

Q2 2019

ALIMENTATION COUCHE-TARD INC.
MANAGEMENT DISCUSSION & ANALYSIS
12 and 24-week periods ended October 14, 2018



Management Discussion and Analysis

The purpose of this Management Discussion and Analysis (“MD&A”) is, as required by regulators, to explain management’s point of view on the financial condition and results of the operations of Alimentation Couche-Tard Inc. (“Couche-Tard”) as well as its performance during the second quarter of the fiscal year ending April 28, 2019. More specifically, it aims to let the reader better understand our development strategy, performance in relation to objectives, future expectations, and how we address risk and manage our financial resources. This MD&A also provides information to improve the reader’s understanding of Couche-Tard’s consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. By “we”, “our”, “us” and “the Corporation”, we refer collectively to Couche-Tard and its subsidiaries.

Except where otherwise indicated, all financial information reflected herein is expressed in United States dollars (“US dollars”) and determined on the basis of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). We also use measures in this MD&A that do not comply with IFRS. Where such measures are presented, they are defined and the reader is informed. This MD&A should be read in conjunction with the audited annual consolidated financial statements and notes thereto included in our 2018 Annual Report, which, along with additional information relating to Couche-Tard, including the most recent Annual Information Form, is available on SEDAR at <https://www.sedar.com/> and on our website at <https://corpo.couche-tard.com/>.

Forward-Looking Statements

This MD&A includes certain statements that are “forward-looking statements” within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words “believe”, “could”, “should”, “intend”, “expect”, “estimate”, “assume” and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at November 27, 2018, which are not guarantees of the future performance of Couche-Tard or its industry, and involve known and unknown risks and uncertainties that may cause Couche-Tard’s or the industry’s outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

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

The foregoing risks and uncertainties include the risks set forth under “Business Risks” in our 2018 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 we also have an important presence in Poland.

As of October 14, 2018, our network comprised 9,943 convenience stores throughout North America, including 8,660 stores with road transportation fuel dispensing. Our North American network consists of 19 business units, including 15 in the United States covering 48 states and 4 in Canada covering all 10 provinces. Approximately 105,000 people are employed throughout our network and at our service offices in North America. In addition, through CrossAmerica Partners LP (“CAPL”), we supply road transportation fuel under various brands to approximately 1,300 locations in the United States.

In Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through ten business units. As of October 14, 2018, our network comprised 2,718 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 stationary energy, marine fuel and aviation fuel. Including employees at branded franchise stores, approximately 25,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, more than 2,000 stores are operated under the Circle K banner in 14 other countries and territories (Cambodia, China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Macau, Mexico, Mongolia, Saudi Arabia, the United Arab Emirates and Vietnam), which brings our worldwide total network to approximately 16,000 stores.

Our mission is to make our customers' lives a little easier every day. To this end, we strive to meet the demands and needs of people on the go. We offer fresh food, hot and cold beverages, car wash services, road transportation fuel and other high quality products and services designed to meet customers' expectations for clean, welcoming environment and an easy experience. Our leading position in the industry stems primarily from our business model, which is based on a decentralized management structure, ongoing comparison of best practices and operational expertise enhanced by our experience in the various regions of our network. Our success is also attributable to the quality of our in-store offers and on our continued investment in our people and our stores while maintaining a strong cost discipline.

Value Creation

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

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

Exchange Rate Data

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

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

	12-week periods ended		24-week periods ended	
	October 14, 2018	October 15, 2017	October 14, 2018	October 15, 2017
Average for period⁽¹⁾				
Canadian dollar	0.7675	0.8021	0.7674	0.7766
Norwegian krone	0.1210	0.1268	0.1222	0.1227
Swedish krone	0.1112	0.1239	0.1125	0.1197
Danish krone	0.1555	0.1590	0.1565	0.1548
Zloty	0.2701	0.2769	0.2713	0.2716
Euro	1.1598	1.1828	1.1665	1.1516
Ruble	0.0151	0.0171	0.0155	0.0171

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

Period end	As at October 14, 2018	As at April 29, 2018
Canadian dollar	0.7688	0.7763
Norwegian krone	0.1222	0.1250
Swedish krone	0.1117	0.1148
Danish krone	0.1551	0.1620
Zloty	0.2696	0.2863
Euro	1.1574	1.2070
Ruble	0.0152	0.0160

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

Overview of the Second Quarter of Fiscal 2019

Financial Results

Net earnings attributable to shareholders of the Corporation ("net earnings") amounted to \$473.1 million for the second quarter of fiscal 2019 compared with \$432.5 million for the second quarter of fiscal 2018. Diluted net earnings per share stood at \$0.84, compared with \$0.76 for the corresponding period of the previous year.

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

The results for the comparable quarter of fiscal 2018 were affected by a pre-tax net foreign exchange loss of \$17.3 million, by pre-tax incremental expenses caused by hurricanes totaling \$4.8 million, by a \$4.2 million pre-tax accelerated depreciation and amortization expense in connection with our global brand initiative, as well as by pre-tax acquisition costs of \$3.4 million.

Excluding these items, the adjusted diluted net earnings per share would have remained at \$0.84¹ for the second quarter of fiscal 2019, compared with \$0.80¹ for the second quarter of fiscal 2018, an increase of 5.0%, driven by organic growth, the contribution from acquisitions as well as a lower income tax rate, partly offset by lower road transportation fuel margins and the net negative impact from the translation of our Canadian and European operations into US dollars.

Changes in our Network

Single-site acquisitions

During the second quarter and first half-year of fiscal 2019, we acquired two company-operated stores through distinct transactions.

Store construction

During the second quarter of fiscal 2019, we completed the construction, relocation or reconstruction of 11 stores, reaching a total of 21 stores since the beginning of the fiscal year. As of October 14, 2018, 34 stores were under construction and should open in the upcoming quarters.

¹ Please refer to the section "Net earnings attributable to shareholders of the Corporation ("net earnings") and adjusted net earnings attributable to shareholders of the Corporation ("adjusted net earnings")" of this Management Discussion & Analysis for additional information on this performance measure not defined by IFRS.

