

Q1 2019

ALIMENTATION COUCHE-TARD INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12-week period ended July 22, 2018



CONSOLIDATED STATEMENTS OF EARNINGS

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

For the 12-week periods ended	July 22, 2018	July 23, 2017
	\$	\$
Revenues	14,786.5	9,847.2
Cost of sales	12,569.4	8,108.4
Gross profit	2,217.1	1,738.8
Operating, selling, administrative and general expenses	1,312.5	1,031.3
Restructuring costs	1.5	43.2
Loss (gain) on disposal of property and equipment and other assets (Note 5)	0.2	(16.8)
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets (Note 6)	301.5	170.3
Total operating expenses	1,615.7	1,228.0
Operating income	601.4	510.8
Share of earnings of joint ventures and associated companies accounted for using the equity method	7.1	8.6
Financial expenses	79.4	40.8
Financial revenues	(2.7)	(1.9)
Foreign exchange loss	1.0	20.3
Net financial expenses	77.7	59.2
Earnings before income taxes	530.8	460.2
Income taxes	88.2	100.7
Net earnings including non-controlling interests	442.6	359.5
Net loss attributable to non-controlling interests	13.0	5.2
Net earnings attributable to shareholders of the Corporation	455.6	364.7
Net earnings per share (Note 8)		
Basic	0.81	0.64
Diluted	0.81	0.64
Weighted average number of shares – basic (in thousands)	564,223	568,452
Weighted average number of shares – diluted (in thousands)	564,945	569,359
Number of shares outstanding at the end of period (in thousands)	564,225	568,452

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 22, 2018	July 23, 2017
	\$	\$
Net earnings including non-controlling interests	442.6	359.5
Other comprehensive income (loss)		
Items that may be reclassified subsequently to earnings		
Translation adjustments		
Change in cumulative translation adjustments ⁽¹⁾	(82.9)	97.0
Change in fair value and net interest on cross-currency interest rate swaps designated as a hedge of the Corporation's net investment in certain of its foreign operations ⁽²⁾	(42.9)	107.1
Cash flow hedges		
Change in fair value of financial instruments ⁽²⁾	0.7	(7.1)
Loss (gain) realized on financial instruments transferred to earnings ⁽²⁾	0.8	(0.1)
Available-for-sale investment		
Change in fair value of an available-for-sale investment ⁽²⁾	-	(3.4)
Gain realized on an available-for-sale investment transferred to earnings ⁽²⁾	-	(8.8)
Items that will never be reclassified to earnings		
Net actuarial loss ⁽³⁾	(7.3)	-
Other comprehensive income (loss)	(131.6)	184.7
Comprehensive income including non-controlling interests	311.0	544.2
Comprehensive loss attributable to non-controlling interests	13.0	5.2
Comprehensive income attributable to shareholders of the Corporation	324.0	549.4

(1) For the 12-week periods ended July 22, 2018 and July 23, 2017, these amounts include a loss of \$112.5 (net of income taxes of \$17.2) and a gain of \$72.7 (net of income taxes of \$11.5), respectively. These losses and gains arise from the translation of long-term debts denominated in foreign currencies.

(2) For the 12-week periods ended July 22, 2018 and July 23, 2017, these amounts are net of income taxes of nil and \$0.2, respectively.

(3) For the 12-week period ended July 22, 2018, this amount is net of income taxes of \$2.1.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of US dollars, unaudited)

For the 12-week period ended	July 22, 2018 (Adjusted, Note 1)						
	Attributable to the shareholders of the Corporation						
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 9)	Total	Non-controlling interests	Equity
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	704.0	17.7	7,405.0	(566.3)	7,560.4	327.0	7,887.4
Adoption of IFRS 15 (Note 2)			(4.1)		(4.1)	-	(4.1)
Restated balance, beginning of period	704.0	17.7	7,400.9	(566.3)	7,556.3	327.0	7,883.3
Comprehensive income:							
Net earnings			455.6		455.6	(13.0)	442.6
Other comprehensive loss				(131.6)	(131.6)	-	(131.6)
Comprehensive income					324.0	(13.0)	311.0
Dividends declared			(43.3)		(43.3)		(43.3)
Distributions to non-controlling interests						(14.0)	(14.0)
Stock option-based compensation expense		1.4			1.4		1.4
Initial fair value of stock options exercised	0.5	(0.5)			-		-
Balance, end of period	704.5	18.6	7,813.2	(697.9)	7,838.4	300.0	8,138.4

