

Q2 2021

ALIMENTATION COUCHE-TARD INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
12 and 24-week periods ended October 11, 2020



Consolidated Statements of Earnings

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

For the periods ended	12 weeks		24 weeks	
	October 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
	\$	\$	\$	\$
Revenues	10,655.4	13,678.0	20,365.2	27,841.0
Cost of sales (Note 6)	8,170.0	11,358.7	15,368.8	23,212.7
Gross profit	2,485.4	2,319.3	4,996.4	4,628.3
Operating, selling, administrative and general expenses	1,194.4	1,229.4	2,365.4	2,469.5
(Gain) loss on disposal of property and equipment and other assets (Notes 4 and 7)	(35.1)	1.0	(43.9)	11.1
Depreciation, amortization and impairment	305.8	316.2	595.3	623.3
Total operating expenses	1,465.1	1,546.6	2,916.8	3,103.9
Operating income	1,020.3	772.7	2,079.6	1,524.4
Share of earnings of joint ventures and associated companies	7.5	6.5	16.0	13.1
Financial expenses (Note 8)	73.3	79.7	151.0	163.7
Financial revenues	(5.0)	(7.8)	(13.1)	(11.3)
Foreign exchange loss (gain)	8.9	(11.8)	27.3	(5.3)
Net financial expenses	77.2	60.1	165.2	147.1
Earnings before income taxes	950.6	719.1	1,930.4	1,390.4
Income taxes	193.6	139.7	396.3	275.0
Net earnings including non-controlling interests	757.0	579.4	1,534.1	1,115.4
Net (earnings) loss attributable to non-controlling interests	—	(0.8)	—	2.0
Net earnings attributable to shareholders of the Corporation	757.0	578.6	1,534.1	1,117.4
Net earnings per share (Note 10)				
Basic	0.68	0.51	1.38	0.99
Diluted	0.68	0.51	1.38	0.99
Weighted average number of shares – basic (in millions)	1,112.9	1,125.3	1,112.9	1,126.8
Weighted average number of shares – diluted (in millions)	1,114.4	1,126.9	1,114.3	1,128.5
Number of shares outstanding at the end of period (in millions)	1,112.9	1,123.2	1,112.9	1,123.2

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 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
	\$	\$	\$	\$
Net earnings including non-controlling interests	757.0	579.4	1,534.1	1,115.4
Other comprehensive income				
Items that may be reclassified subsequently to earnings				
Translation adjustments				
Change in cumulative translation adjustments ⁽¹⁾	73.2	(90.0)	319.9	(47.1)
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⁾	49.2	(41.8)	88.5	(20.3)
Cash flow hedges				
Change in fair value of financial instruments ⁽²⁾	0.2	4.4	2.9	4.2
(Gain) loss realized on financial instruments transferred to earnings ⁽²⁾	(0.1)	0.5	(0.8)	0.5
Items that will never be reclassified to earnings				
Net actuarial gain (loss) ⁽³⁾	4.5	(6.6)	9.8	(8.4)
(Loss) gain on investments in equity instruments measured at fair value through Other comprehensive income ⁽⁴⁾	(9.5)	0.1	12.0	(0.1)
Other comprehensive income (loss)	117.5	(133.4)	432.3	(71.2)
Comprehensive income including non-controlling interests	874.5	446.0	1,966.4	1,044.2
Comprehensive (income) loss attributable to non-controlling interests	—	(0.8)	—	2.0
Comprehensive income attributable to shareholders of the Corporation	874.5	445.2	1,966.4	1,046.2

- (1) For the 12 and 24-week periods ended October 11, 2020, these amounts include a gain of \$54.5 (net of income taxes of \$8.3) and a gain of \$130.4 (net of income taxes of \$19.9), respectively. 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. These gains and losses arise from the translation of long-term debts denominated in foreign currencies.
- (2) For the 12 and 24-week periods ended October 11, 2020, these amounts are net of income tax expenses of \$0.1 and \$0.9, respectively. For the 12 and 24-week periods ended October 13, 2019, these amounts are net of income tax expenses of \$1.4 and \$1.6, respectively.
- (3) For the 12 and 24-week periods ended October 11, 2020, these amounts are net of income tax expenses of \$1.2 and \$2.5, respectively. For the 12 and 24-week periods ended October 13, 2019, these amounts are net of income tax recoveries of \$1.6 and \$2.1, respectively.
- (4) For the 12 and 24-week periods ended October 11, 2020, these amounts are net of income tax recoveries of \$1.2 and income taxes of nil, respectively. For the 12 and 24-week periods ended October 13, 2019, these amounts did not include any income taxes.