Summary of changes in our store network during the second quarter and first half-year of fiscal 2019

The following table presents certain information regarding changes in our store network over the 12-week period ended October 14, 2018⁽¹⁾:

Type of site	12-week period ended October 14, 2018				Total
	Company-operated ⁽²⁾	CODO ⁽³⁾	DODO ⁽⁴⁾	Franchised and other affiliated ⁽⁵⁾	
Number of sites, beginning of period	9,678	700	1,060	1,263	12,701
Acquisitions	2	-	-	-	2
Openings / constructions / additions	11	1	6	23	41
Closures / disposals / withdrawals	(25)	(1)	(12)	(45)	(83)
Store conversion	6	(5)	(1)	-	-
Number of sites, end of period	9,672	695	1,053	1,241	12,661
CAPL network					1,291
Circle K branded sites under licensing agreements					2,042
Total network					15,994
Number of automated fuel stations included in the period-end figures ⁽⁶⁾	977	-	14	-	991

The following table presents certain information regarding changes in our store network over the 24-week period ended October 14, 2018⁽¹⁾:

Type of site	24-week period ended October 14, 2018				Total
	Company-operated ⁽²⁾	CODO ⁽³⁾	DODO ⁽⁴⁾	Franchised and other affiliated ⁽⁵⁾	
Number of sites, beginning of period	9,718	722	1,051	1,249	12,740
Acquisitions	2	-	-	-	2
Openings / constructions / additions	21	1	23	48	93
Closures / disposals / withdrawals	(93)	(3)	(22)	(56)	(174)
Store conversion	24	(25)	1	-	-
Number of sites, end of period	9,672	695	1,053	1,241	12,661
CAPL network					1,291
Circle K branded sites under licensing agreements					2,042
Total network					15,994

(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.

CST Integration

As at October 14, 2018, our annual synergies run rate for the CST acquisition reached approximately \$200.0 million. These synergies should result in reductions in operating, selling, administrative and general expenses, as well as improvements in road transportation fuel and merchandise distribution and supply costs. We expect that we will reach our synergy target of \$215.0 million¹.

Global Circle K Brand

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

As of October 14, 2018, more than 4,050 stores in North America, including more than 300 stores acquired from CST, and more than 1,800 stores in Europe are now proudly displaying our new global brand.

¹ As our previously stated goal is considered a forward looking statement, we are required, pursuant to securities laws, to clarify that our synergies estimate is based on a number of important factors and assumptions. Among other things, our synergies objective is based on our comparative analysis of organizational structures and current level of spending across our network as well as on our ability to bridge the gap, where relevant. Our synergies objective is also based on our assessment of current contracts in North America and how we expect to be able to renegotiate these contracts to take advantage of our increased purchasing power. In addition, our synergies objective assumes that we will be able to establish and maintain an effective process for sharing best practices across our network. Finally, our objective is also based on our ability to integrate CST's system with ours. An important change in these facts and assumptions could significantly impact our synergies estimate as well as the timing of the implementation of our different initiatives.

New Statutory Income Tax in Sweden

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

Restructuring

During the quarter, 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 European operations. As such, an additional restructuring expense of \$4.8 million was recorded to earnings of the second quarter of fiscal 2019.

Compensatory Payment to CAPL for Divestiture of Assets

In connection with divestiture of certain assets, we have paid a compensatory amount of \$6.3 million to CAPL. This compensatory payment was recorded in our operating expenses and was eliminated upon consolidation.

Holiday Stationstores, LLC Integration

On December 22, 2017, we acquired all the membership interest of Holiday Stationstores, LLC and certain affiliated companies ("Holiday"). During the second quarter of fiscal 2019, we finalized our estimate of the fair value of the assets acquired, the liabilities assumed and the goodwill for the transaction. There were no other changes to the adjusted net earnings previously reported.

Dividends

During its November 27, 2018 meeting, the Board of Directors declared a quarterly dividend of CA 10.0¢ per share for the second quarter of fiscal 2019 to shareholders on record as at December 6, 2018, and approved its payment for December 20, 2018. This is an eligible dividend within the meaning of the Income Tax Act (Canada).

Outstanding Shares and Stock Options

As at November 23, 2018, Couche-Tard had 126,908,950 Class A multiple-voting shares and 437,403,165 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 1,785,769 outstanding stock options for the purchase of Class B subordinate voting shares.

Summary Analysis of Consolidated Results for the Second Quarter and First Half-year of Fiscal 2019

The following table highlights certain information regarding our operations for the 12 and 24-week periods ended October 14, 2018 and October 15, 2017. CAPL refers to CrossAmerica Partners LP.