For the 12-week period ended	July 23, 2017 (Adjusted, Note 1)						
	Attributable to the shareholders of the Corporation						
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 9)	Total	Non-controlling interests	Equity
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	708.7	15.7	6,083.5	(798.3)	6,009.6	-	6,009.6
Acquisition of control of CAPL						370.6	370.6
Comprehensive income:							
Net earnings			364.7		364.7	(5.2)	359.5
Other comprehensive income				184.7	184.7	-	184.7
Comprehensive income					549.4	(5.2)	544.2
Dividends declared			(47.0)		(47.0)		(47.0)
Stock option-based compensation expense		0.6			0.6		0.6
Balance, end of period	708.7	16.3	6,401.2	(613.6)	6,512.6	365.4	6,878.0

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 22, 2018	July 23, 2017
	\$	\$
Operating activities		
Net earnings including non-controlling interests	442.6	359.5
Adjustments to reconcile net earnings including non-controlling interests to net cash provided by operating activities		
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets, and amortization of financing costs, net of amortization of deferred credits (Note 6)	299.0	165.9
Deferred credits	5.8	7.4
Deferred income taxes	(14.4)	(15.3)
Share of earnings of joint ventures and associated companies accounted for using the equity method, net of dividends received	(2.7)	(4.5)
Loss (gain) on disposal of property and equipment and other assets (Note 5)	0.2	(16.8)
Other	3.0	44.7
Changes in non-cash working capital	(19.0)	(19.4)
Net cash provided by operating activities	714.5	521.5
Investing activities		
Purchase of property and equipment, intangible assets and other assets	(202.0)	(182.5)
Proceeds from disposal of property and equipment and other assets (Note 5)	54.2	28.1
Restricted cash	(5.5)	4.1
Business acquisitions (Note 3)	-	(3,574.6)
Proceeds from disposal of CST's assets held for sale	-	752.5
Proceeds from disposal of an available-for-sale investment	-	91.6
Net cash used in investing activities	(153.3)	(2,880.8)
Financing activities		
Net (decrease) increase in term revolving unsecured operating credit D (Note 7)	(458.8)	364.7
CAPL distributions paid to non-controlling interests (Note 4)	(14.0)	-
Net decrease in other debts (Note 7)	(8.3)	(10.5)
Net increase in CAPL senior secured revolving credit facility (Note 7)	5.1	-
Settlement of derivative financial instruments	3.0	(21.2)
Net increase in acquisition facility, net of financing costs (Note 7)	-	2,949.5
Repayment of debts assumed on the CST acquisition	-	(498.8)
Net cash (used) provided by financing activities	(473.0)	2,783.7
Effect of exchange rate fluctuations on cash and cash equivalents	(15.0)	(28.0)
Net increase in cash and cash equivalents	73.2	396.4
Cash and cash equivalents, beginning of period	666.2	637.6
Cash and cash equivalents, end of period	739.4	1,034.0
Supplemental information:		
Interest paid	84.7	57.6
Interest and dividends received	5.4	7.5
Income taxes paid	49.4	42.5
Cash and cash equivalents components:		
Cash and demand deposits	739.4	901.5
Liquid investments	-	132.5
	739.4	1,034.0

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

CONSOLIDATED BALANCE SHEETS

(in millions of US dollars, unaudited)

