-use assets

Right-of-use assets stood at \$2.5 billion as at April 26, 2020, following the adoption of IFRS 16, partly offset by depreciation, amortization and impairment expense of fiscal 2020 as well as by the disposal of our interests in CAPL.

### Intangible assets

Intangible assets decreased by \$393.6 million, from \$944.4 million as at April 28, 2019, to \$550.8 million as at April 26, 2020, mainly due to the disposal of our interests in CAPL, the adoption of IFRS 16, and the depreciation, amortization and impairment expense, as well as the negative net impact of approximately \$31.0 million from the variation in exchange rates at the balance sheet date.

### Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$1.1 billion, from \$3.9 billion as at April 28, 2019, to \$2.8 billion as at April 26, 2020. The decrease stems mainly from lower cost for road transportation fuel purchases and the decrease in fuel purchases in response to the decline in traffic toward the end of fiscal 2020, as well as by the net impact of the weakening of the Canadian and European currencies against the US dollar, which was approximately \$101.0 million.

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

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

Long-term debt and current portion of long-term debt increased by \$779.1 million, from \$7.0 billion as at April 28, 2019, to \$7.7 billion as at April 26, 2020, mainly as a result of borrowings on our term revolving unsecured operating credit and the issuance of new US dollar senior unsecured notes, partly offset by the repayment of Canadian and US dollar senior unsecured notes, the disposal of our interests in CAPL, the adoption of IFRS 16, as our finance leases are now part of the lease liabilities, as well as the net impact of the weakening of the Canadian dollar, the Euro and the Norwegian krone against the US dollar, which was approximately \$88.0 million.

## Leases liabilities and current portion of lease liabilities

Long-term lease liabilities and current portion of lease liabilities stood at \$2.6 billion as at April 26, 2020, following the adoption of IFRS 16, partly offset by the principal portion of the lease payments made during fiscal 2020 as well as by the disposal of our interests in CAPL.

## Equity

Equity attributable to shareholders of the Corporation amounted to \$10.1 billion as at April 26, 2020, up \$1.1 billion compared with April 28, 2019, mainly reflecting net earnings for fiscal 2020, partly offset by the impact of share repurchases, the other comprehensive loss, the dividends declared during fiscal 2020, as well as by the repurchase of non-controlling interests in CST Fuel Supply LP. For the 52-week periods ended April 26, 2020, and April 28, 2019, we recorded a return on equity<sup>1</sup> of 24.8% and 21.9%, respectively.

Non-controlling interests were nil as at April 26, 2020, a decrease of \$257.9 million compared to April 28, 2019, mostly reflecting the disposal of our interests in CAPL.

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

Our credit facility is detailed as follows:

### *Term revolving unsecured operating credit, maturing in December 2024 (“operating credit D”)*

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2,525.0 million. As at April 26, 2020, \$1.5 billion of the term revolving unsecured operating credit D has been used. As at the same date, the weighted average effective interest rate was 2.110% and standby letters of credit in the amount of \$11.9 million were outstanding.

During fiscal 2020, this operating credit's maturity was extended to December 2024.

During the month of May 2020, subsequent to the end of fiscal 2020, we fully repaid the \$1.5 billion borrowed on our operating credit D.

### *Available liquidities*

As at April 26, 2020, a total of approximately \$1.0 billion was available under our operating credit D 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, we had access to approximately \$4.7 billion through our available cash and our operating credit D.

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<sup>1</sup> Please refer to the section “Summary Analysis of Consolidated Results of Fiscal 2020” of this MD&A for additional information on this performance measure not defined by IFRS.

## Selected Consolidated Cash Flow Information

(in millions of US dollars)

### Operating activities

Net cash provided by operating activities

### Investing activities

Purchase of property and equipment, intangible assets and other assets

Proceeds from the disposal of the Corporation's interests in CAPL, net of transaction costs and cash and cash equivalent disposed

Proceeds from disposal of property and equipment and other assets

Business acquisitions

Change in restricted cash

Investment in Fire & Flower

Proceeds from disposal of marine fuel business

### Net cash used in investing activities

### Financing Activities

Issuance of US-dollar-denominated senior unsecured notes, net of financing costs

Net increase (decrease) in term revolving unsecured operating credit D

Repayment of senior unsecured notes

Share repurchases

Principal elements of lease payments and net decrease in other debts

Cash dividends paid

Settlement of derivative financial instruments

Distributions paid to non-controlling interests

Repurchase of non-controlling interests in CST Fuel Supply LP

Net increase in CAPL senior secured revolving credit facility

Decrease in acquisition facility

Exercise of stock options

### Net cash provided by (used in) financing activities

### Credit ratings

S&P Global Ratings – Corporate credit rating

Moody's - Senior unsecured notes credit rating

	52-week periods ended		
	April 26, 2020	April 28, 2019	Variation
Net cash provided by operating activities	3,720.7	3,083.6	637.1
<b>Investing activities</b>			
Purchase of property and equipment, intangible assets and other assets	(1,408.2)	(1,145.1)	(263.1)
Proceeds from the disposal of the Corporation's interests in CAPL, net of transaction costs and cash and cash equivalent disposed	185.2	—	185.2
Proceeds from disposal of property and equipment and other assets	89.7	215.6	(125.9)
Business acquisitions	(89.5)	(13.1)	(76.4)
Change in restricted cash	28.5	(16.9)	45.4
Investment in Fire & Flower	(19.5)	—	(19.5)
Proceeds from disposal of marine fuel business	—	24.3	(24.3)
<b>Net cash used in investing activities</b>	<b>(1,213.8)</b>	<b>(935.2)</b>	<b>(278.6)</b>
<b>Financing Activities</b>			
Issuance of US-dollar-denominated senior unsecured notes, net of financing costs	1,484.1	—	1,484.1
Net increase (decrease) in term revolving unsecured operating credit D	1,460.0	(1,357.4)	2,817.4
Repayment of senior unsecured notes	(1,241.4)	—	(1,241.4)
Share repurchases	(470.8)	—	(470.8)
Principal elements of lease payments and net decrease in other debts	(380.0)	(52.2)	(327.8)
Cash dividends paid	(215.7)	(181.3)	(34.4)
Settlement of derivative financial instruments	(100.6)	3.0	(103.6)
Distributions paid to non-controlling interests	(47.5)	(56.5)	9.0
Repurchase of non-controlling interests in CST Fuel Supply LP	(13.4)	—	(13.4)
Net increase in CAPL senior secured revolving credit facility	6.0	3.9	2.1
Decrease in acquisition facility	—	(413.5)	413.5
Exercise of stock options	—	0.2	(0.2)
<b>Net cash provided by (used in) financing activities</b>	<b>480.7</b>	<b>(2,053.8)</b>	<b>2,534.5</b>
<b>Credit ratings</b>			
S&P Global Ratings – Corporate credit rating	<b>BBB</b>	BBB	
Moody's - Senior unsecured notes credit rating	<b>Baa2</b>	Baa2	

## Operating activities

During fiscal 2020, net cash from our operations reached \$3.7 billion, up \$637.1 million compared with fiscal 2019, mainly due to higher net earnings as well as to the impact of the payment on principal elements of leases, now classified as financing activities.

## Investing activities

During fiscal 2020, net investments in property and equipment, intangible assets and other assets amounted to \$1.3 billion, and business acquisitions amounted to \$89.5 million. Those cash outflows were partly offset by the net proceeds from the disposal of our interests in CAPL, which amounted to \$185.2 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 2020, we issued US-dollar-denominated senior unsecured notes in the amount of \$1.5 billion, borrowed a net amount of \$1.5 billion on our operating credit D, repaid \$1.2 billion on our senior unsecured notes, repurchased Class B subordinate voting shares for a net amount of \$470.8 million and repaid \$380.0 million on the principal element of our lease liabilities and other debts. We also paid dividends in the amount of \$215.7 million.

## Contractual Obligations and Commercial Commitments

Set out below is a summary of our material contractual obligations as at April 26, 2020<sup>(1)</sup>:

(in millions of US dollars)	2021	2022	2023	2024	2025	Thereafter	Total
<b>Contractual obligations</b>							
Long-term debt	1,915.5	195.0	1,359.3	159.5	650.2	5,831.3	<b>10,110.8</b>
Lease liabilities	454.3	416.1	352.3	319.5	270.0	1,382.1	<b>3,194.3</b>
Total	<b>2,369.8</b>	<b>611.1</b>	<b>1,711.6</b>	<b>479.0</b>	<b>920.2</b>	<b>7,213.4</b>	<b>13,305.1</b>

(1) The summary does not include the payments required under defined benefit pension plans.

	2021	2022	2023	2024	2025	Thereafter	Total
<b>Fuel Purchase Obligations</b>							
United States (in millions of gallons)	1,904.5	1,467.4	1,209.0	1,206.9	1,204.0	3,762.0	<b>10,753.8</b>
Europe (in millions of liters)	6,416.2	121.2	121.2	80.8	—	—	<b>6,739.4</b>
Canada (in millions of liters)	3,956.7	3,904.2	3,641.7	3,009.7	3,009.7	28,163.1	<b>45,685.1</b>

**Long-term debt.** As at April 26, 2020, our long-term debt totaled \$7.7 billion, detailed as follows:

- i. US-dollar-denominated senior unsecured notes totaling \$4.0 billion, Canadian-dollar-denominated senior unsecured notes totaling \$1.4 billion (CA \$2.0 billion), Euro-denominated senior unsecured notes totaling \$806.8 million (€750.0 million) and NOK-denominated senior unsecured notes totaling \$63.3 million (NOK 675.0 million), divided as follows:
  - a. Notional amount of CA \$250.0 million, maturing on November 1, 2022, bearing interest at 3.899%.
  - b. Notional amount of CA \$300.0 million, maturing on August 21, 2020, bearing interest at 4.214%.
  - c. Notional amount of CA \$700.0 million, maturing on June 2, 2025, bearing interest at 3.600%.
  - d. Notional amount of NOK 675.0 million, maturing on February 18, 2026, bearing interest at 3.850%.
  - e. Notional amount of €750.0 million, maturing on May 6, 2026, bearing interest at 1.875%.
  - f. Notional amount of \$1.0 billion, maturing on July 26, 2022, bearing interest at 2.700%.
  - g. Notional amount of CA \$700.0 million, maturing on July 26, 2024, bearing interest at 3.056%.
  - h. Notional amount of \$1.0 billion, maturing on July 26, 2027, bearing interest at 3.550%.
  - i. Notional amount of \$500.0 million, maturing on July 26, 2047, bearing interest at 4.500%.
  - j. Notional amount of \$750.0 million, maturing on January 25, 2030, bearing interest at 2.950%.
  - k. Notional amount of \$750.0 million, maturing on January 25, 2050, bearing interest at 3.800%.
- ii. Borrowings of \$1.5 billion under our term revolving unsecured operating credit facility denominated in US dollar, maturing in December 2024. The weighted average effective interest rate was 2.110% as at April 26, 2020.
- iii. Other long-term debts of \$4.9 million, including various notes payable.

**Leases liabilities.** We lease an important portion of our assets 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, which include the initial base term and renewal option(s) when applicable. In Europe, the lease terms range from less than 12 months contracts to contracts with maturities up to more than 50 years and also include options to renew at market prices when applicable. When contracts are determined to contain a lease, lease liabilities and related right-of-use assets are 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.

**Fuel purchase obligations.** We have entered into various fuel purchase agreements, which require us to purchase minimum volume of road transportation fuel annually. Failure to satisfy the minimum purchase requirements could result in termination of the contract, penalties for shortfall volumes, change in the pricing of the products, payment to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received. We have generally exceeded such minimum requirements in the past and do not expect that any potential failure to meet those in the foreseeable future could lead to the materialization of any of the outcomes described above. As at April 26, 2020, our fuel purchase obligation consisted of multiple contracts under which we have 10.8 billion of gallons and 52.4 billion 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 our 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 26, 2020, the total future lease payments under such agreements are approximately \$14.1 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 and we do not expect to make any in the foreseeable future. We have also issued guarantees to third parties, and on behalf of third parties, for maximum undiscounted future payments totaling \$12.9 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 26, 2020 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. Failure to satisfy the minimum purchase requirements could result in termination of the contract, penalties for shortfall volumes, change in the pricing of the products, payment to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received. We have generally exceeded such minimum requirements in the past and do not expect that any potential failure to meet those in the foreseeable future could lead to the materialization of any of the outcomes described above.

## Off-Balance Sheet Arrangements

In the normal course of business, we had outstanding letters of credit for an amount of \$83.5 million. Other than those letters of credit, we have no other off-balance sheet activities. Our future commitments are included under "Long term debt" 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 2023, contains 53 weeks, the fourth quarter comprises 13 weeks. The following is a summary of selected consolidated financial information derived from our interim consolidated financial statements for each of the eight most recently completed quarters.

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

(in millions of US dollars, except per share data)	52-week period ended April 26, 2020				52-week period ended April 28, 2019			
	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Quarter								
Weeks	<b>12 weeks</b>	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks
<b>Revenues</b>	<b>9,687.2</b>	16,604.2	13,678.0	14,163.0	13,113.3	16,515.0	14,702.8	14,786.5
Operating income before depreciation, amortization and impairment	<b>1,077.0</b>	1,274.6	1,088.9	1,058.8	651.7	1,140.2	864.8	902.9
Depreciation, amortization and impairment	<b>307.4</b>	406.1	316.2	307.1	241.5	305.2	222.5	301.5
Operating income	<b>769.6</b>	868.5	772.7	751.7	410.2	835.0	642.3	601.4
Share of earnings of joint ventures and associated companies	<b>7.3</b>	5.1	6.5	6.6	3.6	7.3	5.4	7.1
Net financial expenses	<b>53.2</b>	84.2	60.1	87.0	78.6	90.1	73.7	77.7
<b>Net earnings including non-controlling interests</b>	<b>578.3</b>	663.9	579.4	536.0	289.9	611.8	477.0	442.6
Net (earnings) loss attributable to non-controlling interests	<b>(2.0)</b>	(4.0)	(0.8)	2.8	3.2	0.3	(3.9)	13.0
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>576.3</b>	659.9	578.6	538.8	293.1	612.1	473.1	455.6
<b>Net earnings per share</b>								
Basic	<b>\$0.52</b>	\$0.59	\$0.51	\$0.48	\$0.26	\$0.54	\$0.42	\$0.40
Diluted	<b>\$0.52</b>	\$0.59	\$0.51	\$0.48	\$0.26	\$0.54	\$0.42	\$0.40

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 28, 2019

## 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	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
<u>52-week period ended April 28, 2019</u>					
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
<u>52-week period ended April 29, 2018</u>					
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)	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted
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 <sup>(1)</sup>	4.67	4.55	4.31	4.40	4.50
After deduction of expenses related to electronic payment modes	18.03	17.33	25.11	14.11	19.10
52-week period ended April 29, 2018					
Before deduction of expenses related to electronic payment modes	20.75	24.7	15.66	17.29	19.39
Expenses related to electronic payment modes <sup>(1)</sup>	3.79	4.31	4.06	3.86	4.02
After deduction of expenses related to electronic payment modes	16.96	20.39	11.60	13.43	15.38

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

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

## Other revenues gross profit

In 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
<b>Total variance, as reported</b>	<b>10.2%</b>
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	(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%)
<b>Remaining variance</b>	<b>3.7%</b>

(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.