	12-week periods ended			24-week periods ended		
	October 14, 2018	October 15, 2017	Variation %	October 14, 2018	October 15, 2017	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>						
Statement of Operations Data:						
Merchandise and service revenues ⁽¹⁾ :						
United States	2,569.4	2,240.5	14.7	5,178.5	4,221.6	22.7
Europe	340.5	320.1	6.4	709.2	640.7	10.7
Canada	524.2	526.3	(0.4)	1,068.6	1,003.4	6.5
CAPL	27.4	28.5	(3.9)	53.7	29.5	82.0
Elimination of intercompany transactions with CAPL	(0.8)	-	100.0	(1.5)	-	100.0
Total merchandise and service revenues	3,460.7	3,115.4	11.1	7,008.5	5,895.2	18.9
Road transportation fuel revenues:						
United States	7,068.8	5,376.2	31.5	14,228.3	9,618.2	47.9
Europe	2,071.5	1,771.7	16.9	4,024.0	3,369.4	19.4
Canada	1,255.5	1,147.7	9.4	2,547.3	2,115.1	20.4
CAPL	630.4	501.1	25.8	1,264.1	516.7	144.6
Elimination of intercompany transactions with CAPL	(130.9)	(43.7)	199.5	(271.2)	(46.4)	484.5
Total road transportation fuel revenues	10,895.3	8,753.0	24.5	21,792.5	15,573.0	39.9
Other revenues ⁽²⁾ :						
United States	5.1	4.9	4.1	10.5	8.0	31.3
Europe	324.7	249.0	30.4	643.7	486.5	32.3
Canada	6.2	6.6	(6.1)	12.4	13.0	(4.6)
CAPL	15.2	15.7	(3.2)	30.4	16.4	85.4
Elimination of intercompany transactions with CAPL	(4.4)	(4.0)	10.0	(8.7)	(4.3)	102.3
Total other revenues	346.8	272.2	27.4	688.3	519.6	32.5
Total revenues	14,702.8	12,140.6	21.1	29,489.3	21,987.8	34.1
Merchandise and service gross profit ⁽¹⁾ :						
United States	880.1	742.8	18.5	1,754.9	1,402.2	25.2
Europe	139.8	134.5	3.9	296.1	269.4	9.9
Canada	176.8	181.9	(2.8)	364.7	348.9	4.5
CAPL	6.6	7.0	(5.7)	13.0	7.3	78.1
Elimination of intercompany transactions with CAPL	(0.7)	-	100.0	(1.3)	-	100.0
Total merchandise and service gross profit	1,202.6	1,066.2	12.8	2,427.4	2,027.8	19.7
Road transportation fuel gross profit:						
United States	547.0	537.9	1.7	1,107.0	940.4	17.7
Europe	235.9	254.0	(7.1)	482.4	493.1	(2.2)
Canada	93.8	100.6	(6.8)	193.8	183.2	5.8
CAPL	26.6	23.2	14.7	53.2	23.9	122.6
Total road transportation fuel gross profit	903.3	915.7	(1.4)	1,836.4	1,640.6	11.9
Other revenues gross profit ⁽²⁾ :						
United States	5.2	4.9	6.1	10.5	8.0	31.3
Europe	37.5	38.8	(3.4)	74.3	81.0	(8.3)
Canada	6.2	6.4	(3.1)	12.4	13.0	(4.6)
CAPL	15.2	15.7	(3.2)	30.4	16.4	85.4
Elimination of intercompany transactions with CAPL	(4.4)	(4.0)	10.0	(8.7)	(4.3)	102.3
Total other revenues gross profit	59.7	61.8	(3.4)	118.9	114.1	4.2
Total gross profit	2,165.6	2,043.7	6.0	4,382.7	3,782.5	15.9
Operating, selling, administrative and general expenses						
Excluding CAPL	1,284.6	1,180.4	8.8	2,579.3	2,211.9	16.6
CAPL	15.8	21.0	(24.8)	38.4	21.8	76.1
Elimination of intercompany transactions with CAPL	(4.9)	(3.2)	53.1	(9.7)	(4.2)	131.0
Total Operating, selling, administrative and general expenses	1,295.5	1,198.2	8.1	2,608.0	2,229.5	17.0
Restructuring costs (including \$5.2 million for CAPL for the 24-week ended October 15, 2017)	4.8	-	100.0	6.3	43.2	(85.4)
Loss (gain) on disposal of property and equipment and other assets	0.5	(0.8)	(162.5)	0.7	(17.6)	104.0
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets						
Excluding CAPL	204.3	191.7	6.6	417.5	361.5	15.5
CAPL	18.2	17.6	3.4	106.5	18.1	488.4
Total depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets	222.5	209.3	6.3	524.0	379.6	38.0
Operating income	628.2	630.5	(0.4)	1,244.5	1,146.9	8.5
Excluding CAPL	14.3	7.3	95.9	(0.5)	1.0	154.4
CAPL	(0.2)	(0.8)	(75.0)	(0.3)	(0.1)	200.0
Elimination of intercompany transactions with CAPL	642.3	637.0	0.8	1,243.7	1,147.8	8.4
Net earnings including non-controlling interests	477.0	433.5	10.0	919.6	793.0	16.0
Net (earnings) loss attributable to non-controlling interests	(3.9)	(1.0)	290.0	9.1	4.2	116.7
Net earnings attributable to shareholders of the Corporation	473.1	432.5	9.4	928.7	797.2	16.5
Per Share Data:						
Basic net earnings per share (dollars per share)	0.84	0.76	10.5	1.65	1.40	17.9
Diluted net earnings per share (dollars per share)	0.84	0.76	10.5	1.64	1.40	17.1
Adjusted diluted net earnings per share (dollars per share)	0.84	0.80	5.0	1.72	1.47	17.0

	12-week periods ended			24-week periods ended		
	October 14, 2018	October 15, 2017	Variation %	October 14, 2018	October 15, 2017	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>						
Other Operating Data – excluding CAPL:						
Merchandise and service gross margin ⁽¹⁾ :						
Consolidated	34.8%	34.2%	0.6	34.7%	34.4%	0.3
United States	34.3%	33.2%	1.1	33.9%	33.2%	0.7
Europe	41.1%	42.0%	(0.9)	41.8%	42.0%	(0.2)
Canada	33.7%	34.6%	(0.9)	34.1%	34.8%	(0.7)
Growth of (decrease in) same-store merchandise revenues ⁽³⁾ :						
United States ⁽⁴⁾⁽¹³⁾	4.4%	0.7%		4.3%	1.0%	
Europe	4.6%	1.6%		6.0%	1.5%	
Canada ⁽⁴⁾⁽¹³⁾	5.1%	(1.6%)		5.9%	(0.9%)	
Road transportation fuel gross margin:						
United States (cents per gallon) ⁽⁴⁾	21.88	24.70	(11.4)	22.29	22.87	(2.5)
Europe (cents per liter)	8.75	9.54	(8.3)	8.98	9.38	(4.3)
Canada (CA cents per liter) ⁽⁴⁾	8.42	8.64	(2.5)	8.67	8.44	2.7
Total volume of road transportation fuel sold:						
United States (millions of gallons)	2,627.8	2,178.2	20.6	5,202.4	4,112.6	26.5
Europe (millions of liters)	2,696.9	2,661.3	1.3	5,373.3	5,325.5	0.9
Canada (millions of liters)	1,457.8	1,448.9	0.6	2,927.0	2,783.3	5.2
Growth of (decrease in) same-store road transportation fuel volume:						
United States ⁽⁴⁾⁽¹³⁾	1.2%	(0.7%)		0.9%	(0.2%)	
Europe	0.1%	(0.2%)		0.0%	(0.3%)	
Canada ⁽⁴⁾⁽¹³⁾	(2.2%)	(2.3%)		(2.7%)	(1.3%)	

(in millions of US dollars, unless otherwise stated)