	As at July 22, 2018	As at April 29, 2018 (Adjusted, Note 1)
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	739.4	666.2
Restricted cash	25.1	19.6
Accounts receivable	2,153.2	2,006.4
Inventories	1,375.0	1,369.0
Prepaid expenses	77.9	106.5
Assets held for sale (Note 5)	84.7	73.8
Other short-term financial assets	-	1.8
Income taxes receivable	52.2	233.8
	4,507.5	4,477.1
Property and equipment	11,081.9	11,275.9
Goodwill (Note 6)	5,744.9	5,858.2
Intangible assets	1,010.7	1,048.0
Other assets	298.6	303.1
Investment in joint ventures and associated companies	141.6	139.4
Deferred income taxes	56.2	57.5
	22,841.4	23,159.2
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,879.4	3,812.8
Short-term provisions	157.7	179.4
Liabilities associated with assets held for sale (Note 5)	6.2	5.8
Income taxes payable	85.0	147.1
Current portion of long-term debt (Note 7)	45.4	44.5
	4,173.7	4,189.6
Long-term debt (Note 7)	8,338.7	8,861.4
Long-term provisions	620.3	610.4
Pension benefit liability	99.0	100.0
Other long-term financial liabilities	216.4	173.5
Income taxes payable	-	58.9
Deferred credits and other liabilities	348.1	351.3
Deferred income taxes	906.8	926.7
	14,703.0	15,271.8
Equity		
Capital stock (Note 10)	704.5	704.0
Contributed surplus	18.6	17.7
Retained earnings	7,813.2	7,405.0
Accumulated other comprehensive loss (Note 9)	(697.9)	(566.3)
Equity attributable to shareholders of the Corporation	7,838.4	7,560.4
Non-controlling interests (Note 4)	300.0	327.0
	8,138.4	7,887.4
	22,841.4	23,159.2

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

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

These interim financial statements have not been subject to a review engagement by the Corporation’s external auditors and have been prepared in accordance with the same accounting policies and methods as the audited annual consolidated financial statements for the year ended April 29, 2018, except for the new accounting policies disclosed below. The interim financial statements do not include all the information required for complete financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Corporation’s 2018 Annual Report. The results of operations for the interim periods presented do not necessarily reflect results expected for the full fiscal year. The Corporation’s business follows a seasonal pattern. The busiest period is the first half-year of each fiscal year, which includes summer’s sales.

On September 5, 2018, the Corporation’s interim financial statements were approved by the Board of Directors.

Comparative figures

During the first quarter of fiscal 2019, the Corporation has made adjustments to its estimates of the fair value of assets acquired and liabilities assumed for the acquisition of Holiday Stationstores, LLC (Note 3). As a result, changes were made to the following consolidated balance sheet accounts as at April 29, 2018: Property and equipment increased by \$187.3 (net of a \$2.1 depreciation expense), Intangible assets increased by \$13.7 (net of a \$2.1 depreciation expense), Investment in joint ventures and associated companies increased by \$16.1, Current portion of long-term debt increased by \$1.6, Long-term debt increased by \$17.4, Deferred credits and other liabilities increased by \$3.8 and Deferred income taxes decreased by \$1.2. Consequently, Goodwill decreased by \$198.5. These changes resulted in a \$4.2 increase in Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets and a \$1.2 decrease in income taxes in the consolidated statement of earnings for the fiscal year ended April 29, 2018 which are reflected in Retained earnings on the consolidated balance sheets.

During the fiscal year ended April 29, 2018, the Corporation has made adjustments and finalized its estimates of the fair value of assets acquired and liabilities assumed for the acquisitions of CST Brands Inc. (“CST”) and CrossAmerica Partners LP (“CAPL”). As a result, changes were made to consolidated balance sheet accounts as at July 23, 2017, including to non-controlling interests and to long-term assets which are reflected in the consolidated statement of changes in equity and in Note 11, respectively.