(in millions of US dollars)	52-week periods ended	
	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	1,070.7	910.6
<b>EBITDA</b>	<b>3,583.0</b>	<b>2,979.5</b>
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)
<b>Adjusted EBITDA</b>	<b>3,520.0</b>	<b>2,980.0</b>

## Depreciation, amortization and impairment (“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.

(in millions of US dollars)	52-week periods ended	
	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)
<b>Net financial expenses excluding items above</b>	<b>296.1</b>	<b>267.5</b>

## 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 \$1.62, compared with \$1.47 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 \$1.66 for fiscal 2019, compared with \$1.30 for fiscal 2018, an increase of 27.7%. The table below reconciles reported net earnings to adjusted net earnings:

(in millions of US dollars)	52-week periods ended	
	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.

## 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 26, 2020, our management, following its assessment, certifies the design and operating effectiveness of the Corporation's disclosure controls and procedures.

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

We undertake ongoing evaluations of the effectiveness of our internal controls over financial reporting and implement control enhancements, when appropriate. As at April 26, 2020, 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, employee future benefits, provisions, impairment of tangible and intangible assets, lease terms and business combinations.

As at April 26, 2020, we performed an assessment of the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on the carrying amount of our assets and liabilities. This assessment, which required the use of significant judgments and estimates, had no material impact on our consolidated financial statements for the fiscal year ended April 26, 2020. We assessed that the uncertainties around the impact of COVID-19 could generate, in future reporting periods, a significant risk of material adjustment to the carrying amounts of the following assets and liabilities: property and equipment, intangible assets with finite useful lives, goodwill and intangible assets with indefinite useful lives, deferred income tax assets, right-of-use assets, net pension benefit plans and contractual obligations. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic are unknown, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect us are subject to significant uncertainties.

**Inventory.** Our inventory is comprised mainly of products purchased for resale including tobacco products and alternative tobacco products, fresh goods, beer, wine, beverage, grocery items, candy and snacks, other and road transportation fuel. 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 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 cash-generating 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 road transportation fuel storage tanks and are based on our 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.

*Environmental costs.* 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 (loss) 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.

*Obligations related to general liability and workers' compensation.* In the United States 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 standard adopted during the current year

### Leases

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

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

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

Refer to Note 3, 14 and 18 of our consolidated financial statements of the year ended April 26, 2020 for further details on these changes.

## 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.

*Pandemic, epidemic or outbreak of an infectious disease.* The widespread outbreak of an illness including the COVID-19 pandemic or any other communicable disease, or any other public health crisis, could adversely affect our business, results of operations and financial condition. Changes in operations in response to such outbreak, whether self-imposed or due to governmental or other authority, could materially impact financial results and may include temporary closures of facilities, temporary or long-term labor shortages or disruptions, temporary or long-term impacts on supply chains and distribution channels, temporary or long-term restrictions on cross-border commerce and travel, greater currency volatility, and increased risks to IT systems, networks and digital services.

Uncertain economic conditions resulting from a pandemic, epidemic or outbreak may, in the short or long term, adversely impact operations and the financial performance of the Corporation and each of its operating segments. These could include the loss of consumer confidence and spend, greater currency volatility, consequences on the financial condition of our customers, suppliers and other counterparties.

*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 2020, road transportation fuel revenues accounted for approximately 71.0% of our total revenues, yet the road transportation fuel gross margin represented about only 46.0% of our overall gross profits.

**Tobacco products.** Tobacco products represent our largest product category of merchandise and service revenues. For fiscal 2020, tobacco products represented approximately 40.0% and 21.0% 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 alternatives 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.

**Legislative and regulatory requirements.** Our operations are subject to extensive regulations, including regulations relating to the sale and labeling of alcohol, tobacco and nicotine products, products containing cannabis (through a licensed store), and products containing cannabidiol (CBD), various food preparation, packaging, safety and product quality requirements, lottery and related products and other age-restricted products laws and regulations, minimum wage laws, overtime and other employment laws and regulations, data privacy laws, compliance with the Payment Card Industry Data Security Standards, securities laws, and tax laws and regulations. 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. Such laws and regulations 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.

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 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.

**Sensitive information – data protection.** In the normal course of our business as a fuel and merchandise retailer, we are in receipt 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 appropriate 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 obligations 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.

*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.

*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.

*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.

*Recruitment and retention of 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.

*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 2020, a variation of 10.0% in our expenses associated with electronic payment modes would have had an impact of approximately \$0.04 on earnings per share on a diluted basis.

*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.

*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 disruption to our suppliers' supply chain, this can have a significant effect on our ability to receive refined oil products for resale, or results in us paying 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.

*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 \$6.2 billion of bonds with an average effective interest rate of 3.316% with the latest maturity date being January 25, 2050. 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 26, 2020, all else being equal, a hypothetical variation of 5.0% of the US dollar would have had a net impact of \$19.0 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 26, 2020 and with all other variables held constant, a hypothetical variation of 5.0% of the various foreign currencies would have had a net impact of \$152.1 million on Net earnings attributable to shareholders of the Corporation, which would be partially offset by a net impact of \$112.5 million from the long-term debts denominated in US dollars not designated as net investment hedges of foreign operations.

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 26, 2020, we carried a variable rate debt of approximately \$1.5 billion. Based on the amount of our variable rate debt as at April 26, 2020, a one percentage point increase in interest rates would not have a significant impact on our earnings per share 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 can enter into derivative instruments 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 liabilities. 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 26, 2020, we had outstanding accounts receivable totaling \$1.3 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, pandemics, 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 foreign 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 2021, we are adapting from the impact of the pandemic to better serve our customers and make their lives a little easier every day. At the same time, we are progressing with our strategic vision by developing a differentiated customer experience both inside our stores and at our fuel courts, adapting and innovating our offering to meet changing customer needs, driving operational excellence and scale, growing the network, enhancing our people's talent base, and putting sustainability at the forefront of our priorities. These actions bring us closer to reaching our five-year ambition of doubling the business.

It is because of our solid foundation that we are in a robust position to face the headwinds of the pandemic. We will continue, as always, to look for and seize opportunities to grow the business, always focusing on creating value for our employees, partners and shareholders.

June 29, 2020

## 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 26, 2020, and April 28, 2019, 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.

June 29, 2020

*/s/ Brian Hannasch*

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Brian Hannasch  
President and  
Chief Executive Officer

*/s/ Claude Tessier*

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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 26, 2020. 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 26, 2020.

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 26, 2020 and expressed an unqualified opinion thereon, which is included herein.

June 29, 2020

*/s/ Brian Hannasch*

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Brian Hannasch  
President and  
Chief Executive Officer

*/s/ Claude Tessier*

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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 26, 2020 and April 28, 2019, 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 26, 2020 and April 28, 2019;
- 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 26, 2020, 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 June 29, 2020.

### 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<sup>1</sup>*

Montréal, Quebec

June 29, 2020

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<sup>1</sup> 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 26, 2020.

### 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 26, 2020, in accordance with the criteria established in *Internal Control – Integrated Framework (2013)*, issued by COSO.

We also have audited, in accordance with Canadian generally accepted auditing standards, the consolidated financial statements of Alimentation Couche-Tard Inc. and its subsidiaries as at April 26, 2020 and April 28, 2019 and for the years then ended and issued our report dated June 29, 2020.

*PricewaterhouseCoopers LLP<sup>1</sup>*

Montréal, Quebec  
June 29, 2020

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<sup>1</sup> FCPA auditor, FCA, public accountancy permit No. A116853

## Consolidated Statements of Earnings

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except per share amounts)

	2020	2019
	\$	\$
<b>Revenues</b>	<b>54,132.4</b>	59,117.6
Cost of sales (Note 9)	<b>44,397.7</b>	49,922.7
<b>Gross profit</b>	<b>9,734.7</b>	9,194.9
Operating, selling, administrative and general expenses	<b>5,314.0</b>	5,646.1
Restructuring costs	<b>4.5</b>	10.5
Gain on disposal of property and equipment and other assets (Notes 5 and 6)	<b>(83.1)</b>	(21.3)
Depreciation, amortization and impairment (Notes 17, 18 and 19)	<b>1,336.8</b>	1,070.7
<b>Total operating expenses (Note 9)</b>	<b>6,572.2</b>	6,706.0
<b>Operating income</b>	<b>3,162.5</b>	2,488.9
Share of earnings of joint ventures and associated companies (Note 8)	<b>25.5</b>	23.4
Financial expenses	<b>342.2</b>	338.7
Financial revenues	<b>(24.2)</b>	(13.3)
Foreign exchange gain	<b>(33.5)</b>	(5.3)
<b>Net financial expenses (Note 11)</b>	<b>284.5</b>	320.1
Earnings before income taxes	<b>2,903.5</b>	2,192.2
Income taxes (Note 12)	<b>545.9</b>	370.9
<b>Net earnings including non-controlling interests</b>	<b>2,357.6</b>	1,821.3
Net (earnings) loss attributable to non-controlling interests (Note 6)	<b>(4.0)</b>	12.6
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>2,353.6</b>	1,833.9
Net earnings per share (Note 13)		
Basic	<b>2.10</b>	1.62
Diluted	<b>2.09</b>	1.62

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

## Consolidated Statements of Comprehensive Income

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2))

	2020	2019
	\$	\$
<b>Net earnings including non-controlling interests</b>	<b>2,357.6</b>	1,821.3
<b>Other comprehensive loss</b>		
<b>Items that may be reclassified subsequently to earnings</b>		
<b>Translation adjustments</b>		
Change in cumulative translation adjustments <sup>(1)</sup>	(268.8)	(207.9)
Cumulative translation adjustments reclassified to earnings (Note 5)	—	(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 <sup>(2)</sup> (Note 24)	(102.8)	(84.5)
<b>Cash flow hedges</b>		
Change in fair value of financial instruments <sup>(2)</sup> (Note 31)	3.6	3.3
Loss realized on financial instruments transferred to earnings <sup>(2)</sup> (Note 31)	1.0	1.9
<b>Items that will never be reclassified to earnings</b>		
Net actuarial loss <sup>(3)</sup> (Note 30)	(23.3)	(2.3)
Loss on investments in equity instruments measured at fair value through Other comprehensive income <sup>(4)</sup> (Note 20)	(14.0)	—
Other comprehensive loss	(404.3)	(290.3)
<b>Comprehensive income including non-controlling interests</b>	<b>1,953.3</b>	1,531.0
Comprehensive (income) loss attributable to non-controlling interests	(4.0)	12.6
<b>Comprehensive income attributable to shareholders of the Corporation</b>	<b>1,949.3</b>	1,543.6

- (1) For the fiscal years ended April 26, 2020 and April 28, 2019, these amounts include losses of \$134.1 (net of income taxes of \$20.5) and losses of \$143.1 (net of income taxes of \$21.9), respectively. These losses arise from the translation of long-term debts denominated in foreign currencies.
- (2) For the fiscal years ended April 26, 2020 and April 28, 2019, these amounts are net of income tax recoveries of \$0.6 and \$1.6, respectively.
- (3) For the fiscal years ended April 26, 2020 and April 28, 2019, these amounts are net of income tax recoveries of \$6.4 and \$1.5, respectively.
- (4) For the fiscal year ended April 26, 2020, these amounts do not include any income taxes.

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

## Consolidated Statements of Changes in Equity

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2))

	Attributable to the shareholders of the Corporation					Non-controlling interests	Equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 29)	Total		
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	706.8	19.5	9,053.5	(856.6)	8,923.2	257.9	9,181.1
Adoption of IFRS 16 (Note 3)			(9.5)		(9.5)	—	(9.5)
<b>Adjusted balance, beginning of year</b>	706.8	19.5	9,044.0	(856.6)	8,913.7	257.9	9,171.6
Comprehensive income:							
Net earnings			2,353.6		2,353.6	4.0	2,357.6
Other comprehensive loss				(404.3)	(404.3)	—	(404.3)
Comprehensive income					1,949.3	4.0	1,953.3
Repurchases and cancellations of shares (Note 27)	(13.1)		(457.7)		(470.8)		(470.8)
Dividends declared			(215.7)		(215.7)		(215.7)
Distributions to non-controlling interests (Note 6)						(47.5)	(47.5)
December 2018 asset exchange agreement (Note 6)			(7.7)		(7.7)	7.7	—
Disposal of the Corporation's interests in CAPL (Note 6)						(222.1)	(222.1)
Repurchase of non-controlling interests in CST Fuel Supply LP (Note 6)			(105.2)		(105.2)	—	(105.2)
Stock option-based compensation expense (Note 28)		3.0			3.0		3.0
Exercise of stock options	1.1	(1.1)			—		—
<b>Balance, end of year</b>	<b>694.8</b>	<b>21.4</b>	<b>10,611.3</b>	<b>(1,260.9)</b>	<b>10,066.6</b>	<b>—</b>	<b>10,066.6</b>

	Attributable to the shareholders of the Corporation					Non-controlling interests	Equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 29)	Total		
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	704.0	17.7	7,405.0	(566.3)	7,560.4	327.0	7,887.4
Adoption of IFRS 15			(4.1)		(4.1)	—	(4.1)
<b>Adjusted balance, beginning of year</b>	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 6)						(56.5)	(56.5)
Stock option-based compensation expense (Note 28)		4.4			4.4		4.4
Exercise of stock options	2.8	(2.6)			0.2		0.2
<b>Balance, end of year</b>	<b>706.8</b>	<b>19.5</b>	<b>9,053.5</b>	<b>(856.6)</b>	<b>8,923.2</b>	<b>257.9</b>	<b>9,181.1</b>