	October 14, 2018	April 29, 2018 ⁽¹⁴⁾	Variation \$
Balance Sheet Data:			
Total assets (excluding \$1.2 billion and \$1.3 billion for CAPL as of October 14, 2018 and as of April 29, 2018, respectively)	21,594.1	21,862.7	(268.6)
Interest-bearing debt (excluding \$540.3 million and \$536.8 million for CAPL as of October 14, 2018 and as of April 29, 2018, respectively)	7,359.8	8,369.9	(1,010.1)
Shareholders' equity	8,279.8	7,560.4	719.4
Indebtedness Ratios⁽⁶⁾:			
Net interest-bearing debt/total capitalization ⁽⁶⁾	0.45 : 1	0.50 : 1	
Leverage ratio ⁽⁷⁾⁽¹¹⁾	2.09 : 1	2.46 : 1	
Adjusted leverage ratio ⁽⁸⁾⁽¹¹⁾	2.79 : 1	3.13 : 1	
Returns⁽⁶⁾:			
Return on equity ⁽⁹⁾⁽¹¹⁾	24.0%	24.8%	
Return on capital employed ⁽¹⁰⁾⁽¹²⁾	12.1%	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 stationary energy, marine fuel and aviation fuel.

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

(4) For company-operated stores only.

(5) These measures are presented as if our investment in CAPL was reported using the equity method as we believe it allows a more relevant presentation of the underlying performance of the Corporation.

(6) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and long-term debt, net of cash and cash equivalents and temporary investments. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in note 5. We believe this ratio is useful to investors and analysts.

(7) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments divided by EBITDA (Earnings before Interest, Tax, Depreciation, Amortization and Impairment) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in note 5. We believe this ratio is useful to investors and analysts.

(8) This measure is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt plus the product of eight times rent expense, net of cash and cash equivalents and temporary investments divided by EBITDAR (Earnings before Interest, Tax, Depreciation, Amortization, Impairment and Rent expense) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in note 5. We believe this measure is useful to investors and analysts.

(9) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity for the corresponding period. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. We believe this measure is useful to investors and analysts.

(10) This measure is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: earnings before income taxes and interests divided by average capital employed for the corresponding period. Capital employed represents total assets less short-term liabilities not bearing interests. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. We believe this measure is useful to investors and analysts.

(11) As of October 14, 2018, these ratios are presented for the 52-week period ended October 14, 2018 on a pro forma basis for the acquisition of Holiday. As of April 29, 2018, these ratios are presented for the 52-week period ended April 29, 2018 on a pro forma basis for the acquisition of CST and Holiday. CST's and Holiday's historical earnings and balance sheet figures have been adjusted to make their presentation in line with our policies.

(12) As of October 14, 2018 and as of April 29, 2018, this ratio is presented for the 52-week period ended October 14, 2018 and for the 52-week period ended April 29, 2018, respectively, on a pro forma basis for the acquisition of CST and Holiday. CST's and Holiday's historical earnings and balance sheet figures have been adjusted to make their presentation in line with our policies.

(13) Does not include CST stores for the 12 and 24-week period ended October 15, 2017.

(14) The information as of April 29, 2018, has been adjusted based on our estimates of the fair value of the assets acquired, the liabilities assumed and the goodwill for the Holiday acquisition.

Revenues

Our revenues were \$14.7 billion for the second quarter of fiscal 2019, up by \$2.6 billion, an increase of 21.1% compared with the corresponding quarter of fiscal 2018, mainly attributable to a higher average road transportation fuel selling price, to the contribution from acquisitions 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.

For the first half-year of fiscal 2019, our revenues increased by \$7.5 billion or 34.1% compared with the first half-year of fiscal 2018 mainly attributable to similar factors as those of the second quarter.

More specifically, total merchandise and service revenues for the second quarter of fiscal 2019 were \$3.5 billion, an increase of \$345.3 million compared with the corresponding quarter of fiscal 2018. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately \$390.0 million or 12.6%. This increase is primarily attributable to the contribution from acquisitions, which amounted to approximately \$251.0 million, and to organic growth, driven by successful traffic-aimed promotional activities. Same-store merchandise revenues increased by 4.4% in the United States, continuing on the improved trend from the last quarters. Same-store merchandise revenues increased by 4.9% in our CST U.S. stores network, driven by the success of our rebranding activities and improvements made to our offering. In Europe, same-store merchandise revenues increased by 4.6%, thanks to the success of our rebranding activities and the rollout and improvements of our food programs. In Canada, same-store merchandise revenues increased by 5.1%, mainly driven by strong performance of our CST Canada sites which posted same-store merchandise revenues of 13.0% and by higher taxes on cigarettes and other tobacco products.

For the first half-year of fiscal 2019, the growth in merchandise and service revenues was \$1.1 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 \$1.1 billion or 19.0%. Acquisitions contributed by approximately \$835.0 million to this increase. Same-store merchandise revenues grew by 4.3% in the United States, by 6.0% in Europe, and by 5.9% in Canada.

Total road transportation fuel revenues for the second quarter of fiscal 2019 were \$10.9 billion, an increase of \$2.1 billion compared with the corresponding quarter of fiscal 2018. Excluding CAPL's revenues, as well as the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues increased by approximately \$2.3 billion or 27.3%. This increase was attributable to the impact of a higher average road transportation fuel selling price, which had a positive impact of approximately \$1.4 billion and to the contribution from acquisitions, which amounted to approximately \$764.0 million. Same-store road transportation fuel volumes in the United States increased by 1.2%, including the nice performance of our CST U.S. network, which posted same-store road transportation fuel volumes growth of 2.1%. In Europe, same-store road transportation fuel volumes increased by 0.1% while in Canada, same-store road transportation fuel volumes decreased by 2.2%, still impacted by the transition to a new loyalty program in our Esso stores as well as by unfavorable weather conditions in the western part of the country.

For the first half-year of fiscal 2019, the growth in road transportation fuel revenues was \$6.2 billion. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel revenues increased by \$5.8 billion or 38.3%. This increase is attributable to the impact of a higher average road transportation fuel selling price, which had a positive impact of approximately \$3.1 billion, as well as to the contribution from acquisitions, which amounted to approximately \$2.6 billion. Same-store road transportation fuel volumes increased by 0.9% in the United States, remained stable in Europe and decreased by 2.7% in Canada.