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 24-week period ended	Attributable to the shareholders of the Corporation						October 11, 2020
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 11)	Total	Non-controlling interests	Equity
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	694.8	21.4	10,611.3	(1,260.9)	10,066.6	—	10,066.6
Comprehensive income:							
Net earnings			1,534.1		1,534.1	—	1,534.1
Other comprehensive income				432.3	432.3	—	432.3
Comprehensive income					1,966.4	—	1,966.4
Dividends declared			(116.7)		(116.7)		(116.7)
Stock option-based compensation expense		3.4			3.4		3.4
Exercise of stock options	2.5	(2.3)			0.2		0.2
Balance, end of period	697.3	22.5	12,028.7	(828.6)	11,919.9	—	11,919.9

For the 24-week period ended	Attributable to the shareholders of the Corporation						October 13, 2019
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 11)	Total	Non-controlling interests	Equity
	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	706.8	19.5	9,053.5	(856.6)	8,923.2	257.9	9,181.1
Adoption of IFRS 16			(9.5)		(9.5)	—	(9.5)
Adjusted balance, beginning of period	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)
Repurchases and cancellations of shares	(4.6)		(168.1)		(172.7)		(172.7)
Distributions to non-controlling interests						(28.4)	(28.4)
December 2018 asset exchange agreement			(7.7)		(7.7)	7.7	—
Stock option-based compensation expense		2.4			2.4		2.4
Exercise of stock options	1.3	(1.3)			—		—
Balance, end of period	703.5	20.6	9,878.9	(927.8)	9,675.2	235.2	9,910.4

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 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
	\$	\$	\$	\$
Operating activities				
Net earnings including non-controlling interests	757.0	579.4	1,534.1	1,115.4
Adjustments to reconcile net earnings including non-controlling interests to net cash provided by operating activities				
Depreciation, amortization, impairment and amortization of financing costs	306.5	318.2	597.1	628.0
(Gain) loss on disposal of property and equipment and other assets (Notes 4 and 7)	(35.1)	1.0	(43.9)	11.1
Deferred income taxes	23.0	47.2	42.1	66.2
Share of earnings of joint ventures and associated companies, net of dividends received	(3.4)	(0.5)	(7.5)	(3.3)
Net deferred credits	1.1	11.2	40.6	10.5
Other	20.2	9.4	63.9	3.3
Changes in non-cash working capital	(188.5)	(55.4)	2.1	(54.9)
Net cash provided by operating activities	880.8	910.5	2,228.5	1,776.3
Investing activities				
Purchase of property and equipment, intangible assets and other assets	(273.9)	(329.1)	(486.7)	(575.9)
Proceeds from disposal of property and equipment and other assets (Note 7)	59.5	17.9	87.8	26.8
Business acquisitions (Note 3)	(42.6)	(0.6)	(42.9)	(7.6)
Investments in Fire & Flower (Note 5)	(7.8)	(19.5)	(9.6)	(19.5)
Change in restricted cash	7.2	26.1	3.7	31.7
Net cash used in investing activities	(257.6)	(305.2)	(447.7)	(544.5)
Financing activities				
Repayment of senior unsecured notes (Note 9)	(227.1)	(150.0)	(227.1)	(300.0)
Cash dividends paid	(116.7)	(106.7)	(116.7)	(106.7)
Principal elements of lease payments and net decrease in other debts	(98.1)	(101.3)	(185.1)	(180.3)
Settlements of derivative financial instruments	(0.2)	—	(0.3)	—
Net (decrease) increase in term revolving unsecured operating credit D (Note 9)	—	36.0	(1,500.0)	(4.0)
Exercise of stock options	—	—	0.2	—
Share repurchases	—	(158.3)	—	(172.7)
Distributions paid to non-controlling interests	—	(14.1)	—	(28.4)
Net decrease in CAPL senior secured revolving credit facility	—	(6.3)	—	(15.5)
Net cash used in financing activities	(442.1)	(500.7)	(2,029.0)	(807.6)
Effect of exchange rate fluctuations on cash and cash equivalents	39.0	(12.8)	96.6	(1.4)
Net increase (decrease) in cash and cash equivalents	220.1	91.8	(151.6)	422.8
Cash and cash equivalents, beginning of period	3,269.8	1,037.4	3,641.5	706.4
Cash and cash equivalents, end of period	3,489.9	1,129.2	3,489.9	1,129.2
Supplemental information:				
Interest paid	104.3	86.6	163.3	170.2
Interest and dividends received	8.0	13.2	18.4	22.6
Income taxes paid	188.1	67.3	302.6	94.6