2. ACCOUNTING POLICIES

New accounting policies adopted during the current year

Financial Instruments

In July 2014, the IASB completed IFRS 9, “Financial Instruments”, in its three-part project to replace IAS 39, “Financial Instruments: Recognition and Measurement” with a single approach to determine whether a financial asset is measured at amortized cost or fair value. The standard includes three requirements for recognition and measurement, impairment and general hedge accounting, which, as of April 30, 2018, were applied as follows:

The first requirement, recognition and measurement, which was applied retrospectively, requires a new classification of financial assets and liabilities under IFRS 9. The Corporation’s financial instruments are accounted for as follows under IFRS 9 as compared to the Corporation’s previous policy in accordance with IAS 39:

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Financial instrument	Classification – IAS 39	Classification – IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Investments	Financial assets available for sale	Fair value through earnings or loss (unless fair value through Other comprehensive income (OCI) elected)
Deferred compensation assets (Pension defined contribution)	Effective hedging instrument	Fair value through OCI (with recycling)
Derivative financial instruments	Financial assets/liabilities at fair value through earnings or loss	Fair value through earnings or loss
Derivative financial instruments designated as hedges	Effective hedging instruments	Fair value through OCI (with recycling)
Bank indebtedness and long term debt	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Since IFRS 9 largely retains requirements under IAS 39, this section had no significant impact on the Corporation's Interim financial statements.

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

The third requirement, general hedge accounting, entails that the Corporation must ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Corporation has elected not to adopt this requirement and to apply the general hedge accounting requirements of IAS 39 for the 12-week period ended July 22, 2018.

Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", to specify how and when to recognize revenue as well as requiring the provision of more informative and relevant disclosures. IFRS 15 supersedes IAS 18, "Revenue", IAS 11, "Construction Contracts", and other revenue-related interpretations. As of April 30, 2018, the Corporation adopted this standard retrospectively without restatement of comparative amounts.

The Corporation analyzed the impact of the new standard by comparing its current accounting policy with the new guidance, and identified the differences from applying the new requirements to its different revenue streams. Under the previous accounting policy, the Corporation recognized initial franchise fees when all of the initial services required by the franchise agreement were performed, when there were no material unfulfilled conditions affecting completion of the sale and when there was no remaining obligation or intent to refund amounts received, which generally occurred when the franchise store opened. Under the new accounting policy, the Corporation recognize a portion of the initial fees when the franchise store open and defers remaining revenue over the estimated term of the related franchise agreement. As a result, the Corporation adjusted initial franchise fees revenue of \$4.1 (net of income taxes of \$1.3) to Retained earnings, with an offset to Deferred credits and other liabilities, Accounts payable and accrued liabilities and Income taxes payable.

Classification and Measurement of Share-based Payment Transactions

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Recently issued accounting policies but not yet implemented

Leases

In January 2016, the IASB issued IFRS 16, "Leases", which will replace IAS 17, "Leases". The new standard will be effective for the Corporation's fiscal year beginning on April 29, 2019, with early adoption permitted. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria.

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

The following table outlines the key areas that will be impacted by the adoption of IFRS 16:

Impacted areas of the business	Analysis	Impact
Financial reporting	The analysis includes which contracts will be in scope as well as the options available under the new standard, such as whether to early adopt the two recognition and measurement exemptions and whether to apply the new standard on a full retrospective application in accordance with IAS 8 or retrospectively without restatement of comparative amounts.	The Corporation is in the process of analyzing the full impact of the adoption of IFRS 16 on the Corporation's consolidated balance sheets and consolidated statement of earnings and comprehensive income. As at July 22, 2018, the Corporation intends to adopt IFRS 16 for its fiscal year beginning April 29, 2019 retrospectively without restatement of comparative amounts and to use the exemptions for short-term leases and leases for which the underlying asset is of low-value.
Information systems	The Corporation is analyzing the need to make changes within its information systems environment to optimize the management of more than 9,000 leases that will fall within the scope of the new standard.	The Corporation has evaluated different IT solutions for the eventual recognition and measurement of leases in scope. An IT solution has been selected and is currently being implemented.
Internal controls	The Corporation will be performing an analysis of the changes to the control environment as a result of the adoption of IFRS 16.	The Corporation is currently evaluating the impact of IFRS 16 on its control environment.
Stakeholders	The Corporation will be performing an analysis of the impact on the disclosure to its stakeholders as a result of the adoption of IFRS 16.	The Corporation has begun discussing the impact of IFRS 16 to internal and external stakeholders.