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

Quarter	3 rd	4 th	1 st	2 nd	Weighted average
52-week period ended October 14, 2018					
United States (US dollars per gallon) – excluding CAPL	2.30	2.51	2.76	2.72	2.56
Europe (US cents per liter)	71.19	78.32	75.07	80.56	76.03
Canada (CA cents per liter)	108.11	110.39	117.95	115.22	112.63
53-week period ended October 15, 2017					
United States (US dollars per gallon) – excluding CAPL	2.18	2.25	2.21	2.47	2.28
Europe (US cents per liter)	61.87	62.46	61.39	68.23	63.58
Canada (CA cents per liter)	94.67	97.20	99.81	101.46	98.18

Total other revenues for the second quarter and first half-year of fiscal 2019 were \$346.8 million and \$688.3 million, respectively, an increase of \$74.6 million and \$168.7 million compared with the corresponding periods of fiscal 2018. Excluding CAPL's revenues, other revenues increased by \$75.5 million and by \$159.1 million in the second quarter and first half-year of fiscal 2019, respectively, primarily driven by an increase in other fuel demand and other fuel products average selling price.

Gross profit

Our gross profit was \$2.2 billion for the second quarter of fiscal 2019, up by \$121.9 million, an increase of 6.0% compared with the corresponding quarter of fiscal 2018, mainly attributable to the contribution from acquisitions and to organic growth, partly offset by lower fuel margins and by the net negative impact from the translation of our Canadian and European operations into US dollars.

In the second quarter of fiscal 2019, our merchandise and service gross profit was \$1.2 billion, an increase of \$136.4 million compared with the corresponding quarter of fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit increased by approximately \$152.0 million or 14.4%. This increase is attributable to the contribution from acquisitions, which amounted to approximately \$85.0 million and to our organic growth. Our gross margin increased by 1.1% in the United States to 34.3%, due to a different product mix and synergies, and decreased by 0.9% in Europe to 41.1%, due to a different geographical mix. In Canada, our gross margin decreased by 0.9% to 33.7%, mainly as a result of changes in our product mix as well as increased taxes on tobacco products.

During the first half-year of fiscal 2019, the consolidated merchandise and service gross profit was \$2.4 billion, an increase of \$399.6 million compared with the corresponding period of fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, consolidated merchandise and service gross profit increased by \$401.0 million or 19.8%. The gross margin was 33.9% in the United States, an increase of 0.7%, it was 41.8% in Europe, a decrease of 0.2%, while in Canada the gross margin was 34.1%, a decrease of 0.7%.

In the second quarter of fiscal 2019, our road transportation fuel gross profit was \$903.3 million, a decrease of \$12.4 million compared with the corresponding quarter of fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, our second quarter of fiscal 2019 road transportation fuel gross profit increased by approximately \$2.1 million or 0.2%. Our road transportation fuel gross margin was 21.88¢ per gallon in the United States, a decrease of 2.82¢ per gallon, compared to the unusual high fuel margin of same quarter last year as a result of volatility caused by the hurricanes in Texas and Florida last year. In Europe, the road transportation fuel gross margin was US 8.75¢ per liter, a decrease of US 0.79¢ per liter, mainly as a result of the net negative impact from the translation of our European operations into US dollars, while in Canada, the road transportation fuel gross margin was CA 8.42¢ per liter, a decrease of CA 0.22¢ per liter.

During the first half-year of fiscal 2019, the consolidated road transportation fuel gross profit was \$1.8 billion, an increase of \$195.8 million compared with the corresponding period of fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, consolidated road transportation fuel gross profit increased by \$173.3 million or 10.7%. The road transportation fuel gross margin was 22.29¢ per gallon in the United States, US 8.98¢ per liter in Europe and CA 8.67¢ per liter in Canada.

The road transportation fuel gross margin of our company-operated stores in the United States and the impact of expenses related to electronic payment modes for the last eight quarters, starting with the third quarter of the fiscal year ended April 30, 2017, were as follows:

(US cents per gallon)

Quarter	3 rd	4 th	1 st	2 nd	Weighted average
52-week period ended October 14, 2018					
Before deduction of expenses related to electronic payment modes	15.66	17.29	22.70	21.88	19.20
Expenses related to electronic payment modes	3.73	3.62	4.21	4.10	3.91
After deduction of expenses related to electronic payment modes	11.92	13.67	18.49	17.78	15.29
53-week period ended October 15, 2017					
Before deduction of expenses related to electronic payment modes	18.33	15.47	20.75	24.70	20.06
Expenses related to electronic payment modes	3.99	4.12	3.79	4.21	4.04
After deduction of expenses related to electronic payment modes	14.34	11.35	16.96	20.49	16.02

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.

In the second quarter and first half-year of fiscal 2019, other revenues gross profit was \$59.7 million and \$118.9 million, respectively, a decrease of \$2.1 million and an increase of \$4.8 million compared with the corresponding periods of fiscal 2018, respectively. Excluding CAPL's gross profit, other revenues gross profit decreased by \$1.2 million and \$4.8 million in the second quarter and first half-year of fiscal 2019, respectively.

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

For the second quarter and first half-year of fiscal 2019, expenses increased by 8.1% and 17.0%, respectively, compared with the corresponding periods of fiscal 2018, but increased by only 2.5% and 3.1%, respectively, if we exclude certain items as demonstrated by the following table:

	12-week period ended October 14, 2018	24-week period ended October 14, 2018
Total variance, as reported	8.1%	17.0%
Adjusted for:		
Increase from incremental expenses related to acquisitions	(6.6%)	(12.1%)
Decrease from the net impact of foreign exchange translation	1.4%	0.2%
Increase from higher electronic payment fees, excluding acquisitions	(0.9%)	(1.5%)
Acquisition costs recognized to earnings of fiscal 2018	0.7%	0.5%
Compensatory payment to CAPL for divestiture of assets	(0.5%)	(0.3%)
Acquisition costs recognized to earnings of fiscal 2019	(0.1%)	-
Decrease (increase) in CAPL's expenses	0.4%	(0.7%)
Remaining variance	2.5%	3.1%

Growth in expenses was primarily driven by higher minimum wages in certain regions, higher expenses needed to support our organic growth, by the conversion of CODO stores into company-operated stores and by proportionally higher operational expenses in our recently built stores, as these stores generally have a larger footprint and higher sales than the average of our existing network. 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 second quarter of fiscal 2019, EBITDA increased from \$854.6 million to \$870.2 million, a growth of 1.8% compared with the same quarter last year. Excluding the specific items shown in the table below from EBITDA of the second quarter of fiscal 2019 and of the corresponding period of fiscal 2018, the adjusted EBITDA for the second quarter of fiscal 2019 increased by \$13.3 million or 1.6% compared with the corresponding period of the previous fiscal year, mainly through the contribution from acquisitions and organic growth, partly offset by lower fuel margins and by the net negative impact from the translation of the results of our Canadian and European operations into US dollars. Acquisitions contributed approximately \$64.0 million to the adjusted EBITDA of the second quarter of fiscal 2019, while the variation in exchange rates had a net negative impact of approximately \$18.0 million.

