

# Q2 2020

**ALIMENTATION COUCHE-TARD INC.**

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 and 24-week periods ended October 13, 2019



## CONSOLIDATED STATEMENTS OF EARNINGS

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

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

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of US dollars, unaudited)

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

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

(2) For the 12 and 24-week periods ended October 13, 2019, these amounts are net of income taxes of \$1.4 and \$1.6, respectively. For the 12 and 24-week periods ended October 14, 2018, these amounts are net of income taxes of \$4.9.

(3) For the 12 and 24-week periods ended October 13, 2019, these amounts are net of income taxes of \$1.6 and \$2.1, respectively. For the 12 and 24-week periods ended October 14, 2018, these amounts are net of income taxes of \$0.2 and \$2.3, respectively.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of US dollars, unaudited)

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

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of US dollars, unaudited)

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

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

## CONSOLIDATED BALANCE SHEETS

(in millions of US dollars, unaudited)

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 1. CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

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

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

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

### 2. ACCOUNTING POLICIES

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

##### *Leases*

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

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

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

### *Leases previously classified as finance leases*

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

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

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 3. BUSINESS ACQUISITIONS

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

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

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

### 4. LEASES

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

#### Right-of-use assets

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

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

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

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(1) Adjusted for significant transactions, if any.

### Asset exchange agreement

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

### Subsequent events

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

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

### (a) Expected volatility

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

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

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

### (b) Credit spread

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### (c) Expected contractual life

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

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

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

### Valuation process

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

## 7. FINANCIAL EXPENSES

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

## 8. LONG-TERM DEBT

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

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

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

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

### 9. INTEREST RATE LOCKS

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

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

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

### 10. NET EARNINGS PER SHARE

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 11. ACCUMULATED OTHER COMPREHENSIVE LOSS

As at October 13, 2019

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

As at October 14, 2018

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

### 12. CAPITAL STOCK

#### Issued and outstanding shares

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

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

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

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

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

#### (b) Share repurchase program

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### Stock options

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

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

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

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

### 13. SEGMENTED INFORMATION

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

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

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

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

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 14. FAIR VALUE

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

#### Fair value hierarchy

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

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

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

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

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

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

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

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

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

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

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

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

### 15. SUBSEQUENT EVENTS

#### Dividends

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

#### Cross-currency interest rate swaps

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

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