3. BUSINESS ACQUISITIONS

Acquisition of Holiday Stationstores, LLC.

On December 22, 2017, the Corporation acquired all the membership interest of Holiday Stationstores, LLC and certain affiliated companies ("Holiday") for a total cash consideration of approximately \$1.6 billion plus contingent consideration. The fair value of the contingent consideration, which is based on specific results achieved over a three-year period, was estimated at \$25.0 using the Corporation's best estimate at the acquisition date. Holiday is an important convenience store and fuel player in the U.S. Midwest region. As of the closing of the transaction, it had 516 sites, of which 373 were operated by Holiday and 143 were operated by franchisees, as well as 27 dealer contracts. Holiday also operates a strong car wash business with 234 locations as at closing date, 2 food commissaries and a fuel terminal in Newport, Minnesota. Its stores are located in Minnesota, Wisconsin, Washington State, Idaho, Montana, Wyoming, North Dakota, South Dakota, Michigan and Alaska.

The Corporation has not yet completed its fair value assessment of the assets acquired, the liabilities assumed and goodwill. Consequently, part of the fair value adjustments, mainly for taxes and intangible assets, are included in goodwill in the preliminary fair value assessment of the assets acquired and the liabilities assumed. The preliminary estimates thereof are subject to material adjustments to the fair value of the assets, liabilities and goodwill until the process is completed.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Preliminary estimate as at April 29, 2018	Changes in Q1	Adjusted estimate
Tangible assets acquired			
Cash and cash equivalents	13.6	-	13.6
Accounts receivable ^(a)	64.3	-	64.3
Inventories	69.5	-	69.5
Prepaid expenses	4.2	-	4.2
Property and equipment	459.2	189.4	648.6
Other assets	15.4	-	15.4
Investment in joint ventures and associated companies	2.9	16.1	19.0
Total tangible assets	629.1	205.5	834.6
Liabilities assumed			
Accounts payable and accrued liabilities	194.9	-	194.9
Provisions	28.5	-	28.5
Long-term debt	3.2	19.0	22.2
Deferred credits and other liabilities	1.0	3.8	4.8
Total liabilities	227.6	22.8	250.4
Net tangible assets acquired	401.5	182.7	584.2
Intangible assets	60.8	15.8	76.6
Goodwill	1,195.9	(198.5)	997.4
Total consideration	1,658.2	-	1,658.2
Consideration receivable	4.4	-	4.4
Contingent consideration payable	(25.0)	-	(25.0)
Cash and cash equivalents acquired	(13.6)	-	(13.6)
Net cash flow for the acquisition	1,624.0	-	1,624.0

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

The Corporation expects that all of the goodwill related to this transaction will be deductible for tax purposes.

The Holiday acquisition was concluded in order to penetrate new markets and to increase its economies of scale, and was financed using the Corporation's available cash and existing credit facilities.

4. CROSSAMERICA PARTNERS LP

As at July 22, 2018, the Corporation owns 100% of the equity interests of the sole member of the General Partner, 100% of the incentive distribution rights ("IDRs") and 21.74% of the outstanding common units of CAPL.

CAPL's accounting periods do not coincide with the Corporation's accounting periods. The consolidated statement of earnings, comprehensive income, changes in equity and cash flows for the 12-week period ended July 22, 2018 include those of CAPL for the period beginning April 1, 2018 and ending June 30, 2018, adjusted for significant transactions, if any. The consolidated balance sheet as at July 22, 2018 includes the balance sheet of CAPL as at June 30, 2018, adjusted for significant transactions, if any.