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

## Consolidated Statements of Cash Flows

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2))

	2020	2019 <sup>(1)</sup>
	\$	\$
<b>Operating activities</b>		
Net earnings including non-controlling interests	2,357.6	1,821.3
Adjustments to reconcile net earnings including non-controlling interests to net cash provided by operating activities		
Depreciation, amortization, impairment and amortization of financing costs	1,343.8	1,077.6
Gain on disposal of property and equipment and other assets (Note 6)	(83.1)	(21.3)
Deferred income taxes (Note 12)	105.1	91.7
Share of earnings of joint ventures and associated companies, net of dividends received	(5.3)	2.4
Other	2.0	32.4
Changes in non-cash working capital (Note 14)	0.6	79.5
<b>Net cash provided by operating activities</b>	<b>3,720.7</b>	<b>3,083.6</b>
<b>Investing activities</b>		
Purchase of property and equipment, intangible assets and other assets	(1,408.2)	(1,145.1)
Proceeds from the disposal of the Corporation's interests in CAPL, net of transaction costs and cash and cash equivalents disposed (Note 6)	185.2	—
Proceeds from disposal of property and equipment and other assets	89.7	215.6
Business acquisitions (Note 4)	(89.5)	(13.1)
Change in restricted cash	28.5	(16.9)
Investment in Fire & Flower (Note 7)	(19.5)	—
Proceeds from disposal of marine fuel business (Note 5)	—	24.3
<b>Net cash used in investing activities</b>	<b>(1,213.8)</b>	<b>(935.2)</b>
<b>Financing activities</b>		
Issuance of US-dollar-denominated senior unsecured notes, net of financing costs (Notes 14 and 22)	1,484.1	—
Net increase (decrease) in term revolving unsecured operating credit D (Notes 14 and 22)	1,460.0	(1,357.4)
Repayment of senior unsecured notes (Notes 14 and 22)	(1,241.4)	—
Share repurchases (Note 27)	(470.8)	—
Principal elements of lease payments and net decrease in other debts (Notes 3, 14 and 18)	(380.0)	(52.2)
Cash dividends paid	(215.7)	(181.3)
Settlements of derivative financial instruments (Notes 14, 23 and 24)	(100.6)	3.0
Distributions paid to non-controlling interests (Note 6)	(47.5)	(56.5)
Repurchase of non-controlling interests in CST Fuel Supply LP (Note 6)	(13.4)	—
Net increase in CAPL senior secured revolving credit facility (Notes 14 and 22)	6.0	3.9
Decrease in acquisition facility	—	(413.5)
Increase in unsecured non-revolving credit facility	—	213.5
Decrease in unsecured non-revolving credit facility	—	(213.5)
Exercise of stock options	—	0.2
<b>Net cash provided by (used in) financing activities</b>	<b>480.7</b>	<b>(2,053.8)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(52.5)	(54.4)
<b>Net increase in cash and cash equivalents</b>	<b>2,935.1</b>	<b>40.2</b>
Cash and cash equivalents, beginning of year	706.4	666.2
Cash and cash equivalents, end of year	<b>3,641.5</b>	<b>706.4</b>
<b>Supplemental information:</b>		
Interest paid	329.3	291.1
Interest and dividends received	48.6	57.5
Income taxes paid	193.6	336.7

(1) The classification of cash flows related to deferred credits for 2019 was adjusted within the cash flows provided by operating activities to reflect their current presentation for 2020.

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

## Consolidated Balance Sheets

As at April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2))

	2020	2019
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,641.5	706.4
Restricted cash	8.0	36.5
Accounts receivable (Note 15)	1,256.0	1,863.9
Inventories (Note 16)	1,237.4	1,467.7
Prepaid expenses	96.0	83.7
Assets held for sale (Note 6)	64.0	—
Other short-term financial assets (Notes 7 and 31)	38.6	—
Income taxes receivable	89.4	163.1
	<b>6,430.9</b>	4,321.3
Property and equipment (Note 17)	10,136.5	11,129.9
Right-of-use assets (Notes 3 and 18)	2,513.9	—
Intangible assets (Note 19)	550.8	944.4
Goodwill (Note 19)	5,505.8	5,683.1
Other assets (Note 20)	350.1	306.6
Investment in joint ventures and associated companies (Note 8)	139.7	136.0
Deferred income taxes (Note 12)	51.8	86.4
	<b>25,679.5</b>	22,607.7
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 21)	2,808.3	3,917.1
Short-term provisions (Note 25)	108.1	160.0
Other short-term financial liabilities (Notes 24 and 31)	—	123.6
Income taxes payable	222.0	70.6
Liabilities associated with assets held for sale (Note 6)	8.1	—
Current portion of long-term debt (Note 22)	214.7	1,310.7
Current portion of lease liabilities (Notes 3, 14 and 18)	383.1	—
	<b>3,744.3</b>	5,582.0
Long-term debt (Note 22)	7,515.8	5,640.7
Lease liabilities (Notes 3, 14 and 18)	2,265.7	—
Long-term provisions (Note 25)	551.3	590.1
Pension benefit liability (Note 30)	91.5	92.6
Other long-term financial liabilities (Notes 14, 24 and 31)	237.4	135.1
Deferred credits and other liabilities (Note 26)	161.9	349.0
Deferred income taxes (Note 12)	1,045.0	1,037.1
	<b>15,612.9</b>	13,426.6
<b>Equity</b>		
Capital stock (Note 27)	694.8	706.8
Contributed surplus	21.4	19.5
Retained earnings	10,611.3	9,053.5
Accumulated other comprehensive loss (Note 29)	(1,260.9)	(856.6)
Equity attributable to shareholders of the Corporation	10,066.6	8,923.2
Non-controlling interests (Note 6)	—	257.9
	<b>10,066.6</b>	9,181.1
	<b>25,679.5</b>	22,607.7

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

On behalf of the Board of Directors,

/s/ Brian Hannasch

**Brian Hannasch**  
Director

/s/ Alain Bouchard

**Alain Bouchard**  
Director

# Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

## 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 26, 2020, the Corporation operates and licenses 12,124 convenience stores across North America, Ireland, Scandinavia (Norway, Sweden and Denmark), Poland, the Baltics (Estonia, Latvia and Lithuania) and Russia, of which 9,691 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. Until November 19, 2019, through CrossAmerica Partners LP (“CAPL”), the Corporation supplied road transportation fuel under various brands to approximately 1,300 locations in the United States.

Furthermore, under licensing agreements, approximately 2,350 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, Egypt, Guam, Guatemala, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings the worldwide total network to close to 14,500 stores.

## 2. BASIS OF PREPARATION

### Year-end date

The Corporation’s year-end is the last Sunday of April of each year. The fiscal years ended April 26, 2020, and April 28, 2019, are referred to as “2020” and “2019”.

### 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 June 29, 2020, the Corporation’s consolidated financial statements were approved by the Board of Directors, which also approved their publication.

## 3. ACCOUNTING POLICIES

### Change in accounting policies

#### Leases

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

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

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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

### Impact of the new definition of a lease

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

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

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

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

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

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

Applying IFRS 16, for all leases (except those meeting limited exception criteria described in the related accounting policy below), the Corporation:

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

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

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

#### *Leases previously classified as finance leases*

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



## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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

The Corporation enters into lease agreements as a lessor with respect to properties. IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and accounts for those two types accordingly.

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

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

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

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

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

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

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

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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

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

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

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

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

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

### 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, employee future benefits, provisions, impairment of tangible and intangible assets, lease terms and business combinations.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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 uncertain tax positions 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.

As at April 26, 2020, the Corporation performed an assessment of the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on the carrying amount of its assets and liabilities. This assessment, which required the use of significant judgments and estimates, had no material impact on the Corporation's consolidated financial statements for the fiscal year ended April 26, 2020. The Corporation assessed that the uncertainties around the impact of COVID-19 could generate, in future reporting periods, a risk of material adjustment to the carrying amounts of the following assets and liabilities: property and equipment, intangible assets with finite useful lives, goodwill and intangible assets with indefinite useful lives, deferred income tax assets, right-of-use assets, net pension benefit plans and contractual obligations. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic are unknown, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Corporation are subject to significant uncertainties.

### 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 6 for more details about the consolidation of CAPL until November 19, 2019.

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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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 of shares outstanding during the year. Diluted net earnings per share are calculated using the weighted average 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 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, beer, wine, beverages, grocery items, candy and snacks and fresh food offerings, including quick service restaurants. Service revenues include car wash revenues, 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 sales of bus tickets. 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.

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.

Through license fees with one of Canopy Growth's Tweed Inc. branded licensed store in Ontario, Canada, the Corporation generates revenues derived from the underlying sale of cannabis products as the licensed store is selling cannabis as part of its retail operations.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 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 vendor rebates as a reduction in the price of the vendors' products and reflects them as a reduction of related inventory and cost of sales in its consolidated balance sheets and consolidated statements of earnings 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, occupancy costs, electronic payment modes fees, repairs, maintenance 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 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
Leasehold improvements	Lesser of the lease term and useful life
Buildings and equipment under finance leases (for the fiscal year ended April 28, 2019)	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, which are initially recorded at cost, mainly comprise trademarks, franchise agreements, motor fuel supply agreements, software, favorable leases (until April 28, 2019) and licenses. Licenses and trademarks that have indefinite lives, since they are expected to provide economic benefits to the Corporation indefinitely, 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 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 were 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. Amortization of intangible assets with finite lives is included in Depreciation, amortization and impairment in the consolidated statements of earnings.

### Leases

*For the fiscal year ended April 26, 2020 under IFRS 16 Leases*

#### Determining whether a contract is, or contains, a lease

At inception of a contract, the Corporation analyzes whether it is, or contains, a lease by assessing if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This is achieved if the Corporation has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

If the Corporation has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Corporation assess whether a contract contains a lease for each of its potential separate lease component.

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

The Corporation distinguishes between lease contracts and capacity contracts. Lease contracts provide the right to obtain substantially all of the economic benefits from use and the right to direct the use of an identified asset. 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 identified assets or that do not involve substantially all the capacity of an identified 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

For all leases (except those meeting limited exception criteria, see below), the Corporation recognizes right-of-use assets and lease liabilities in the consolidated balance sheet.

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

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

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

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

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation, amortization and impairment and are depreciated over the shorter period of the lease term and useful life of the underlying asset. Right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*.

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

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

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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

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

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

### Lease arrangements in which the Corporation is a lessor

Leases for which their terms transfer substantially all the risks and rewards of the ownership of the underlying asset to the lessee are classified as finance leases. Whenever it is determined that a lease where the Corporation is the lessor is a finance lease, the present value of the amounts due from the lessee are recognized as the Corporation's net investment in the lease which is recorded under Other assets on the consolidated balance sheet. The net investment in the lease is subsequently measured by increasing the carrying amount to reflect interest revenue reflecting a constant periodic rate of return and by reducing the carrying amount of the net investment to reflect the lease payments received.

When the Corporation is an intermediate lessor, it accounts for the head lease and the sublease as separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Leases for which their terms do not transfer substantially all the risks and rewards of the ownership of the underlying asset to the lessee are classified as operating leases. Payments received in relation with operating leases are recognized as Revenues on a straight-line basis over the term of the relevant lease in the consolidated statements of earnings.

*For the fiscal year ended April 28, 2019 under IAS 17 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:

- Fulfillment 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



## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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 statements of 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 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

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

Financial assets and financial liabilities	Classification	Subsequent measurement <sup>(1)</sup>	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) <sup>(2)</sup>	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 and cash flow 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 Accounts receivable is at transaction price while initial measurement of all other financial assets and financial liabilities is at fair value.

(2) The Corporation has elected to classify its investments in equity instruments as fair value through OCI.

## Notes to the Consolidated Financial Statements

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### Hedging and derivative financial instruments

The Corporation applies general hedge accounting requirements of IAS 39 *Financial instruments: recognition and measurement*.

#### *Embedded total return swap*

The Corporation is party to an indexed deposit contract 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. 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 statements of earnings under Cost of sales.

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-denominated 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 in 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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### *Fixed-to-floating interest rate swaps*

The Corporation used 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, a 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 value 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### Recently issued accounting standards not yet implemented

#### *Definition of a business*

In October 2018, the IASB issued amendments to the guidance in IFRS 3 *Business combinations*, which revise the definition of a business. These amendments introduce an optional concentration test that, if met, leads to the conclusion that the group of assets acquired is not a business and that no further assessment is needed. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to creating outputs. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. These amendments will be applied by the Corporation to business combinations for which the acquisition date is on or after the beginning of the fiscal year ending April 25, 2021 and to assets acquisitions that occur on or after the beginning of that period.

## 4. BUSINESS ACQUISITIONS

The Corporation has made the following business acquisitions:

### 2020

- On January 13, 2020, the Corporation acquired 17 stores from a franchise operator. These convenience stores operate under the Holiday banner in South Dakota and Minnesota, within the United States. The Corporation owns the land and the building for 16 locations and leases the land and building for the remaining location.
- During the fiscal year ended April 26, 2020, the Corporation also acquired 13 company-operated stores through distinct transactions. The Corporation owns the land and building for 7 sites and leases the land and the building for the remaining 6 sites.

These transactions were settled for a total consideration of \$89.7 using available cash and existing credit facilities. For the fiscal year ended April 26, 2020, acquisition costs of \$6.7 in connection with these acquisitions and other unrealized and ongoing acquisitions are included in Operating, selling, administrative and general expenses.

The preliminary estimates of the fair value of assets acquired and liabilities assumed for these acquisitions based on the estimated fair value on the date of acquisition and available information as at the date of the publication of these consolidated financial statements are as follows:

	\$
Tangible assets acquired	
Cash and cash equivalents	0.2
Inventories	4.1
Prepaid expenses	0.1
Property and equipment	50.8
Right-of-use assets	10.9
<u>Total tangible assets</u>	<u>66.1</u>
Liabilities assumed	
Accounts payable and accrued liabilities	0.3
Provisions	0.8
Lease liabilities	10.9
<u>Total liabilities</u>	<u>12.0</u>
<u>Net tangible assets acquired</u>	<u>54.1</u>
<u>Goodwill</u>	<u>35.6</u>
Total cash consideration paid	89.7
Cash and cash equivalents acquired	0.2
<u>Net cash flow for the acquisition</u>	<u>89.5</u>

The Corporation expects that almost all of the goodwill related to these transactions will be deductible for tax purposes.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

These acquisitions were concluded in order to expand the Corporation's market share. These acquisitions generated goodwill mainly due to the strategic location of stores acquired. Since the date of acquisition, revenues and net earnings from these stores amounted to \$61.3 and \$3.6, respectively. Considering the size and the nature of these acquisitions, the available financial information does not allow for the accurate disclosure of pro forma revenues and net earnings had the Corporation concluded these acquisitions at the beginning of its fiscal year.