During the first half-year of fiscal 2019, EBITDA increased from \$1,544.3 million to \$1,780.2 million, a growth of 15.3% compared with the same period last year. Excluding the specific items shown in the table below from EBITDA of the first half-year of fiscal 2019 and of the first half-year of fiscal 2018, the adjusted EBITDA for the first half-year of fiscal 2019 increased by \$195.5 million or 12.6% compared with the corresponding period of the previous fiscal year, mainly through the contribution from acquisitions and organic growth. Acquisitions contributed approximately \$207.0 million to the adjusted EBITDA of the first half-year of fiscal 2019, while the variation in exchange rates had a net negative impact of approximately \$8.0 million.

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

(in millions of US dollars)	12-week periods ended		24-week periods ended	
	October 14, 2018	October 15, 2017	October 14, 2018	October 15, 2017
Net earnings including non-controlling interests, as reported	477.0	433.5	919.6	793.0
Add:				
Income taxes	97.0	122.2	185.2	222.9
Net financial expenses	73.7	89.6	151.4	148.8
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets	222.5	209.3	524.0	379.6
EBITDA	870.2	854.6	1,780.2	1,544.3
Adjusted for:				
EBITDA attributable to non-controlling interests	(25.7)	(21.1)	(40.2)	(16.5)
Compensatory payment to CAPL for divestiture of assets, net of non-controlling interests	5.0	-	5.0	-
Restructuring costs attributable to shareholders of the Corporation (including \$5.2 million for our interest in CAPL for the 24-week period ended October 15, 2017)	4.8	-	6.3	38.0
Acquisition costs	0.7	3.4	1.2	6.7
Incremental costs related to hurricanes	-	4.8	-	4.8
Gain on disposal of a terminal	-	-	-	(11.5)
Gain on investment in CST	-	-	-	(8.8)
Adjusted EBITDA	855.0	841.7	1,752.5	1,557.0

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

For the second quarter and first half-year of fiscal 2019, our depreciation expense increased by \$13.2 million and \$144.4 million, respectively. Excluding CAPL’s results, as well as the \$55.0 million impairment charge on CAPL’s goodwill recorded in the first quarter of fiscal 2019, the depreciation expense increased by \$12.6 million and by \$56.0 million for the second quarter and first half-year of fiscal 2019, respectively, mainly driven by the impact from investments made through acquisitions, the replacement of equipment, the addition of new stores and the ongoing improvement of our network.

Net financial expenses

Net financial expenses for the second quarter of fiscal 2019 were \$73.7 million, a decrease of \$15.9 million compared with the second quarter of fiscal 2018. Excluding the net foreign exchange gain of \$3.7 million and the net foreign exchange loss of \$17.3 million as well as CAPL’s financial expenses of \$7.1 million and \$6.0 million recorded in the second quarters of fiscal 2019 and fiscal 2018, respectively, net financial expenses increased by \$3.9 million. This increase is mainly attributable to our higher average long-term debt in connection with our recent acquisitions, partly offset by the repayments made. The net foreign exchange gain of \$3.7 million for the second quarter of fiscal 2019 is mainly due to the impact of foreign exchange variations on certain cash balances and working capital items.

Net financial expenses for the first half-year of fiscal 2019 were \$151.4 million, an increase of \$2.6 million compared with the first half-year of fiscal 2018. Excluding the net foreign exchange gain of \$2.7 million and the net foreign exchange loss of \$37.6 million as well as CAPL’s financial expenses of \$14.1 million and \$7.1 million recorded in the first half-years of fiscal 2019 and fiscal 2018, respectively, net financial expenses increased by \$35.0 million for similar factors as those of the second quarter. The net foreign exchange gain of \$2.7 million for the first half-year of fiscal 2019 is mainly due to the impact of foreign exchange variations on certain cash balances and working capital items.

Income taxes

The income tax rate for the second quarter of fiscal 2019 was 16.9% compared with an income tax rate of 22.0% for the second quarter of fiscal 2018. The income tax rate for the second quarter of fiscal year 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 18.0%, a decrease compared to the second quarter of fiscal 2018, stemming from a lower statutory income tax rate in the U.S. For the first half-year of fiscal 2019, the income tax rate was 16.8%.

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

Net earnings for the second quarter of fiscal 2019 were \$473.1 million, compared with \$432.5 million for the second quarter of the previous fiscal year, an increase of \$40.6 million or 9.4%. Diluted net earnings per share stood at \$0.84, compared with \$0.76 the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net negative impact of approximately \$14.0 million on net earnings of the second quarter of fiscal 2019.

Excluding the items shown in the table below from net earnings of the second quarter of fiscal 2019 and of fiscal 2018, adjusted net earnings for the second quarter of fiscal 2019 would have been approximately \$473.0 million, compared with \$455.0 million for the second quarter of fiscal 2018, an increase of \$18.0 million or 4.0%. Adjusted diluted net earnings per share would have remained at \$0.84 for the second quarter of fiscal 2019 compared with \$0.80 for the corresponding period of fiscal 2018, an increase of 5.0%.

For the first half-year of fiscal 2019, net earnings were \$928.7 million, compared with \$797.2 million for the comparable period of fiscal 2018, an increase of \$131.5 million or 16.5%. Diluted net earnings per share stood at \$1.64, compared with \$1.40 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 \$7.0 million on net earnings of the first half-year of fiscal 2019.

Excluding the items shown in the table below from net earnings of the first half-year of fiscal 2019 and fiscal 2018, net earnings for the first half-year of fiscal 2019 would have been approximately \$970.0 million, compared with \$836.0 million for the comparable period of the previous year, an increase of \$134.0 million or 16.0%. Adjusted diluted net earnings per share would have been \$1.72 for the first half-year of fiscal 2019, compared with \$1.47 for the corresponding period of fiscal 2018, an increase of 17.0%.