The table below highlights the results of CAPL's operations and certain of its financial metrics since April 1, 2018 and included in these interim financial statements prepared in accordance with IFRS:

Statement of Earnings for the periods from ⁽¹⁾	April 1, 2018 to June 30, 2018	June 28, 2017 to June 30, 2017
	\$	\$
Revenues	675.3	17.3
Gross profit	48.2	1.7
Total operating expenses (excluding depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets)	29.8	7.3
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets and other assets	33.3	0.5
Net financial expenses	7.0	0.2
Loss before income taxes	(21.9)	(6.3)
Income tax recovery	(5.3)	-
Net loss	(16.6)	(6.3)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Statement of Cash Flow for the periods from⁽¹⁾	April 1, 2018 to June 30, 2018	June 28, 2017 to June 30, 2017
	\$	\$
Net cash provided by (used in) operating activities	15.0	(4.4)
Net cash used in investing activities	(4.5)	-
Net cash used in financing activities, including \$14.0 of distributions paid to the non-controlling interests	(9.6)	-
Balance Sheet as at⁽¹⁾	June 30, 2018	March 31, 2018
	\$	\$
Cash and cash equivalents	2.5	1.7
Current assets (other than cash and cash equivalents)	71.9	68.0
Long-term assets	1,196.9	1,224.9
Current liabilities	76.7	64.9
Long-term liabilities	660.7	665.2

(1) Adjusted for significant transactions, if any

5. DISPOSAL OF BUSINESS AND OTHER ASSETS

Statoil Fuel & Retail Marine AS

On November 27, 2017, the Corporation reached an agreement to sell 100% of its shares in Statoil Fuel & Retail Marine AS to St1 Norge AS. The transaction is subject to the customary regulatory approvals and closing conditions and is expected to close during fiscal year 2019.

Therefore, as at July 22, 2018, criteria for its classification as an asset held for sale had been met. The Corporation's marine fuel business' contribution to each line of its consolidated balance sheets has been grouped under the lines "Assets held for sale" and "Liabilities associated with assets held for sale".

Disposal of retail sites

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. These stores, which will continue to be operated by the Corporation, were previously acquired through the CST acquisition.

6. GOODWILL

	As at July 22, 2018	As at April 29, 2018 (Adjusted, Note 1)
	\$	\$
Net book amount, beginning of year	5,858.2	2,370.2
Impairment of CAPL	(55.0)	-
Disposal of sites (Note 5)	(18.6)	-
Business acquisitions (Note 3)	-	3,407.1
Reclassified to assets held for sale	-	(4.4)
Effect of exchange rate variations	(39.7)	85.3
Net book amount, end of period	5,744.9	5,858.2

During the first quarter of fiscal 2019, the Corporation performed its annual goodwill impairment test. As a result of the decrease in the market capitalization of the cash generating unit ("CGU") CAPL, which is fully included in the United States geographic area, and the decrease in the fair value of the IDRs (Note 4), a \$55.0 impairment loss on Goodwill was recorded to Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets in the consolidated statement of earnings for the 12-week period ended July 22, 2018.

The impairment loss recorded reduced the carrying amount of the goodwill for the CAPL CGU to \$73.2. The recoverable amount of the entire CAPL CGU as at July 22, 2018 was \$157.3. 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), consistent with the methods used during fiscal 2018.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

CAPL's common unit closing value as at July 23, 2018	\$17.41
Number of CAPL's outstanding common units as at July 22, 2018	34,433,574
% of CAPL's common units owned by the Corporation as at July 22, 2018	21.74%

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

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

Annual Distributable cash flows/Total distributions ratio ^(a)	1.1X to 1.2X
Debt/Equity financing ratio on business acquisitions ^(b)	57/43
Discount rate ^(c)	12.50%
Projection period of the cash flows	4 years

(a) Distributable cash flows/Total distributions ratio

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

(b) Debt/Equity financing ratio on business acquisitions

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

(c) Discount rate

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

Annual growth rate of CAPL's Earnings before interest, taxes, depreciation and amortization ("EBITDA"), which is a non-IFRS measure

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.