### 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 acquisitions are included in Operating, selling, administrative and general expenses for the fiscal year ended April 28, 2019.

## 5. DISPOSAL OF BUSINESS

### 2020

See Note 6 for the disposal of the Corporation's interests in CAPL and the related asset exchange agreements.

### 2019

#### 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 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 statements of earnings for the fiscal year ended April 28, 2019.

## 6. CROSSAMERICA PARTNERS LP

On November 19, 2019, the Corporation announced the closing of the sale of its interests in CAPL, representing 100% of the equity interests of the sole member of the General Partner, 100% of the incentive distribution rights ("IDRs") and 21.7% of the outstanding common units of CAPL to investment entities controlled by Joe Topper, the founder of CAPL and a member of the board of directors of its General Partner. The decision to divest the Corporation's interests in CAPL was based on the outcome of a strategic review.

Proceeds, net of transaction costs from the disposal, were \$186.9. The Corporation recognized a net gain on disposal of \$61.5 in relation to this transaction. This gain is included in Gain on disposal of property and equipment and other assets in the consolidated statements of earnings for the fiscal year ended April 26, 2020.

CAPL's accounting periods did not coincide with the Corporation's accounting periods. The consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the fiscal year ended April 26, 2020 include those of CAPL for the period beginning April 1, 2019 and ending November 19, 2019.

## Notes to the Consolidated Financial Statements

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(in millions of US dollars (Note 2), except share and stock option data)

All transactions between the Corporation and CAPL were eliminated from the Corporation's consolidated financial statements until November 19, 2019. These transactions consisted 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 LP, 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 provided management and corporate support services to CAPL and charged 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 26, 2020 (78.3% for the fiscal year ended April 28, 2019). Therefore, the Corporation's shareholders did not have rights to a substantial portion of the operating results of CAPL. The earnings attributable to CAPL's other units holders were 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 CAPL's operations and certain of its financial metrics which are in accordance with IFRS:

### Statements of Earnings for the periods from

	April 1, 2019 to November 19, 2019	April 1, 2018 to March 31, 2019 <sup>(1)</sup>
	\$	\$
Revenues	1,460.9	2,368.8
Gross profit	130.0	188.1
Total operating expenses (excluding depreciation, amortization and impairment)	50.8	89.3
Depreciation, amortization and impairment	53.9	143.5
Net financial expenses	25.6	29.3
Loss before income taxes	(0.3)	(74.0)
Income tax expense (recovery)	0.7	(2.8)
Net loss	(1.0)	(71.2)

### Statements of Cash Flows for the periods from

	April 1, 2019 to November 19, 2019	April 1, 2018 to March 31, 2019 <sup>(1)</sup>
	\$	\$
Net cash provided by operating activities	80.1	86.8
Net cash used in investing activities	(7.9)	(14.9)
Net cash used in financing activities, including \$11.8 and \$15.7 of distributions paid to the Corporation, respectively	(76.8)	(67.3)

### Balance Sheets as at

	November 19, 2019 <sup>(2)</sup>	March 31, 2019 <sup>(1)</sup>
	\$	\$
Cash and cash equivalents	1.7	6.3
Current assets (other than cash and cash equivalents)	36.6	49.5
Goodwill	87.3	73.2
Long-term assets (other than goodwill)	1,088.3	1,016.4
Current liabilities	82.3	64.7
Long-term liabilities	784.8	676.0

(1) Adjusted for significant transactions, if any.

(2) As of October 22, 2019, criteria for the classification of these assets and liabilities as held for sale had been met.



## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### Asset exchange agreements

#### November 2019 asset exchange agreement

On March 26, 2020, the Corporation announced the closing of an asset exchange agreement with CAPL (the "November 2019 asset exchange agreement") under which the Corporation transferred a portion of its U.S. wholesale road transportation fuel operations, which consisted of wholesale fuel supply agreements covering 333 sites, 33 fee and leasehold properties also covered by wholesale fuel supply agreements for a total of 366 supply agreements, as well as a cash consideration of approximately \$14.0, receiving in return CAPL's 17.5% limited partnership interest in CST Fuel Supply LP. The Corporation recognized a net gain on disposal of \$41.0 in relation to this transaction which is included in Gain on disposal of property and equipment and other assets in the consolidated statements of earnings for the fiscal year ended April 26, 2020. Following this asset exchange agreement, the Corporation owns a 100% interest in CST Fuel Supply LP. Therefore, an amount of \$105.2, net of taxes, was recognized to retained earnings corresponding to the difference between the non-controlling interest in CST Fuel Supply LP recognized in the Corporation's consolidated financial statements and the fair value of the consideration to acquire the remaining 17.5% interest in CST fuel Supply LP.

#### December 2018 asset exchange agreement

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

During the fiscal year ended April 26, 2020, the Corporation closed the first four transactions of the December 2018 asset exchange agreement between CAPL and the Corporation's wholly owned operations. In these transactions, 139 Circle K U.S. stores for a total value of approximately \$132.0 have been exchanged against 17 company-operated stores owned and operated by CAPL and the real estate for 39 properties held by CAPL for an equivalent value.

The first two transactions of the December 2018 asset exchange agreement, which occurred while CAPL was fully consolidated in the Corporation's consolidated financial statements, resulted in a reclassification of \$7.7 between equity attributable to the shareholders of the Corporation and equity attributable to the non-controlling interests. Following these exchange transactions, the Corporation performed a re-evaluation of its deferred tax assets and liabilities which generated a net income tax expense of \$4.4, of which \$2.7 are attributable to shareholders of the Corporation. The third and fourth transactions of the same agreement, which occurred after the disposal of the Corporation's interests in CAPL, resulted in a gain of \$1.9 which is included in Gain on disposal of property and equipment and other assets in the consolidated statements of earnings for the fiscal year ended April 26, 2020.

As at November 19, 2019, criteria for the classification as assets held for sale had been met for the assets to be exchanged in the remaining tranches of the December 2018 asset exchange agreement and in the November 2019 asset exchange agreement. The following assets and liabilities related to the remaining tranches of the December 2018 asset exchange agreement were therefore classified as held for sale as at April 26, 2020:

	<u>As at April 26, 2020</u>
	\$
<b>Assets</b>	
Property and equipment	37.6
Right-of-use assets	5.4
Intangible assets	1.4
Goodwill	19.6
	<u>64.0</u>
<b>Liabilities</b>	
Lease liabilities	5.9
Provisions	2.2
	<u>8.1</u>

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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On May 5, 2020, subsequent to the fiscal year ended April 26, 2020, the Corporation closed the fifth transaction of the December 2018 asset exchange agreement with CAPL. In this fifth transaction, the Corporation transferred 29 Circle K U.S. stores for a total value of approximately \$32.0. In exchange, CAPL transferred the real estate for 13 properties for an equivalent value. The remaining assets of this agreement are expected to be exchanged in the second half of calendar 2020.

### 7. INVESTMENT IN FIRE & FLOWER HOLDINGS CORP. (“Fire & Flower”)

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

- Unsecured convertible debentures which bear interest at an annual rate of 8% and mature on December 31, 2020. Interests are payable semi-annually on June 30 and December 31. At the option of the Corporation, the unsecured convertible debentures can be converted into common shares of Fire & Flower, at a conversion price of CA \$1.07, at any time between the issuance and the maturity date. As at April 26, 2020 and on a fully diluted basis, the full conversion of the unsecured convertible debentures would result in a 11.3% ownership interest in Fire & Flower. The unsecured convertible debentures are measured at fair value through earnings. As at April 26, 2020, the unsecured convertible debentures were not converted.
- Common share purchase warrants which consist of the Series A Warrants, the Series B Warrants and the Series C Warrants, with each series having their own terms and conditions, as follows:
  - The Series A Warrants, if exercised in accordance with the terms thereof, would subsequently increase the Corporation’s interest in Fire & Flower to 21.5% on a fully diluted basis as at April 26, 2020. The Series A Warrants expire 90 days following the maturity date of the unsecured convertible debentures. The Series A Warrants must be exercised before the Series B Warrants can be exercised.
  - The Series B Warrants, if exercised in accordance with the terms thereof, would subsequently increase the Corporation’s interest in Fire & Flower to 35.1% on a fully diluted basis as at April 26, 2020. They expire 12 months from the date that all Series A Warrants have been exercised, unless the Series A Warrants expire, in which case the Series B Warrants will also expire. The Series B Warrants must be exercised before the Series C Warrants can be exercised.
  - The Series C Warrants, if exercised in accordance with the terms thereof, would subsequently increase the Corporation’s interest in Fire & Flower to 51.6% on a fully diluted basis as at April 26, 2020. They expire 12 months from the date all Series B Warrants have been exercised, unless the Series B Warrants expire, in which case the Series C Warrants will also expire.

The common share purchase warrants are measured at fair value through earnings. As at April 26, 2020, no common share purchase warrants were exercised.

The estimated fair value at initial recognition for the unsecured convertible debentures and the common share purchase warrants differed from the transaction price. As further described below, such fair values were evidenced by entity-specific inputs and not solely by a quoted price in an active market for an identical asset or liability or by a valuation technique that uses only data from observable markets. Such estimated fair values are thus Level 3 measurements (Note 31). Therefore, the initial measurement of these financial assets was adjusted to defer the difference between the fair value at initial recognition and the transaction price. Since these differences stem mainly from the time component input of each valuation model, such initial differences will be recognized gradually over the expected life of each asset using the straight-line method.

The table below shows the amounts presented in Other short-term financial assets on the consolidated balance sheet:

	Estimated fair value of the convertible debentures	Estimated fair value of the common share purchase warrants	Estimated total fair value of the financial assets	Deferred differences	Net carrying amount
Initial measurement	\$ 27.6	\$ 39.9	\$ 67.5	\$ (48.0)	\$ 19.5
Revenues (expenses) recognized to Net financial expenses	(8.0)	(29.3)	(37.3)	33.4	(3.9)
Effect of exchange rate variations	(1.1)	(0.5)	(1.6)	0.8	(0.8)
<b>Balance as at April 26, 2020</b>	<b>18.5</b>	<b>10.1</b>	<b>28.6</b>	<b>(13.8)</b>	<b>14.8</b>

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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The estimated fair value of the unsecured convertible debentures is determined using a one-factor model, where the stock price is assumed to follow a Black-Scholes, lognormal stock process and the estimated fair value of the common share purchase warrants is determined using the Black-Scholes option pricing model. The following key unobservable inputs were used in establishing the fair value of these financial assets and there were no changes in the valuation techniques used since initial measurement:

	As at April 26, 2020	As at August 7, 2019
Expected volatility <sup>(a)</sup>	85.0%	60.0%
Credit spread over Government of Canada rate (applicable solely to the unsecured convertible debentures) <sup>(b)</sup>	35.0%	25.0%

### (a) Expected volatility

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

As at August 7, 2019, and as at April 26, 2020, with all other variables held constant, a 5% increase or decrease in the expected volatility would not have had a significant impact on the fair value of the unsecured convertible debentures.

As at August 7, 2019, and as at April 26, 2020, with all other variables held constant, a 5% increase in the expected volatility would have increased by \$6.3 and \$2.1 the fair value of the common share purchase warrants, respectively. As at the same dates, a 5% decrease in the expected volatility would have decreased by \$6.0 and \$1.9 the fair value of the common share purchase warrants, respectively.

### (b) Credit spread

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

As at August 7, 2019, and as at April 26, 2020, with all other variables held constant, a 5% increase or decrease in the credit spread would not have had a significant impact on the fair value of the unsecured convertible debentures.

### Valuation process

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

## 8. INVESTMENT IN JOINT VENTURES AND ASSOCIATED COMPANIES

	2020	2019
	\$	\$
Investment in joint ventures	139.6	134.5
Investment in associated companies	0.1	1.5
	<u>139.7</u>	<u>136.0</u>

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:

	2020	2019
	\$	\$
Joint ventures' net earnings and comprehensive income	25.4	23.2
Associated companies' net earnings and comprehensive income	0.1	0.2
	<u>25.5</u>	<u>23.4</u>

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 9. SUPPLEMENTARY INFORMATION RELATING TO EXPENSES

	2020	2019
	\$	\$
Cost of sales	44,397.7	49,922.7
Selling expenses	5,788.1	5,852.6
Administrative expenses	702.7	758.4
Other operating expenses	81.4	95.0
Total operating expenses	<u>6,572.2</u>	<u>6,706.0</u>
	2020	2019
	\$	\$
Employee benefit charges		
Salaries	2,394.0	2,373.4
Fringe benefits and other employer contributions	293.1	280.1
Employee future benefits (Note 30)	128.1	126.0
Termination benefits	6.8	10.0
Stock-based compensation and other stock-based payments (Note 28)	14.3	15.4
	<u>2,836.3</u>	<u>2,804.9</u>

### 10. COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2020	2019
	\$	\$
Salaries and other current benefits	11.2	14.5
Stock-based compensation and other stock-based payments	8.8	9.5
Employee future benefits (Note 30)	2.5	2.9
	<u>22.5</u>	<u>26.9</u>

For 2020, key management personnel comprise members of the Board of Directors and executive committee. For 2019, they comprise members of the Board of Directors and senior management.