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

(in millions of US dollars)	12-week periods ended		24-week periods ended	
	October 14, 2018	October 15, 2017	October 14, 2018	October 15, 2017
Net earnings attributable to shareholders of the Corporation, as reported	473.1	432.5	928.7	797.2
Adjusted for:				
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	(6.2)	-	(6.2)	-
Compensatory payment to CAPL for divestiture of assets, net of non-controlling interests	5.0	-	5.0	-
Restructuring costs – attributable to shareholders of the Corporation	4.8	-	6.3	38.0
Net foreign exchange loss (gain)	(3.7)	17.3	(2.7)	37.6
Acquisition costs	0.7	3.4	1.2	6.7
Impairment charge on CAPL’s goodwill	-	-	55.0	-
Incremental costs related to hurricanes	-	4.8	-	4.8
Tax benefit stemming from an internal reorganization	-	-	-	(13.4)
Gain on disposal of a terminal	-	-	-	(11.5)
Gain on investment in CST	-	-	-	(8.8)
Accelerated depreciation and amortization expense	-	4.2	-	7.9
Tax impact of the items above and rounding	(0.7)	(7.2)	(17.3)	(22.5)
Adjusted net earnings attributable to shareholders of the Corporation	473.0	455.0	970.0	836.0

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.

Financial Position as at October 14, 2018

As shown by our indebtedness ratios included in the “Summary analysis of consolidated results for the second quarter and first half-year of fiscal 2019” section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to \$22.8 billion as at October 14, 2018, a decrease of \$321.6 million over the balance as at April 29, 2018, primarily from the negative effect of the variation in exchange rates at the balance sheet date.

During the 52-week period ended on October 14, 2018, we recorded a return on capital employed of 12.1%.

Significant balance sheet variations are explained as follows:

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

Long-term debt and current portion of long-term debt decreased by \$1.0 billion, from \$8.9 billion as at April 29, 2018, to \$7.9 billion as at October 14, 2018, mainly as a result of net payments of \$962.8 million made on our revolving unsecured operating credit, in addition to the impact of the weakening of the Canadian dollar and Euro against the US dollar, which was approximately \$55.0 million.

Equity

Equity attributable to shareholders of the corporation amounted to \$8.3 billion as at October 14, 2018, up \$719.4 million compared with April 29, 2018, mainly reflecting net earnings for the first half-year of fiscal 2019, partly offset by other comprehensive loss, as well as dividends declared for the first half-year of fiscal 2019. For the 52-week period ended October 14, 2018, we recorded a return on equity of 24.0%.

As at October 14, 2018, non-controlling interests' equity amounted to \$289.8 million, a decrease of \$37.2 million compared with April 29, 2018, mainly reflecting non-controlling interests' share in CAPL's losses and distributions.

Liquidity and Capital Resources

Our sources of liquidity remain unchanged compared with the fiscal year ended April 29, 2018, with the exception of operating credit F which was canceled during the second quarter of 2019. For further information, please refer to our 2018 Annual Report. With respect to our capital expenditures and acquisitions of the first half-year of fiscal 2019, they were financed using available cash as well as our existing revolving credit facilities. We expect that cash generated from operations together with borrowings available under our revolving unsecured credit facilities will be adequate to meet our liquidity needs in the foreseeable future.

Our revolving credit facilities are detailed as follow:

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

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2,525.0 million. As at October 14, 2018, \$434.6 million of our operating credit D had been used. As at the same date, the weighted average effective interest rate was 3.531% and standby letters of credit in the amount of \$19.6 million were outstanding.

In November 2018, subsequent to the second quarter of fiscal 2019, we amended our operating Credit D to extend its maturity to December 2023 and to increase the maximum amount of the unsecured line of credit from \$50.0 million to \$115.0 million. All other conditions related to this credit agreement remain unchanged.

CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation maturing in April 2020

CAPL has a credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of \$650.0 million, under which swing-line loans may be drawn up to \$25.0 million and standby letters of credit may be issued up to an aggregate amount of \$45.0 million. This facility is without recourse to the Corporation.

As at October 14, 2018, \$516.5 million of CAPL's revolving credit facility had been used. At the same date, the effective interest rate was 4.660%, standby letters of credit in the amount of \$5.3 million were outstanding, and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

Available liquidities

As at October 14, 2018, excluding CAPL's revolving credit facility, a total of approximately \$2.1 billion was available under our revolving unsecured operating credit facility and we were in compliance with the restrictive covenants and ratios imposed by the credit agreement at that date. Thus, as at the same date, excluding CAPL's cash and revolving credit facility, we had access to approximately \$2.7 billion through our available cash and revolving unsecured operating credit facility.

Selected Consolidated Cash Flow Information

	12-week periods ended			24-week periods ended		
	October 14, 2018	October 15, 2017	Variation	October 14, 2018	October 15, 2017	Variation
(In millions of US dollars)						
Operating activities						
Net cash provided by operating activities	667.7	471.3	196.4	1,382.2	992.8	389.4
Investing activities						
Purchase of property and equipment, intangible assets and other assets	(206.4)	(229.9)	23.5	(408.4)	(412.4)	4.0
Proceeds from disposal of property and equipment and other assets	26.7	40.2	(13.5)	80.9	68.3	12.6
Restricted cash	16.0	(18.3)	34.3	10.5	(14.2)	24.7
Business acquisitions	(4.7)	(4.3)	(0.4)	(4.7)	(3,578.9)	3,574.2
Proceeds from disposal of CST's assets held for sale	-	143.0	(143.0)	-	895.5	(895.5)
Deposit for business acquisition	-	(2.8)	2.8	-	(2.8)	2.8
Proceeds from disposal of an available-for-sale investment	-	-	-	-	91.6	(91.6)
Net cash used in investing activities	(168.4)	(72.1)	(96.3)	(321.7)	(2,952.9)	2,631.2
Financing activities						
Net decrease in term revolving unsecured operating credit D	(504.0)	(1,059.2)	555.2	(962.8)	(694.5)	(268.3)
Cash dividends paid	(86.5)	(82.5)	(4.0)	(86.5)	(82.5)	(4.0)
Net (decrease) increase in other debts	(15.4)	51.7	(67.1)	(23.7)	41.2	(64.9)
CAPL distributions paid to non-controlling interests	(14.1)	(16.8)	2.7	(28.1)	(16.8)	(11.3)
Net (decrease) increase in CAPL senior secured revolving credit facility	(0.5)	(15.0)	14.5	4.6	(15.0)	19.6
Exercise of stock options	0.1	-	0.1	0.1	-	0.1
Settlements of derivative financial instruments	-	0.5	(0.5)	3.0	(20.7)	23.7
Issuance of senior unsecured notes, net of financing costs	-	3,041.6	(3,041.6)	-	3,041.6	(3,041.6)
Net (decrease) increase in acquisition facility, net of financing costs	-	(1,780.8)	1,780.8	-	1,168.7	(1,168.7)
Repayments of debts assumed on the CST acquisition	-	(577.1)	577.1	-	(1,075.9)	1,075.9
Net cash (used in) provided by financing activities	(620.4)	(437.6)	(182.8)	(1,093.4)	2,346.1	(3,439.5)
Credit ratings				BBB	BBB	
S&P Global Ratings – Corporate credit rating				Baa2	Baa2	
Moody's – Senior unsecured notes credit rating						