7. LONG-TERM DEBT

	As at July 22, 2018	As at April 29, 2018 (Adjusted, Note 1)
	\$	\$
US-dollar-denominated senior unsecured notes	3,373.3	3,373.6
Canadian-dollar-denominated senior unsecured notes	1,808.3	1,857.3
US-dollar-denominated term revolving unsecured operating credit D, maturing in December 2022 ^(a)	938.6	1,397.4
Euro-denominated senior unsecured notes, maturing in May 2026	870.9	900.7
CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation, maturing in April 2020 ^(b)	514.6	509.5
Acquisition facility ^(c)	412.1	412.1
NOK-denominated senior unsecured notes, maturing in February 2026	81.7	83.9
Obligations related to buildings and equipment under finance leases, payable on various dates, and other debts	384.6	371.4
	8,384.1	8,905.9
Current portion of long-term debt	45.4	44.5
	8,338.7	8,861.4

(a) Term revolving unsecured operating credit D

As at July 22, 2018, the weighted average effective interest rate was 3.415% and the Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

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

As at July 22, 2018, the effective interest rate was 4.550% and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Acquisition facility

As at July 22, 2018, the effective interest rate was 3.546% and the Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

Term revolving unsecured operating credit F

On August 16, 2018, subsequent to the end of the first quarter of fiscal 2019, the Corporation canceled its unused term revolving unsecured operating credit F.

8. NET EARNINGS PER SHARE

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

	12-week period ended July 22, 2018			12-week period ended July 23, 2017		
	Net earnings	Weighted average number of shares (in thousands)	Net earnings per share	Net earnings	Weighted average number of shares (in thousands)	Net earnings per share
	\$		\$	\$		\$
Basic net earnings attributable to Class A and B shareholders	455.6	564,223	0.81	364.7	568,452	0.64
Dilutive effect of stock options	-	722	-	-	907	-
Diluted net earnings available for Class A and B shareholders	455.6	564,945	0.81	364.7	569,359	0.64

When they have an antidilutive effect, stock options must be excluded from the calculation of the diluted net earnings per share. For the 12-week periods ended July 22, 2018, and July 23, 2017, 683,244 and 378,008 stock options were excluded, respectively.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

As at July 22, 2018

	Attributable to shareholders of the Corporation				
	Items that may be reclassified to earnings				Will never be reclassified to earnings
	Cumulative translation adjustments	Net investment hedge	Cash flow hedge	Cumulative net actuarial loss	Accumulated other comprehensive loss
	\$	\$	\$	\$	\$
Balance, before income taxes	(370.3)	(309.3)	(12.5)	(12.5)	(704.6)
Less: Income taxes	-	(2.7)	(0.5)	(3.5)	(6.7)
Balance, net of income taxes	(370.3)	(306.6)	(12.0)	(9.0)	(697.9)

As at July 23, 2017

	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	Available-for-sale investment	Cash flow hedge	Cumulative net actuarial loss	Accumulated other comprehensive loss
	\$	\$	\$	\$	\$	
Balance, before income taxes	(327.7)	(241.8)	(3.0)	(13.9)	(35.8)	(622.2)
Less: Income taxes	-	(1.0)	1.5	(0.1)	(9.0)	(8.6)
Balance, net of income taxes	(327.7)	(240.8)	(4.5)	(13.8)	(26.8)	(613.6)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

10. CAPITAL STOCK

Issued and outstanding shares

As at July 22, 2018, the Corporation had 126,908,950 issued and outstanding Class A multiple-voting shares (132,023,873 as at April 29, 2018), with each share comprising 10 votes, and 437,316,320 issued and outstanding Class B subordinate voting shares (432,194,025 as at April 29, 2018), with each share comprising 1 vote.

Stock options

For the 12-week period ended July 22, 2018, a total of 8,100 stock options were exercised (2,260 for the 12-week period ended July 23, 2017).

For the 12-week period ended July 22, 2018, 163,593 stock options were granted under the Corporation's stock option plan (160,625 for the 12-week period ended July 23, 2017). The description of the Corporation's stock-based compensation plan is included in Note 26 of the audited annual consolidated financial statements presented in the Corporation's 2018 Annual Report.