### 11. NET FINANCIAL EXPENSES

	2020	2019
	\$	\$
Financial expenses		
Interest expense		
Interest on long-term debt	214.7	259.0
Interest on lease liabilities (Interest on finance lease obligations for the fiscal year ended April 28, 2019)	90.3	28.5
Accretion of provisions (Note 25)	18.3	20.4
Interest on bank overdrafts and bank loans	1.5	3.2
Net interest on defined benefit plans (Note 30)	1.9	1.8
Other finance costs	15.5	25.8
	<u>342.2</u>	<u>338.7</u>
Financial revenues		
Interest on bank deposits	(15.4)	(5.0)
Other financial revenues	(8.8)	(8.3)
	<u>(24.2)</u>	<u>(13.3)</u>
Foreign exchange gain	(33.5)	(5.3)
Net financial expenses	<u>284.5</u>	<u>320.1</u>

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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### 12. INCOME TAXES

	2020	2019
	\$	\$
Current income tax expense	440.8	279.2
Deferred income tax expense	105.1	91.7
	<b>545.9</b>	<b>370.9</b>

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:

	2020	2019
	%	%
Combined statutory income tax rate in Canada <sup>(a)</sup>	26.57	26.67
Impact of other jurisdictions' tax rates	(7.19)	(4.59)
Impact of tax rate changes	(0.01)	(0.23)
Other permanent differences	(0.57)	(4.93)
Effective income tax rate	<b>18.80</b>	<b>16.92</b>

(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:

	2020						
	Balance as at April 28, 2019	Adoption of IFRS 16 (Note 3)	Adjusted balance, beginning of year	Recognized to earnings	Recognized directly to other comprehensive income (loss) or equity	Recognized through business acquisitions and disposals as well as assets held for sale	Balance as at April 26, 2020
	\$	\$	\$	\$	\$	\$	\$
Deferred income tax assets							
Property and equipment	(8.0)	—	(8.0)	1.8	2.0	—	(4.2)
Expenses deductible during the following years	(2.4)	—	(2.4)	(1.5)	0.2	—	(3.7)
Intangible assets	20.3	—	20.3	(20.0)	2.1	—	2.4
Goodwill	(0.1)	—	(0.1)	—	—	—	(0.1)
Deferred charges	25.5	—	25.5	3.9	(1.1)	—	28.3
Tax losses and tax credits carried forward	14.6	—	14.6	(1.7)	(0.3)	—	12.6
Asset retirement obligations	7.6	—	7.6	4.7	(1.7)	—	10.6
Deferred credits	(6.8)	—	(6.8)	1.6	0.9	—	(4.3)
Revenues taxable during the following years	3.0	—	3.0	(0.8)	0.2	—	2.4
Right-of-use assets	—	—	—	(47.2)	4.3	—	(42.9)
Lease liabilities	—	—	—	47.9	(4.4)	—	43.5
Investments	—	—	—	—	1.6	—	1.6
Unrealized exchange loss	32.7	—	32.7	5.8	(32.9)	—	5.6
	<b>86.4</b>	<b>—</b>	<b>86.4</b>	<b>(5.5)</b>	<b>(29.1)</b>	<b>—</b>	<b>51.8</b>

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019

(in millions of US dollars (Note 2), except share and stock option data)

2020

	Balance as at April 28, 2019	Adoption of IFRS 16 (Note 3)	Adjusted balance, beginning of year	Recognized to earnings	Recognized directly to other comprehensive income (loss) or equity	Recognized through business acquisitions and disposals as well as assets held for sale	Balance as at April 26, 2020
	\$	\$	\$	\$	\$	\$	\$
Deferred income tax liabilities							
Property and equipment	951.4	(28.7)	922.7	69.4	(7.3)	(60.0)	924.8
Expenses deductible during the following years	(73.0)	12.8	(60.2)	43.0	(0.5)	—	(17.7)
Intangible assets	44.0	—	44.0	18.0	0.3	—	62.3
Goodwill	235.7	—	235.7	5.0	(2.1)	(18.5)	220.1
Deferred Charges	(74.2)	(0.1)	(74.3)	(1.3)	(4.1)	17.6	(62.1)
Tax losses and tax credits carried forward	49.9	—	49.9	12.1	21.6	0.6	84.2
Asset retirement obligations	(83.6)	—	(83.6)	8.6	1.2	—	(73.8)
Deferred credits	(51.2)	53.2	2.0	(3.0)	(1.9)	—	(2.9)
Revenues taxable during the following years	26.8	—	26.8	1.0	(0.8)	—	27.0
Right-of-use assets	—	552.2	552.2	8.5	(25.1)	—	535.6
Lease liabilities	—	(592.6)	(592.6)	(14.8)	27.0	—	(580.4)
Investments	23.8	—	23.8	(19.5)	(0.1)	—	4.2
Other	(0.5)	—	(0.5)	0.5	—	—	—
Unrealized exchange loss	(12.0)	—	(12.0)	(27.9)	(36.4)	—	(76.3)
	<b>1,037.1</b>	<b>(3.2)</b>	<b>1,033.9</b>	<b>99.6</b>	<b>(28.2)</b>	<b>(60.3)</b>	<b>1,045.0</b>

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	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
	<b>57.5</b>	<b>22.7</b>	<b>5.7</b>	<b>0.5</b>	<b>86.4</b>

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019

(in millions of US dollars (Note 2), except share and stock option data)

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	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)
Investments	38.0	(14.2)	—	—	23.8
Other	8.0	(8.5)	—	—	(0.5)
	<u>926.7</u>	<u>114.4</u>	<u>(4.0)</u>	<u>—</u>	<u>1,037.1</u>

The losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to \$1,421.3 as at April 26, 2020 (\$1,272.5 as at April 28, 2019), of which \$821.5 will reverse through Other comprehensive income (loss) (\$554.2 as at April 28, 2019).

Of these amounts, approximately \$968.7 as at April 26, 2020 had no expiration date (\$705.6 as at April 28, 2019). 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	8.5
One to two years	6.4
Two to three years	26.5
Three to four years	75.5
Four to five years	1.2
Five to ten years	—
Ten to twenty years	<u>334.5</u>
	<u>452.6</u>

During the fiscal year ended April 26, 2020, \$34.7 of previously unrecognized deferred tax have been used.

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 \$4,016.0 (\$2,685.1 in 2019).

## Notes to the Consolidated Financial Statements

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### 13. NET EARNINGS PER SHARE

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

	2020	2019
	\$	\$
Net earnings available to Class A and B shareholders	<u>2,353.6</u>	1,833.9
Weighted average number of shares (in millions)	1,123.3	1,128.6
Dilutive effect of stock options (in millions)	1.2	1.5
Weighted average number of diluted shares (in millions)	<u>1,124.5</u>	1,130.1
Basic net earnings per share available to Class A and B shareholders	<u>2.10</u>	1.62
Diluted net earnings per share available to Class A and B shareholders	<u>2.09</u>	1.62

In calculating diluted net earnings per share for 2020, 246,668 stock options are excluded due to their antidilutive effect (323,536 stock options excluded in 2019).

For 2020, the Board of Directors declared total dividends of CA 26.5¢ per share (CA 22.5¢ per share for 2019).

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

#### Changes in non-cash working capital

	2020	2019
	\$	\$
Accounts receivable	545.3	40.2
Inventories	204.2	(126.3)
Prepaid expenses	(47.6)	14.8
Accounts payable and accrued liabilities	(936.3)	205.9
Current income taxes	235.0	(55.1)
	<u>0.6</u>	79.5



## Notes to the Consolidated Financial Statements

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### Changes in liabilities arising from financing activities

	2020			2019	
	Net other financial liabilities	Lease liabilities	Long-term debt	Net other financial liabilities	Long-term debt, including obligations under finance leases
		\$	\$		\$
Balance, beginning of year	258.7	—	6,951.4	171.7	8,906.7
Adoption of IFRS 16 (Note 3)	—	2,952.2	(328.3)	—	—
<b>Adjusted balance, beginning of year</b>	<b>258.7</b>	<b>2,952.2</b>	<b>6,623.1</b>	<b>171.7</b>	<b>8,906.7</b>
<b>Cash flows</b>					
Net cash inflow (outflow) in long-term debt	—	—	1,706.9	—	(1,819.2)
Principal elements of lease payments	—	(378.2)	—	—	—
Settlements of derivative financial instruments	(100.6)	—	—	3.0	—
<b>Non-cash movements</b>					
Reclassified to liabilities associated with assets held for sale (Note 6)	—	(187.9)	(522.7)	—	—
Change in estimates	—	194.3	—	—	—
Additions of lease liabilities (New obligations under finance leases, net of disposals for 2019)	—	130.2	—	—	29.6
Change in fair value	79.3	—	—	84.0	—
Business acquisitions (Note 4)	—	10.9	—	—	—
Amortization of financing costs	—	—	7.0	—	8.3
Change in fair value of associated swaps	—	—	3.9	—	2.9
Effect of exchange rate fluctuations	—	(72.7)	(87.7)	—	(176.9)
Balance, end of year	<b>237.4</b>	<b>2,648.8</b>	<b>7,730.5</b>	<b>258.7</b>	<b>6,951.4</b>

## 15. ACCOUNTS RECEIVABLE

	2020	2019
	\$	\$
Credit and debit cards receivable <sup>(a)</sup>	521.5	801.8
Trade accounts receivable and vendor rebates receivable <sup>(a)</sup>	518.1	846.9
Provision for credit losses	(38.1)	(30.8)
Credit and debit cards receivable and trade accounts receivable and vendor rebates receivable – net	<b>1,001.5</b>	<b>1,617.9</b>
Other accounts receivable	254.5	246.0
	<b>1,256.0</b>	<b>1,863.9</b>

(a) These amounts are presented net of an amount of \$148.7 from Accounts payable and accrued expenses due to netting arrangements (\$338.1 as at April 28, 2019).

## Notes to the Consolidated Financial Statements

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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 losses based on expected loss rate:

	2020		
	Gross carrying amount	Expected loss rate	Loss allowance
	\$	%	\$
Not past due	881.1	0.4	3.4
Past due 1-30 days	78.7	1.5	1.2
Past due 31-60 days	21.2	7.1	1.5
Past due 61-90 days	9.3	5.4	0.5
Past due 91 days and over	49.3	63.9	31.5
	<b>1,039.6</b>		<b>38.1</b>

	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
	<b>1,648.7</b>		<b>30.8</b>

Movements in the provision for expected credit losses are as follows:

	2020	2019
	\$	\$
Balance, beginning of year	30.8	31.7
Provision for expected credit losses, net of unused beginning balance	18.7	11.3
Receivables written off during the year	(8.7)	(10.0)
Reclassified to assets held for sale (Note 6)	(0.4)	—
Effect of exchange rate variations	(2.3)	(2.2)
Balance, end of year	<b>38.1</b>	<b>30.8</b>

## 16. INVENTORIES

	2020	2019
	\$	\$
Merchandise	831.6	782.7
Road transportation fuel <sup>(a)</sup>	396.4	665.2
Other products	9.4	19.8
	<b>1,237.4</b>	<b>1,467.7</b>

(a) For the fiscal year ended April 26, 2020, a write-down to net realizable value expense of \$12.9 was recorded for this category in Cost of sales on the consolidated statements of earnings (nil for the fiscal year ended April 28, 2019).

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

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019

(in millions of US dollars (Note 2), except share and stock option data)

### 17. PROPERTY AND EQUIPMENT

	Land	Buildings and building components <sup>(b)</sup>	Equipment <sup>(c)</sup>	Leasehold improvements	Total
	\$	\$	\$	\$	\$
<b>Year ended April 26, 2020</b>					
Net book amount, beginning	3,830.6	3,233.9	3,670.7	394.7	11,129.9
Adoption of IFRS 16 (Note 3)	(143.2)	(105.2)	(58.1)	—	(306.5)
<b>Adjusted net book amount, beginning</b>	<b>3,687.4</b>	<b>3,128.7</b>	<b>3,612.6</b>	<b>394.7</b>	<b>10,823.4</b>
Additions	55.4	272.9	786.4	98.0	1,212.7
Business acquisitions (Note 4)	13.6	17.4	19.6	0.2	50.8
Disposals	(33.2)	(17.5)	(52.3)	(5.5)	(108.5)
Depreciation, amortization and impairment expense	(0.7)	(255.0)	(531.9)	(70.3)	(857.9)
Transfers	12.0	4.2	(20.7)	4.5	—
Reclassified to assets held for sale (Note 6)	(319.3)	(292.6)	(140.6)	(5.6)	(758.1)
Effect of exchange rate variations	(70.4)	(67.3)	(84.7)	(3.5)	(225.9)
<b>Net book amount, end<sup>(a)</sup></b>	<b>3,344.8</b>	<b>2,790.8</b>	<b>3,588.4</b>	<b>412.5</b>	<b>10,136.5</b>
<b>As at April 26, 2020</b>					
Cost	3,378.4	4,150.0	6,316.7	927.3	14,772.4
Accumulated depreciation, amortization and impairment	(33.6)	(1,359.2)	(2,728.3)	(514.8)	(4,635.9)
<b>Net book amount<sup>(a)</sup></b>	<b>3,344.8</b>	<b>2,790.8</b>	<b>3,588.4</b>	<b>412.5</b>	<b>10,136.5</b>
Portion related to property and equipment not operated by the Corporation as they are subject to operating leases	28.1	42.1	3.5	—	73.7
<b>Year ended April 28, 2019</b>					
Net book amount, beginning	3,917.2	3,306.6	3,768.7	293.3	11,285.8
Additions	71.7	341.0	672.2	133.3	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 and amortization expense	(12.7)	(273.7)	(553.3)	(69.6)	(909.3)
Transfers	2.0	(8.4)	(39.1)	45.5	—
Effect of exchange rate variations	(97.6)	(88.8)	(93.3)	(3.8)	(283.5)
<b>Net book amount, end<sup>(a)</sup></b>	<b>3,830.6</b>	<b>3,233.9</b>	<b>3,670.7</b>	<b>394.7</b>	<b>11,129.9</b>
<b>As at April 28, 2019</b>					
Cost	3,868.8	4,520.7	6,186.0	869.9	15,445.4
Accumulated depreciation, amortization and impairment	(38.2)	(1,286.8)	(2,515.3)	(475.2)	(4,315.5)
<b>Net book amount<sup>(a)</sup></b>	<b>3,830.6</b>	<b>3,233.9</b>	<b>3,670.7</b>	<b>394.7</b>	<b>11,129.9</b>
Portion related to finance leases	143.2	105.2	58.1	—	306.5

(a) The net book amount as at April 26, 2020 includes \$753.9 related to construction in progress (\$677.4 as at April 28, 2019).

(b) For the fiscal year ended April 26, 2020, an impairment loss of \$4.7 was recorded for this category in Depreciation, amortization and impairment on the consolidated statements of earnings (nil for the fiscal year ended April 28, 2019).