Operating activities

During the second quarter of fiscal 2019, net cash from our operations reached \$667.7 million, up \$196.4 million compared with second quarter of fiscal 2018, mainly due to changes in working capital and higher net earnings. During the first half-year of fiscal 2019, net cash from our operations reached \$1,382.2 million, up \$389.4 million compared with the corresponding period of fiscal year 2018, mainly due to higher net earnings and changes in working capital.

Investing activities

During the second quarter of fiscal 2019, net investments in property and equipment, intangible assets and other assets amounted to \$179.7 million. During the first half-year of fiscal 2019, net investments in property and equipment, intangible assets and other assets amounted to \$327.5 million.

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

Financing activities

During the second quarter and first half-year of fiscal 2019, we repaid net amounts of \$504.0 million and \$962.8 million, respectively, on our revolving unsecured operating credit.

During the second quarter and first half-year of fiscal 2019, we also distributed \$86.5 million in dividends.

Contractual Obligations and Commercial Commitments

Other than the changes in our long-term debt described above, there were no major changes with respect to our contractual obligations and commercial commitments during the 24-week period ended October 14, 2018. For more information, please refer to our 2018 Annual Report.

Internal Controls over Financial Reporting

We maintain a system of internal controls over financial reporting designed to safeguard assets and ensure that financial information is reliable. We also maintain a system of disclosure controls and procedures designed to ensure, in all material respects, the reliability, completeness and timeliness of the information we disclose in this MD&A and other public disclosure documents. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed with securities regulatory agencies is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As at October 14, 2018, except for the exclusion of Holiday's internal controls described below, our management, following its assessment, certifies the design and operating effectiveness of the Corporation's disclosure controls and procedures.

We undertake ongoing evaluations of the effectiveness of our internal controls over financial reporting and implement control enhancements, when appropriate. As at April 29, 2018, our management and our external auditors reported that these internal controls were effective.

We exclude Holiday's internal control over financial reporting from our evaluation of the overall effectiveness of our internal control over financial reporting. This is due to the size and timing of this transaction, which occurred on December 22, 2017. The limitation is primarily based on the time required to assess Holiday's controls over financial reporting and to confirm they are consistent with ours, as permitted by the Canadian Securities Administrator's National Instrument 52-109 for 365 days following an acquisition. We expect to finalize our assessment during the third quarter of fiscal 2019.

Holiday's results since the acquisition date are included in our consolidated financial statements and constituted approximately 8.4% of total consolidated assets as of October 14, 2018, approximately 6.4% of consolidated revenues and 6.5% of consolidated net earnings attributable to shareholders for the 24-week period ending on that date.

Selected Quarterly Financial Information

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

(in millions of US dollars except for per share data)	24-week period ended October 14, 2018		52-week period ended April 29, 2018				Extract from 53-week period ended April 30, 2017	
	2 nd 12 weeks	1 st 12 weeks	4 th 12 weeks	3 rd 16 weeks	2 nd 12 weeks	1 st 12 weeks	4 th 13 weeks	3 rd 16 weeks
Revenues	14,702.8	14,786.5	13,614.8	15,791.8	12,140.6	9,847.2	9,622.6	11,415.8
Operating income before depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets	864.8	902.9	705.2	714.9	846.3	681.1	514.4	628.7
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets	222.5	301.5	240.8	290.2	209.3	170.3	154.4	210.1
Operating income	642.3	601.4	464.4	424.7	637.0	510.8	360.0	418.6
Share of earnings of joint ventures and associated companies accounted for using the equity method	5.4	7.1	5.9	9.2	8.3	8.6	7.2	8.4
Net financial expenses	73.7	77.7	75.6	110.9	89.6	59.2	46.0	43.3
Net earnings including non-controlling interests	477.0	442.6	395.2	489.3	433.5	359.5	277.6	287.0
Net (earnings) loss attributable to non-controlling interests	(3.9)	13.0	(4.2)	(6.9)	(1.0)	5.2	-	-
Net earnings attributable to shareholders of the Corporation	473.1	455.6	391.0	482.4	432.5	364.7	277.6	287.0
Net earnings per share								
Basic	\$0.84	\$0.81	\$0.69	\$0.86	\$0.76	\$0.64	\$0.49	\$0.51
Diluted	\$0.84	\$0.81	\$0.69	\$0.86	\$0.76	\$0.64	\$0.49	\$0.50

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

Outlook

For fiscal 2019, our focus will remain the integration of our recent acquisitions into our network and the identification and realization of associated synergies. We will continue the implementation of some of our Circle K concepts into these sites and work towards increasing traffic to sites while sustaining margins and controlling our costs.

We will keep up the rollout momentum of our new global convenience brand, Circle K, throughout North America, Europe and our licensed stores worldwide. We are setting out to make it a little bit easier every day for existing and new customers. Our vision remains for Circle K to become the world's preferred destination for convenience and fuel, with a fresh look and feel and even better products for people on the go, with fast and friendly service.

November 27, 2018

The following unaudited interim condensed consolidated financial statements have not been subject to a review engagement by the Corporation's external auditors.