The fair value of stock options granted for the 12-week period ended July 22, 2018 was CA \$17.67 per option, which was estimated at the grant date using the Black-Scholes option pricing model on the basis of the following weighted average assumptions for the stock options granted during the period:

- Expected quarterly dividend of CA \$0.10 per share;
- Expected volatility of 24.00%;
- Risk-free interest rate of 2.12%;
- Expected life of 8 years.

11. SEGMENTED INFORMATION

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

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

	12-week period ended July 22, 2018				12-week period ended July 23, 2017 (Adjusted, Note 1)			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
External customer revenues^(a)								
Merchandise and services	2,634.7	368.7	544.4	3,547.8	1,982.1	320.6	477.1	2,779.8
Road transportation fuel	7,652.9	1,952.5	1,291.8	10,897.2	4,254.9	1,597.7	967.4	6,820.0
Other	16.3	319.0	6.2	341.5	3.3	237.5	6.6	247.4
	10,303.9	2,640.2	1,842.4	14,786.5	6,240.3	2,155.8	1,451.1	9,847.2
Gross Profit								
Merchandise and services	880.6	156.3	187.9	1,224.8	659.7	134.9	167.0	961.6
Road transportation fuel	586.6	246.5	100.0	933.1	403.2	239.1	82.6	724.9
Other	16.2	36.8	6.2	59.2	3.3	42.2	6.8	52.3
	1,483.4	439.6	294.1	2,217.1	1,066.2	416.2	256.4	1,738.8
Total long-term assets^(b)	12,457.6	3,607.8	2,138.6	18,204.0	10,632.7	3,773.6	2,072.9	16,479.2

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

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

12. FAIR VALUE

The fair value of Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable and Accounts payable and accrued liabilities is comparable to their carrying amounts given their short maturity. The fair value of Obligations related to buildings and equipment under finance leases is comparable to its carrying amount, given that implicit interest rates are generally consistent with equivalent market interest rates for similar obligations. The carrying values of the acquisition facility, the term revolving unsecured operating credit D and the CAPL senior secured revolving credit facility approximate their fair values given that their credit spreads are similar to the credit spread the Corporation would obtain under similar conditions at the reporting date.

Fair value hierarchy

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

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

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

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

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

Financial instruments at fair value on the consolidated balance sheets:

- The fair value of the investment contract, which is mainly based on the fair market value of the Corporation's Class B shares, was \$48.7 as at July 22, 2018 (\$36.3 as at April 29, 2018) (Level 2);
- The fair value of the cross-currency interest rate swaps, which is determined based on market rates, was \$210.0 as at July 22, 2018 (\$164.9 as at April 29, 2018) (Level 2). As at July 22, 2018, they are presented as Other long-term financial liabilities, and as at April 29, 2018, they are presented as Other short term financial assets for an amount of \$1.8 and Other long-term financial liabilities for an amount of \$166.7 on the consolidated balance sheets; and
- The fair value of the fixed-to-floating interest rate swaps, which is determined based on market rates, was \$6.3 as at July 22, 2018 (\$6.8 as at April 29, 2018) (Level 2). They are presented as Other long-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 observable market data (Level 2), and the carrying value of the financial instruments which are not measured at fair value on the consolidated balance sheets:

	As at July 22, 2018		As at April 29, 2018	
	Carrying value	Fair value	Carrying value	Fair value
US-dollar-denominated senior unsecured notes	\$ 3,373.3	\$ 3,280.1	\$ 3,373.6	\$ 3,279.4
Canadian-dollar-denominated senior unsecured notes	1,808.3	1,822.3	1,857.3	1,873.5
Euro-denominated senior unsecured notes	870.9	901.5	900.7	925.9
NOK-denominated senior unsecured notes	81.7	88.2	83.9	90.5

13. SUBSEQUENT EVENT

Dividends

During its September 5, 2018 meeting, the Corporation's Board of Directors declared a quarterly dividend of CA 10.0¢ per share for the first quarter of fiscal 2019 to shareholders on record as at September 14, 2018, and approved its payment for September 28, 2018. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).