(c) For the fiscal year ended April 26, 2020, no impairment loss was recorded for this category (\$13.0 in Depreciation, amortization and impairment on the consolidated statements of earnings for the fiscal year ended April 28, 2019).

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 18. LEASES

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

#### Right-of-use assets

The reconciliation of the Corporation's right-of-use assets by underlying asset classes is as follows:

	Properties	Motor vehicles	Equipment	Total
	\$	\$	\$	\$
<b>Year ended April 26, 2020</b>				
Net book amount, beginning	—	—	—	—
Adoption of IFRS 16 (Note 3)	2,789.8	37.6	7.6	2,835.0
<b>Adjusted net book amount, beginning</b>	<b>2,789.8</b>	<b>37.6</b>	<b>7.6</b>	<b>2,835.0</b>
Additions	116.1	12.2	0.6	128.9
Business acquisitions (Note 4)	10.9	—	—	10.9
Depreciation and amortization expense	(399.4)	(9.0)	(0.8)	(409.2)
Change in estimates	221.6	(21.6)	(4.5)	195.5
Reclassified to assets held for sale (Note 6)	(172.7)	—	—	(172.7)
Deemed disposals related to subleases	(1.7)	—	—	(1.7)
Effect of exchange rate variations	(71.2)	(1.2)	(0.4)	(72.8)
<b>Net book amount, end</b>	<b>2,493.4</b>	<b>18.0</b>	<b>2.5</b>	<b>2,513.9</b>
<b>As at April 26, 2020</b>				
Cost	2,831.1	26.6	3.8	2,861.5
Accumulated depreciation, amortization and impairment	(337.7)	(8.6)	(1.3)	(347.6)
<b>Net book amount</b>	<b>2,493.4</b>	<b>18.0</b>	<b>2.5</b>	<b>2,513.9</b>

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

	2020
	\$
Expenses relating to short-term leases	28.6
Expenses relating to leases of low-value assets	4.8
Expenses relating to variable lease payments not included in the measurement of lease liabilities	23.5

For the fiscal year ended April 28, 2019, the consolidated statements of earnings include rent expense of \$416.8, net of sub-leasing income of \$28.7.

#### Information on cash flows

	2020
	\$
Total cash outflow for leases	526.3

As at April 26, 2020, the Corporation leases mainly land, buildings, building components, equipment and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease terms, for the majority of leases in North America, vary between 5 and 20 years, which include the initial base term and renewal option(s) when applicable. In Europe, the lease terms range from less than 12 months contracts to contracts with maturities up to more than 50 years and also include options to renew at market prices when applicable. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. As at April 26, 2020, the Corporation was in compliance with the restrictions imposed by its lease agreements. As at April 26, 2020, the residual value guarantees expected to be payable included in calculating the lease liabilities as well as those not expected to be payable and which have hence been excluded from the lease liabilities were not significant.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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Some of the property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for newly established stores. Variable lease payments that depends on sales are recognized in earnings in the period in which the conditions that triggers those payments occur. For the fiscal year ended April 26, 2020, a 10% increase in variable terms across all stores in the group with such variable payment terms would not have had a significant impact on the total lease payments.

Extension and termination options are included in a number of leases across the Corporation. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Corporation and not by the respective lessor. As at April 26, 2020, potential future annual undiscounted cash outflows of \$192.1 have not been included in the lease liabilities for which the contractual maturities are in less than five years because it is not reasonably certain that renewal options on those leases will be exercised.

As at April 26, 2020, future undiscounted cash outflows of \$15.9 have not been included in the lease liabilities because they are related to leases not yet commenced but to which the Corporation is committed.

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

As at April 26, 2020, the Corporation leases mainly properties. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.

### Amounts recognized in the consolidated statements of earnings

	<u>2020</u>
	\$
Income relating to operating leases, excluding those variable lease payments that do not depend on an index or a rate	38.2
Income relating to variable lease payments that do not depend on an index or a rate	37.7
Rental income from subleasing right-of-use assets	44.7

As at April 26, 2020, the total amount of undiscounted future minimum payments expected to be received under net investment in subleases is \$21.6. These minimum payments are expected to be received as follows:

	\$
Less than one year	6.9
One to five years	11.2
More than five years	<u>3.5</u>
	21.6
Unearned finance income included in payments above	<u>(1.9)</u>
Net investment in subleases	<u>19.7</u>

As at April 26, 2020, the total amount of undiscounted future minimum operating leases payments expected to be received under lease and sublease agreements is \$92.8. These minimum payments are expected to be received as follows:

	\$
Less than one year	23.4
One to five years	46.9
More than five years	<u>22.5</u>
	<u>92.8</u>

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 19. GOODWILL AND INTANGIBLE ASSETS

#### Goodwill

	2020	2019
	\$	\$
Net book amount, beginning of year	5,683.1	5,845.8
Reclassified to assets held for sale (Note 6)	(140.9)	—
Business acquisitions (Note 4)	35.6	2.2
CAPL's goodwill impairment	—	(55.0)
Disposal of business (Note 5)	—	(25.5)
Effect of exchange rate variations	(72.0)	(84.4)
<b>Net book amount, end of year</b>	<b>5,505.8</b>	<b>5,683.1</b>

#### Intangible assets

	Trademarks	Franchise agreements	Software <sup>(a)</sup>	Fuel supply agreements	Favorable leases	Other	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Year ended April 26, 2020</b>							
Net book amount, beginning	255.6	61.0	170.4	267.9	104.5	85.0	944.4
Adoption of IFRS 16 (Note 3)	—	—	—	—	(104.5)	—	(104.5)
<b>Adjusted net book amount, beginning</b>	<b>255.6</b>	<b>61.0</b>	<b>170.4</b>	<b>267.9</b>	<b>—</b>	<b>85.0</b>	<b>839.9</b>
Additions	—	0.3	56.0	—	—	0.2	56.5
Disposals	—	—	(0.9)	—	—	(0.1)	(1.0)
Depreciation and amortization expense	(7.5)	(10.2)	(34.4)	(14.7)	—	(6.3)	(73.1)
Transfers	—	0.2	2.6	—	—	(2.8)	—
Reclassified to assets held for sale (Note 6)	—	—	—	(238.9)	—	(1.5)	(240.4)
Effect of exchange rate variations	(7.3)	(2.9)	(19.6)	—	—	(1.3)	(31.1)
<b>Net book amount, end</b>	<b>240.8</b>	<b>48.4</b>	<b>174.1</b>	<b>14.3</b>	<b>—</b>	<b>73.2</b>	<b>550.8</b>
<b>As at April 26, 2020</b>							
Cost	277.3	136.3	348.5	55.6	—	180.0	997.7
Accumulated depreciation and amortization	(36.5)	(87.9)	(174.4)	(41.3)	—	(106.8)	(446.9)
<b>Net book amount</b>	<b>240.8</b>	<b>48.4</b>	<b>174.1</b>	<b>14.3</b>	<b>—</b>	<b>73.2</b>	<b>550.8</b>
<b>Year ended April 28, 2019</b>							
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)
<b>Net book amount, end</b>	<b>255.6</b>	<b>61.0</b>	<b>170.4</b>	<b>267.9</b>	<b>104.5</b>	<b>85.0</b>	<b>944.4</b>
<b>As at April 28, 2019</b>							
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)
<b>Net book amount</b>	<b>255.6</b>	<b>61.0</b>	<b>170.4</b>	<b>267.9</b>	<b>104.5</b>	<b>85.0</b>	<b>944.4</b>

(a) The net book amount as at April 26, 2020 includes \$19.8 related to software in progress (\$14.5 as at April 28, 2019).

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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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 26, 2020, and April 28, 2019, is as follows:

CGU	2020		2019	
	Intangible assets with indefinite useful lives	Goodwill	Intangible assets with indefinite useful lives	Goodwill
	\$	\$	\$	\$
Canada	—	743.1	—	773.8
United States	185.5	4,278.4	185.4	4,313.1
CAPL <sup>(a)</sup>	—	—	—	73.2
Scandinavia	53.8	408.2	59.5	444.6
Central and Eastern Europe	24.3	11.3	26.0	11.7
Ireland	—	64.8	—	66.7
	<b>263.6</b>	<b>5,505.8</b>	270.9	5,683.1

(a) As at April 28, 2019, this amount is presented net of a \$55.0 accumulated impairment loss.

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 12.1x to determine these values. For CAPL, the Corporation used an approach based on its market capitalization (Level 1) and the discounted cash flows of its IDRs (Level 3).

During the first quarter of 2019, the Corporation performed its annual goodwill impairment test. As a result of the decrease in the market capitalization of the CAPL CGU, which was 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 in the consolidated statements of earnings for the fiscal year ended April 28, 2019.

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	<b>\$17.41</b>
Number of CAPL’s outstanding common units as at July 22, 2018	<b>34,433,574</b>
% of CAPL’s common units owned by the Corporation as at July 22, 2018	<b>21.7 %</b>

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.

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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	1.1x to 1.2x
Debt/Equity financing ratio on business acquisitions	57/43
Discount rate	12.5 %
Projection period of the cash flows	4 years

### 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.

## 20. OTHER ASSETS

	2020	2019
	\$	\$
Investments in equity instruments	78.5	0.7
Environmental costs receivable (Note 25)	68.4	75.5
Deferred compensation assets	51.9	49.1
Indexed deposit contract (Note 31)	34.4	39.7
Deferred incentive payments	27.1	38.2
Deposits	25.4	14.9
Net investment in subleases (Note 18)	19.7	—
Pension benefit assets (Note 30)	12.5	36.6
Other	32.2	51.9
	<b>350.1</b>	<b>306.6</b>

## 21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
	\$	\$
Accounts payable and accrued expenses <sup>(a)</sup>	1,507.6	2,550.1
Sales and excise taxes	733.0	767.0
Salaries and related benefits	284.1	275.8
Other	283.6	324.2
	<b>2,808.3</b>	<b>3,917.1</b>

(a) This amount is presented net of an amount of \$129.8 from Credit and debit cards receivable and \$18.9 from Trade accounts receivable and vendor rebates receivable due to netting arrangements (\$261.6 and \$76.5, respectively as at April 28, 2019).



## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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### 22. LONG-TERM DEBT

	2020	2019
	\$	\$
US-dollar-denominated senior unsecured notes, maturing from July 2022 to January 2050 <sup>(a)</sup>	3,970.7	3,379.9
US-dollar-denominated term revolving unsecured operating credit D, maturing in December 2024 <sup>(b)</sup>	1,500.0	40.0
Canadian-dollar-denominated senior unsecured notes, maturing from August 2020 to June 2025 <sup>(a)</sup>	1,384.8	1,774.5
Euro-denominated senior unsecured notes, maturing in May 2026 <sup>(a)</sup>	806.8	831.2
NOK-denominated senior unsecured notes, maturing in February 2026 <sup>(a)</sup>	63.3	77.4
CAPL US-dollar-denominated senior secured revolving credit facility, which was without recourse to the Corporation (Note 6)	—	514.8
Other debts (Obligations related to buildings and equipment under finance leases, payable on various dates, and other debts as at April 28, 2019)	4.9	333.6
	<b>7,730.5</b>	<b>6,951.4</b>
Current portion of long-term debt	<b>214.7</b>	<b>1,310.7</b>
Long-term portion of long-term debt	<b>7,515.8</b>	<b>5,640.7</b>

#### (a) Senior unsecured notes

As at April 26, 2020, the Corporation had US-dollar-denominated senior unsecured notes totaling \$4,000.0, Canadian-dollar-denominated senior unsecured notes totaling CA \$1,950.0, Euro-denominated senior unsecured notes totaling €750.0 and Norwegian-krone-denominated senior unsecured notes totaling NOK 675.0, divided as follows:

	Nominal amount	Maturity	Coupon rate	Effective rate as at April 26, 2020	Interest payment dates
November 1, 2012 issuance	CA \$250.0	November 1, 2022	3.899%	3.963%	May 1 <sup>st</sup> and November 1 <sup>st</sup>
August 21, 2013 issuance	CA \$300.0	August 21, 2020	4.214%	4.317%	August 21 <sup>st</sup> and February 21 <sup>st</sup>
June 2, 2015 issuance	CA \$700.0	June 2, 2025	3.600%	3.649%	June 2 <sup>nd</sup> and December 2 <sup>nd</sup>
February 18, 2016 issuance	NOK 675.0	February 18, 2026	3.850%	3.927%	April 20 <sup>th</sup> and October 20 <sup>th</sup>
May 6, 2016 issuance	€750.0	May 6, 2026	1.875%	1.944%	May 6 <sup>th</sup>
July 26, 2017 issuance	\$1,000.0	July 26, 2022	2.700%	2.819%	July 26 <sup>th</sup> and January 26 <sup>th</sup>
July 26, 2017 issuance	CA \$700.0	July 26, 2024	3.056%	3.133%	July 26 <sup>th</sup> and January 26 <sup>th</sup>
July 26, 2017 issuance	\$1,000.0	July 26, 2027	3.550%	3.642%	July 26 <sup>th</sup> and January 26 <sup>th</sup>
July 26, 2017 issuance	\$500.0	July 26, 2047	4.500%	4.576%	July 26 <sup>th</sup> and January 26 <sup>th</sup>
January 22, 2020 issuance	\$750.0	January 25, 2030	2.950%	3.033%	July 25 <sup>th</sup> and January 25 <sup>th</sup>
January 22, 2020 issuance	\$750.0	January 25, 2050	3.800%	3.880%	July 25 <sup>th</sup> and January 25 <sup>th</sup>

On January 22, 2020, the Corporation issued US-dollar-denominated senior unsecured notes totaling \$1,500.0. A part of the net proceeds from these issuances, which were \$1,484.1, was used to repay the Corporation's term revolving unsecured operating credit D. A portion of these US-dollar-denominated senior unsecured notes was subject to interest rate locks in anticipation of their issuance (Note 23).

On December 13, 2019, the Corporation fully repaid, at maturity, its \$600.0 US-dollar-denominated senior unsecured notes issued on December 14, 2017. These fixed interest rate US-dollar-denominated senior unsecured notes were subject to fixed-to-floating interest rate swaps (Note 24).

On November 1, 2019, the Corporation fully repaid, at maturity, its CA \$450.0 (\$341.4) Canadian-dollar-denominated senior unsecured notes issued on November 1, 2012.

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

The Canadian-dollar-denominated notes issued on November 1, 2012; June 2, 2015; and July 26, 2017; are associated with cross-currency interest rate swaps (Note 24).

## Notes to the Consolidated Financial Statements

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### (b) Term revolving unsecured operating credit D

As at April 26, 2020, 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.

During the fiscal year ended April 26, 2020, this operating credit's maturity was extended to December 2024.

As at April 26, 2020, the Corporation had \$1,500.0 borrowed on the term revolving unsecured operating credit with a weighted average effective interest rate of 2.110% (unused as at April 28, 2019) and the Corporation did not use the unsecured line of credit (\$40.0 as at April 28, 2019, bearing interests at 5.625%). The Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

During the month of May 2020, subsequent to the end of the fiscal year ended April 26, 2020, the Corporation fully repaid the \$1,500.0 borrowed on the term revolving unsecured operating credit.

### Bank overdraft facilities

The Corporation had access to bank overdraft facilities totaling approximately \$64.1 as at April 26, 2020 (\$65.2 as at April 28, 2019). As at April 26, 2020, and April 28, 2019, they were unused.

### Letters of credit

As at April 26, 2020, the Corporation had outstanding letters of credit related to its own operations of \$83.5 (\$81.0 as at April 28, 2019), of which \$11.9 (\$12.6 as at April 28, 2019) reduced funds available under the Corporation's term revolving unsecured operating credit D.

## 23. INTEREST RATE LOCKS

During the fiscal year ended April 26, 2020, the Corporation entered into interest rate locks at the following conditions:

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

The instruments allowed the Corporation to hedge the variability of its interest payments on the anticipated issuance of US-dollar-denominated senior unsecured notes due to changes in the US Treasury rates. These instruments were designated as a cash flow hedge of the Corporation's interest rate risk and as a result, for the fiscal year ended April 26, 2020, a gain of \$7.5 was recognized in Accumulated other comprehensive loss to reflect the fluctuation in the interest rate locks' fair value.

On January 22, 2020, prior to their maturity, the Corporation settled all its interest rate locks. The total cumulative gain of \$7.5 recognized to Accumulated other comprehensive loss is amortized over the term of the related US-dollar-denominated senior unsecured notes issued on January 22, 2020, and maturing on January 25, 2030, as an adjustment to the related interest expense.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 24. 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 31)	
					April 26, 2020	April 28, 2019
					\$	\$
CA \$1,650.0	From 3.056% to 3.899%	US \$1,377.9	From 3.226% to 3.870%	From November 1, 2022 to June 2, 2025	237.4	250.1
				<b>Current portion of financial liabilities</b>	—	115.0
				<b>Other long-term financial liabilities</b>	<b>237.4</b>	<b>135.1</b>

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

On November 1, 2019, the Corporation settled, at maturity, the following cross-currency interest rate swaps:

Receive – Notional	Receive – Rate	Pay – Notional	Pay – Rate
CA \$450.0 (\$341.4)	3.319%	US \$451.4	From 2.733% to 2.740%

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 26, 2020, and April 28, 2019, the Corporation was not taking part in any of these agreements.

Furthermore, the following fixed-to-floating interest rate swap agreements, which synthetically converted to floating interest rates the Corporation's \$600.0 fixed interest rate US-dollar-denominated senior unsecured notes issued on December 14, 2017, matured on December 13, 2019:

Notional amount	Receive – Rate	Pay – Rate
\$600.0	2.350%	Three-month LIBOR plus rates varying from 0.350% to 0.355%

These agreements were designated as fair value hedges of the Corporation's US-dollar-denominated senior unsecured notes issued on December 14, 2017. No ineffectiveness was recognized during the fiscal year ended April 26, 2020, in relation with this fair value hedge designation.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 25. PROVISIONS

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

	Asset retirement obligations <sup>(a)</sup>	Provision for environmental costs <sup>(b)</sup>	Restructuring provision <sup>(c)</sup>	Provision for workers' compensation <sup>(d)</sup>	Provision for general liability <sup>(d)</sup>	Other	Total
	\$	\$	\$	\$	\$	\$	\$
<b>2020</b>							
Balance, beginning of year	452.2	166.7	14.9	40.7	42.3	33.3	750.1
Adoption of IFRS 16 (Note 3)	—	—	—	—	—	(3.0)	(3.0)
Adjusted balance, beginning of year	452.2	166.7	14.9	40.7	42.3	30.3	747.1
Business acquisitions (Note 4)	0.8	—	—	—	—	—	0.8
Liabilities incurred	6.3	19.6	4.5	28.6	32.0	1.4	92.4
Liabilities settled	(6.0)	(19.9)	(14.1)	(26.0)	(23.0)	(1.3)	(90.3)
Accretion expense	15.6	2.1	—	0.6	—	—	18.3
Reversal of provisions	(6.2)	(7.9)	(0.9)	—	(0.2)	(0.6)	(15.8)
Change in estimates	(33.7)	3.6	0.1	0.7	(0.3)	—	(29.6)
Reclassified to liabilities associated with assets held for sale (Note 6)	(39.8)	(3.5)	—	—	(0.5)	—	(43.8)
Effect of exchange rate variations	(15.4)	(3.5)	(0.3)	(0.1)	—	(0.4)	(19.7)
Balance, end of year	373.8	157.2	4.2	44.5	50.3	29.4	659.4
Current portion	31.7	45.5	4.0	13.1	9.4	4.4	108.1
Long-term portion	342.1	111.7	0.2	31.4	40.9	25.0	551.3
<b>2019</b>							
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

(a) The total undiscounted amount of estimated cash flows to settle the asset retirement obligations is approximately \$698.8 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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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 \$157.2 provision for environmental costs as at April 26, 2020 (\$166.7 as at April 28, 2019). Furthermore, the Corporation has recorded an amount of \$79.4 for environmental costs receivable from trust funds as at April 26, 2020 (\$87.3 as at April 28, 2019), of which \$11.0 (\$11.8 as at April 28, 2019) is included in Accounts receivable and \$68.4 in Other assets (\$75.5 as at April 28, 2019).

### 26. DEFERRED CREDITS AND OTHER LIABILITIES

	2020	2019
	\$	\$
Deferred compensation liabilities	75.8	75.2
Deferred credits	25.0	29.5
Deposits	24.8	39.4
Deferred branding credits	21.8	22.9
Other liabilities	14.5	23.7
Unfavorable leases (Note 3)	—	102.7
Deferred rent expense (Note 3)	—	55.6
	<u>161.9</u>	<u>349.0</u>

### 27. 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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### Issued and fully paid

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

	2020	2019
<b>Class A multiple voting shares (in thousands)<sup>(a)</sup></b>		
Balance, beginning of year	253,818	264,048
Conversion into Class B shares	(14)	(10,230)
Balance, end of the year	<u>253,804</u>	<u>253,818</u>
<b>Class B subordinate voting shares (in thousands)<sup>(a)</sup></b>		
Balance, beginning of year	875,004	864,388
Issued on conversion of Class A shares	14	10,230
Repurchased and cancelled shares <sup>(b)</sup>	(16,354)	—
Issuance of shares on stock options exercised	224	386
Balance, end of year	<u>858,888</u>	<u>875,004</u>
	<u>1,112,692</u>	<u>1,128,822</u>

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

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

#### (b) 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 allowed the Corporation to repurchase up to 33,955,152 Class B subordinate voting shares, representing 4.00% of the 848,878,808 Class B subordinate voting shares of the public float issued and outstanding as at April 5, 2019 (3.88% of the 874,850,206 Class B subordinate voting shares issued and outstanding as at April 5, 2019). In accordance with the Toronto Stock Exchange requirements, the Corporation was entitled to purchase, on any trading day, up to a total of 490,748 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 was reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital was increased on a pro rata basis. The last share repurchase was traded on March 26, 2020. The share repurchase program expired on April 9, 2020, and was not renewed.

An automatic securities purchase plan was also in place and allowed a designated broker to repurchase the Corporation's shares on its behalf within parameters that were established by the Corporation. The automatic securities purchase plan was pre-cleared by the Toronto Stock Exchange at the inception of the share repurchase program and expired on April 9, 2020.

During the fiscal year ended April 26, 2020, and under this program, the Corporation repurchased 16,354,384 Class B subordinate voting shares (nil for the fiscal year ended April 28, 2019). These repurchases were settled for net amounts of \$470.8 (nil for the fiscal year ended April 28, 2019). All shares repurchased under the share repurchase program were cancelled upon repurchase.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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### 28. 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 101,352,000 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 26, 2020, and April 28, 2019, and the changes therein during the years then ended:

	2020		2019	
	Number of stock options	Weighted average exercise price	Number of stock options	Weighted average exercise price
		CA \$		CA \$
Outstanding, beginning of year	3,305,592	19.60	3,452,964	16.68
Granted	246,668	42.17	327,186	30.93
Exercised	(232,782)	3.02	(449,964)	5.02
Forfeited	—	—	(24,594)	27.15
Outstanding, end of year	<u>3,319,478</u>	<u>22.44</u>	<u>3,305,592</u>	19.60
Exercisable, end of year	<u>2,746,798</u>	<u>19.91</u>	<u>2,666,838</u>	17.04

For options exercised in 2020, the weighted average share price at the date of exercise was CA \$44.86 (CA \$35.94 in 2019).

The following table presents information on the stock options outstanding and exercisable as at April 26, 2020:

Range of exercise prices	Options outstanding		Options exercisable		
	Number of stock options outstanding as at April 26, 2020	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options exercisable as at April 26, 2020	Weighted average exercise price
CA \$			CA \$		CA \$
2 – 16	471,866	1.13	5.35	471,866	5.35
16 – 30	1,970,396	4.90	21.39	1,911,594	21.14
30 – 45	<u>877,216</u>	8.16	34.01	<u>363,338</u>	32.35
	<u>3,319,478</u>			<u>2,746,798</u>	

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:

	2020	2019
Expected dividends (per share)	CA \$0.25	CA \$0.20
Expected volatility	23 %	24 %
Risk-free interest rate	1.56 %	2.12 %
Expected life	8 years	8 years

The fair value of stock options granted was CA \$10.48 in 2020 (weighted average fair value of CA \$8.84 in 2019).

For 2020, the compensation cost charged to the consolidated statements of earnings amounts to \$2.1 (\$2.4 in 2019).

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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### 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 26, 2020, the Corporation had a total of 383,109 DSUs outstanding (353,964 as at April 28, 2019) and an obligation related to this plan of \$11.0 (\$10.4 as at April 28, 2019) 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 31). For 2020, the net compensation cost amounted to \$0.9 (\$0.9 of net compensation cost in 2019).

### 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 participants 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 26, 2020, and April 28, 2019, and the changes therein during the years then ended in number of units:

	<u>2020</u>	<u>2019</u>
Outstanding, beginning of year	1,500,784	1,451,304
Granted	554,172	593,992
Paid	(344,698)	(325,068)
Forfeited	(162,611)	(219,444)
Outstanding, end of year	<u>1,547,647</u>	<u>1,500,784</u>

As at April 26, 2020, an obligation related to this notional unit allocation plan of \$12.3 was recorded in Accounts payable and accrued liabilities (\$9.2 as at April 28, 2019) and \$11.3 was recorded in Deferred credits and other liabilities (\$12.4 as at April 28, 2019). The price risk of this obligation is also managed with the embedded total return swap (Note 31). For 2020, the compensation cost amounted to \$11.3 (\$12.1 for 2019).



## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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### 29. ACCUMULATED OTHER COMPREHENSIVE LOSS

	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	Investments in equity instruments measured at fair value through Other comprehensive income	Accumulated other comprehensive loss
	\$	\$	\$	\$	\$	\$
Year ended April 26, 2020						
Balance, beginning of year	(496.1)	(348.2)	(8.3)	(4.0)	—	(856.6)
Other comprehensive (loss) income	(268.8)	(102.8)	4.6	(23.3)	(14.0)	(404.3)
<b>Balance, end of year</b>	<b>(764.9)</b>	<b>(451.0)</b>	<b>(3.7)</b>	<b>(27.3)</b>	<b>(14.0)</b>	<b>(1,260.9)</b>
Year ended April 28, 2019						
Balance, beginning of year	(287.4)	(263.7)	(13.5)	(1.7)	—	(566.3)
Other comprehensive (loss) income	(208.7)	(84.5)	5.2	(2.3)	—	(290.3)
<b>Balance, end of year</b>	<b>(496.1)</b>	<b>(348.2)</b>	<b>(8.3)</b>	<b>(4.0)</b>	<b>—</b>	<b>(856.6)</b>

### 30. 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, 2019, and the next required valuation will be as at December 31, 2020.

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:

	2020	2019
	\$	\$
Present value of defined benefit obligation for funded pension plans	(141.1)	(125.9)
Fair value of plans' assets	155.4	165.9
Net funded status of funded plans – net surplus	14.3	40.0
Present value of defined benefit obligation for unfunded pension plans	(93.3)	(96.0)
Net accrued pension benefit liability	(79.0)	(56.0)

The pension benefit asset of \$12.5 (\$36.6 as at April 28, 2019) is included in Other assets and the Pension benefit liability of \$91.5 (\$92.6 as at April 28, 2019) is presented separately in the consolidated balance sheets.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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

	Canada	United States	Norway	Sweden	Ireland	Total
<b>2020</b>	\$	\$	\$	\$	\$	\$
Present value of defined benefit obligation	(56.4)	(20.2)	(29.4)	(120.2)	(8.2)	(234.4)
Fair value of plans' assets	21.2	—	1.6	132.6	—	155.4
Net funded status of plan – (deficit) surplus	(35.2)	(20.2)	(27.8)	12.4	(8.2)	(79.0)
<b>2019</b>						
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
Net funded status of plan – (deficit) surplus	(36.2)	(14.5)	(33.1)	36.4	(8.6)	(56.0)

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

	2020				2019			
	Quoted	Unquoted	Total	Plan's assets allocation	Quoted	Unquoted	Total	Plan's assets allocation
	\$	\$	\$	%	\$	\$	\$	%
Cash and cash equivalents	0.2	—	0.2	0.1	0.3	—	0.3	0.2
Equity securities	77.1	—	77.1	49.6	88.7	—	88.7	53.5
Debt instruments								
Government	68.5	—	68.5	44.1	66.5	—	66.5	40.1
Corporate	5.4	—	5.4	3.5	4.0	—	4.0	2.4
Real estate	—	0.2	0.2	0.1	—	0.9	0.9	0.5
Other assets	4.0	—	4.0	2.6	5.5	—	5.5	3.3
Total	155.2	0.2	155.4	100.0	165.0	0.9	165.9	100.0

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

	2020	2019
	\$	\$
Current service cost, net of employee contributions	3.1	3.7
Administrative expenses	0.1	0.1
Pension expense for the year	3.2	3.8
Net interest expense	1.9	1.8
Curtailement gain	(1.1)	(2.7)
Amount recognized in earnings for the year	4.0	2.9

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

	2020	2019
	\$	\$
Losses from change in financial assumptions	29.7	16.7
Experience gains	(1.3)	(4.9)
Return on assets (excluding amounts included in interest income)	1.3	(8.0)
Amount recognized in Other comprehensive loss	29.7	3.8

The Corporation expects to make a contribution of \$6.3 to the defined benefit plans during the next fiscal year.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
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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:

	2020					2019				
	Canada	United States	Norway	Sweden	Ireland	Canada	United States	Norway	Sweden	Ireland
	%	%	%	%	%	%	%	%	%	%
Discount rate	2.95	3.00	1.75	1.50	1.00	3.30	4.00	2.50	2.25	1.20
Rate of compensation increase	3.00	3.00	2.25	2.75	—	3.00	3.00	2.75	2.75	—
Rate of benefit increase	2.00	2.00	0.50	1.75	0.75	2.00	2.00	0.80	1.75	1.30
Rate of social security base amount increase ( <i>G-amount</i> )	—	—	2.00	2.75	—	—	—	2.50	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 2.4%	Decrease by 2.1%
Rate of benefit increase	0.50 %	Increase by 7.4%	Decrease by 7.5%
Increase of life expectancy	1 year	Increase by 4.4%	-

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 contributions, where required, 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### Defined contribution plans

The Corporation's total pension expense under its defined contribution plans and mandatory governmental plans for the fiscal year 2020 is \$126.1 (\$125.0 for 2019).

### 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 \$53.5 as at April 26, 2020 (\$52.4 as at April 28, 2019) 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 \$51.9 as at April 26, 2020 (\$49.1 as at April 28, 2019) and are included in Other assets (Note 20).

## 31. 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 which are designated as net investment hedges of foreign operations, as at April 26, 2020 and with all other variables held constant, a hypothetical variation of 5.0% of the US-dollar would have had a net impact of \$19.0 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 26, 2020 and with all other variables held constant, a hypothetical variation of 5.0% of the various foreign currencies would have had a net impact of \$152.1 on Net earnings attributable to shareholders of the Corporation, which would be partially offset by a net impact of \$112.5 from the long-term debts denominated in US dollars not designated as net investment hedges of foreign operations.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 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 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 (Note 24).

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 26, 2020, 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 long-term debt balances as at April 26, 2020, the annual impact on net financial expenses of a 1.0% shift in interest rates would be \$15.0 (\$14.2 based on balances as at April 28, 2019).

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 (Note 23).

### 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, net investment in subleases and the indexed deposit contract 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 26, 2020, 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 26, 2020, 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 26, 2020, relates to receivables of \$92.3, of which \$57.2 was interest-bearing. These receivables from cardholders are not recognized in the Corporation's consolidated balance sheet. For fiscal year 2020, 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 and accounted for on a monthly basis and settlements are occurring every four months.

The Corporation is exposed to credit risk arising from the indexed deposit contract 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in meeting its obligations associated with financial liabilities and lease liabilities. The Corporation is exposed to this risk mainly through its Long-term debt, Accounts payable and accrued liabilities, lease liabilities 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 26, 2020, 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 <sup>(1)</sup>						
Accounts payable and accrued liabilities <sup>(2)</sup>	2,025.2	2,025.2	2,025.2	—	—	—
US-dollar-denominated senior unsecured notes	3,970.7	6,028.6	135.6	135.6	1,339.3	4,418.1
Canadian-dollar-denominated senior unsecured notes	1,384.8	1,580.5	258.1	40.1	775.1	507.2
US-dollar-denominated term revolving unsecured operating credit D	1,500.0	1,502.4	1,502.4	—	—	—
Euro-denominated senior unsecured notes	806.8	916.4	15.2	15.2	45.6	840.4
NOK-denominated senior unsecured notes	63.3	77.5	2.4	2.4	7.2	65.5
Lease liabilities - Current contractual maturities	2,648.8	2,037.7	437.3	363.2	643.0	594.2
Lease liabilities - Future renewal options		1,156.6	17.0	52.9	298.8	787.9
Other debts	4.9	5.4	1.7	1.6	1.7	0.4
Cross-currency interest rate swaps payable <sup>(1)</sup>	237.4	1,606.7	48.9	48.9	928.2	580.7
Cross-currency interest rate swaps receivable <sup>(1)</sup>		(1,362.4)	(40.1)	(40.1)	(775.0)	(507.2)
	12,641.9	15,574.6	4,403.7	619.8	3,263.9	7,287.2

(1) Based on spot rates, as at April 26, 2020, 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.

### 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 26, 2020, the notional volume of such financial derivatives was 193,500 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 with an underlying index representing Class B shares. The indexed deposit contract is recorded at fair market value on the consolidated balance sheets under Other assets and Accounts receivable. As at April 26, 2020, the nominal of the indexed deposit contract was 1,854,307 Class B shares. The indexed deposit contract is adjusted as needed to reflect new awards, adjustments and/or settlements of PSUs and DSUs. As at April 26, 2020, 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.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### Fair value

The fair value of Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable and Accounts payable and accrued liabilities is comparable to their carrying amounts given their short maturity. The carrying values of the term revolving unsecured operating credit D and the CAPL senior secured revolving credit facility (in 2019) 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 instruments, 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 \$52.7 as at April 26, 2020 (\$49.5 as at April 28, 2019) (Level 2). As at April 26, 2020, they are presented as Accounts receivable for an amount of \$18.3 (\$9.8 as at April 28, 2019) and Other assets for an amount of \$34.4 (\$39.7 as at April 28, 2019) on the consolidated balance sheets;
- The fair value of the cross-currency interest rate swaps, which is determined based on market rates, was \$237.4 as at April 26, 2020 (\$250.1 as at April 28, 2019) (Level 2). As at April 26, 2020, they are presented as Other long-term financial liabilities for an amount of \$237.4 on the consolidated balance sheets. As at April 28, 2019, they are presented as Other short-term financial liabilities for an amount of \$115.0 and as Other long-term financial liabilities for an amount of \$135.1 on the consolidated balance sheets;
- The fair value of the investments in equity instruments, which is based on unadjusted quoted prices, was \$78.5 as at April 26, 2020 (\$0.7 as at April 28, 2019) (Level 1). They are presented as Other assets on the consolidated balance sheets;
- The fair value of the fuel swaps, which is determined based on market rates, was \$23.8 as at April 26, 2020 (\$4.7 as at April 28, 2019) (Level 2). They are presented as Other short-term financial assets as at April 26, 2020 and as Other short-term financial liabilities as at April 28, 2019 on the consolidated balance sheets; and
- The fair value of the fixed-to-floating interest rate swaps was determined based on market rates and they had matured as at April 26, 2020 (\$3.9 as at April 28, 2019) (Level 2). As at April 28, 2019, they are presented as Other short-term financial 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 unadjusted quoted prices (Level 1) or on observable market data (Level 2), and the carrying value of the Corporation's senior unsecured notes which are not measured at fair value on the consolidated balance sheets:

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
US-dollar-denominated senior unsecured notes (Level 2)	3,970.7	4,026.3	3,379.9	3,347.6
Canadian-dollar-denominated senior unsecured notes (Level 1)	1,384.8	1,436.9	1,774.5	1,815.0
Euro-denominated senior unsecured notes (Level 2)	806.8	795.6	831.2	869.2
NOK-denominated senior unsecured notes (Level 2)	63.3	68.5	77.4	86.0

- See Note 7 for information on the measurement of the investment in Fire & Flower.

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 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 as well as lease liabilities, 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 22 and 27).

In its capital structure, the Corporation considers its stock option, PSU and DSU plans (Note 28). From time to time, the Corporation uses share repurchase programs to achieve its capital management objectives (Note 27).

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. For 2019, this measure was presented as if the Corporation's investment in CAPL was reported using the equity method as the Corporation believes it allowed a more relevant presentation of its underlying performance. Also, for the purpose of this calculation for 2019, CAPL's long-term debt was excluded as it was 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:

	2020	2019
	\$	\$
Current portion of long-term debt and Current-portion of lease liabilities	597.8	1,308.4
Long-term debt and lease liabilities	9,781.5	5,103.8
Less: Cash and cash equivalents, including restricted cash	3,649.5	736.6
Net interest-bearing debt	6,729.8	5,675.6
Shareholders' equity	10,066.6	8,923.2
Net interest-bearing debt	6,729.8	5,675.6
Total capitalization	16,796.4	14,598.8
Net interest-bearing debt to total capitalization ratio	40.1%	38.9%

Under its term revolving unsecured operating credits, the Corporation must meet the following ratios on a consolidated basis, which however exclude CAPL's results and financial position for 2019:

#### As at April 26, 2020

- A leverage ratio, which is the ratio of Total debt less Cash and cash equivalents to EBITDA, 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.

#### As at April 28, 2019

- 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 26, 2020, and April 28, 2019.

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



## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

### 32. CONTRACTUAL OBLIGATIONS

#### 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. 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. Historically, the Corporation has generally exceeded such minimum requirements and does not expect that any potential failure to meet those in the foreseeable future could lead to the materialization of any of the outcomes described above.

### 33. 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 26, 2020, the total future lease payments under such agreements are approximately \$14.1 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 and do not expect to make any in the foreseeable future.

The Corporation has also issued guarantees to third parties and on behalf of third parties for maximum undiscounted future payments totaling \$12.9. 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 26, 2020, were not significant.

### 34. SEGMENTED INFORMATION

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

## Notes to the Consolidated Financial Statements

For the fiscal years ended April 26, 2020 and April 28, 2019  
(in millions of US dollars (Note 2), except share and stock option data)

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

	2020				2019			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>External customer revenues<sup>(a)</sup></b>								
Merchandise and services	10,947.2	1,416.3	2,302.7	14,666.2	10,874.9	1,457.8	2,172.7	14,505.4
Road transportation fuel	26,802.5	7,481.1	4,415.7	38,699.3	29,962.7	8,380.7	4,957.9	43,301.3
Other	93.6	652.0	21.3	766.9	65.7	1,220.7	24.5	1,310.9
	<b>37,843.3</b>	<b>9,549.4</b>	<b>6,739.7</b>	<b>54,132.4</b>	<b>40,903.3</b>	<b>11,059.2</b>	<b>7,155.1</b>	<b>59,117.6</b>
<b>Gross profit</b>								
Merchandise and services	3,692.7	587.6	750.9	5,031.2	3,667.3	609.0	729.7	5,006.0
Road transportation fuel	3,188.8	932.0	344.2	4,465.0	2,575.1	981.1	392.8	3,949.0
Other	93.7	123.6	21.2	238.5	65.7	149.7	24.5	239.9
	<b>6,975.2</b>	<b>1,643.2</b>	<b>1,116.3</b>	<b>9,734.7</b>	<b>6,308.1</b>	<b>1,739.8</b>	<b>1,147.0</b>	<b>9,194.9</b>
<b>Total long-term assets<sup>(b)</sup></b>	<b>13,079.8</b>	<b>3,565.3</b>	<b>2,504.8</b>	<b>19,149.9</b>	<b>12,617.5</b>	<b>3,402.1</b>	<b>2,104.1</b>	<b>18,123.7</b>

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

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

### 35. SUBSEQUENT EVENT

#### Dividends

During its June 29, 2020 meeting, the Board of Directors declared a quarterly dividend of CA 7.0¢ per share for the fourth quarter of fiscal 2020 to shareholders on record as at July 9, 2020, and approved its payment for July 23, 2020. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

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# Corporate Governance & Executive Leadership Team

## BOARD OF DIRECTORS *(As at April 26, 2020)*

**Alain Bouchard**

Founder and Executive Chairman of the Board

**Nathalie Bourque<sup>(1)</sup>****Jean Bernier****Eric Boyko<sup>(2)</sup>**

Chair of the Audit Committee

**Jacques D'Amours**

Co-founder

**Richard Fortin**

Co-founder

**Brian Hannasch**

President and Chief Executive Officer

**Mélanie Kau<sup>(1)</sup>**

Lead Director and Chair of the Human Resources and Corporate Governance Committee

**Marie-Josée Lamothe<sup>(2)</sup>****Monique F. Leroux<sup>(2)</sup>****Réal Plourde**

Co-founder

**Daniel Rabinowicz<sup>(1)</sup>****Louis Têtu**

(1) Member of the Human Resources and Corporate Governance Committee

(2) Member of the Audit Committee

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## EXECUTIVE COMMITTEE

*(As at April 26, 2020)*

**Brian Hannasch**

President and Chief Executive Officer

**Darrell Davis**

Executive Vice President, Operations, North America

**Hans-Olav Høidahl**

Executive Vice President, Operations, Europe

**Deborah Hall Lefevre**

Chief Technology Officer

**Kevin A. Lewis**

Chief Marketing Officer

**Timothy Alexander Miller**

Executive Vice President, Commercial Optimization

**Ina Strand**

Chief Human Resources Officer

**Claude Tessier**

Chief Financial Officer

## EXECUTIVE LEADERSHIP TEAM

*(As at April 26, 2020)*

**Niall Anderton**

Senior Vice President, Operations

**Brian Bednarz**

Senior Vice-President, Operations

**Kathleen K. Cunningham**

Senior Vice President, Global Shared Services

**Rick Johnson**

Senior Vice President, Operations

**Jørn Madsen**

Senior Vice President, Operations

**Dennis Tewell**

Senior Vice President, Merchandising

**Stéphane Trudel**

Senior Vice President, Operations

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## GENERAL INFORMATION

**Head Office**

4204, Industriel Boulevard  
Laval, Québec, H7L 0E3 Canada

**Stock Exchange**

Toronto Stock Exchange  
Symbols: ATD.A and ATD.B  
Constituent of the TSX 60 index.

**Transfer Agent**

AST Trust Company (Canada),  
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**Annual Shareholders Meeting**

September 16, 2020

Additional information on Alimentation Couche-Tard Inc. and press releases are available on the company's website at:

[www.corpo.couche-tard.com](http://www.corpo.couche-tard.com)





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