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 11, 2020	As at April 26, 2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	3,489.9	3,641.5
Restricted cash	4.3	8.0
Accounts receivable	1,586.8	1,256.0
Inventories (Note 6)	1,521.7	1,237.4
Prepaid expenses	65.3	96.0
Assets held for sale (Note 4)	—	64.0
Other short-term financial assets (Notes 5 and 14)	3.0	38.6
Income taxes receivable	17.3	89.4
	6,688.3	6,430.9
Property and equipment	10,494.6	10,136.5
Right-of-use assets	2,732.2	2,513.9
Intangible assets	585.2	550.8
Goodwill	5,634.6	5,505.8
Other assets	403.3	350.1
Other long-term financial assets (Note 5)	18.9	—
Investments in joint ventures and associated companies (Note 5)	158.7	139.7
Deferred income taxes	51.3	51.8
	26,767.1	25,679.5
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,358.4	2,808.3
Short-term provisions	146.4	108.1
Income taxes payable	204.5	222.0
Liabilities associated with assets held for sale (Note 4)	—	8.1
Current portion of long-term debt (Note 9)	1.4	214.7
Current portion of lease liabilities	380.8	383.1
	4,091.5	3,744.3
Long-term debt (Note 9)	6,179.6	7,515.8
Lease liabilities	2,481.6	2,265.7
Long-term provisions	555.8	551.3
Pension benefit liability	101.8	91.5
Other long-term financial liabilities (Note 14)	147.3	237.4
Deferred credits and other liabilities	202.2	161.9
Deferred income taxes	1,087.4	1,045.0
	14,847.2	15,612.9
Equity		
Capital stock (Note 12)	697.3	694.8
Contributed surplus	22.5	21.4
Retained earnings	12,028.7	10,611.3
Accumulated other comprehensive loss (Note 11)	(828.6)	(1,260.9)
	11,919.9	10,066.6
	26,767.1	25,679.5

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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(in millions of US dollars, except per share and stock option data, or unless otherwise noted)

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 26, 2020, except for the new accounting policy 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 2020 Annual Report (the “fiscal 2020 consolidated financial statements”). 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 generally the first half-year of each fiscal year, which includes summer’s sales.

On November 24, 2020, the Corporation’s interim financial statements were approved by the Board of Directors.

2. ACCOUNTING POLICIES

Use of estimates and judgments

In response to the effects of the COVID-19 pandemic, the Corporation continued to assess the uncertainties surrounding the crisis and its potential impact on the carrying amount of its assets and liabilities. This assessment, which required the use of significant judgments and estimates, had no material impact on the Corporation’s interim financial statements for the 24-week period ended October 11, 2020. The Corporation will continue to closely monitor the impact of COVID-19 as it continues to develop during its fiscal year ending April 25, 2021. Further information on significant accounting judgments and estimates is detailed in Note 3 of the fiscal 2020 consolidated financial statements.

New accounting policy adopted during the current year

Definition of a business

On April 27, 2020, the Corporation adopted the amendments to the guidance in IFRS 3 *Business combinations*, which revise the definition of a business. These amendments introduce an optional concentration test that, if met, leads to the conclusion that the group of assets acquired is not a business and that no further assessment is needed. To be considered a business, an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. The Corporation applied these amendments to business combinations and asset acquisitions for which the acquisition date was on or after April 27, 2020.

3. BUSINESS ACQUISITIONS

The Corporation has made the following business acquisitions:

- On August 24, 2020, the Corporation acquired 10 company-operated stores from Wadsworth Oil Company of Clanton, Inc., all located in Alabama, within the United States. The Corporation owns the land and building for 9 sites and leases the land and building for the remaining site.
- During the 24-week period ended October 11, 2020, the Corporation also acquired two company-operated stores through distinct transactions. The Corporation owns the land and building for one site and leases the land and the building for the remaining site.

These transactions were settled for a total consideration of \$42.9 using available cash and existing credit facilities. For the 24-week period ended October 11, 2020, acquisition costs of \$5.1 in connection with these acquisitions and other unrealized and ongoing acquisitions are included in Operating, selling, administrative and general expenses.

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

	\$
Tangible assets acquired	
Inventories	1.1
Property and equipment	23.1
Right-of-use assets	0.2
<u>Total tangible assets</u>	<u>24.4</u>
Liabilities assumed	
Accounts payable and accrued liabilities	0.1
Provisions	0.3
Lease liabilities	0.2
<u>Total liabilities</u>	<u>0.6</u>
<u>Net tangible assets acquired</u>	<u>23.8</u>
<u>Goodwill</u>	<u>19.1</u>
<u>Total cash consideration paid</u>	<u>42.9</u>

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

These acquisitions were concluded in order to expand the Corporation's market share and generated goodwill mainly due to the strategic location of stores acquired. Since the date of acquisition, revenues and net earnings from these stores amounted to \$10.2 and \$0.6, respectively. Considering the size and the nature of these acquisitions, the available financial information does not allow for the accurate disclosure of pro forma revenues and net earnings had the Corporation concluded these acquisitions at the beginning of its fiscal year.

On November 5, 2020, subsequent to the end of the second quarter of fiscal 2021, the Corporation has entered into an agreement to acquire all the issued and outstanding shares of Convenience Retail Asia (BVI) Limited ("Circle K HK") for a purchase price of HK \$2,790.0, or approximately \$360.0, subject to working capital and other balance sheet adjustments. The acquisition would be financed using the Corporation's available cash and existing credit facilities. Circle K HK, a subsidiary of Convenience Retail Asia Limited, operates a network of Circle K-licensed convenience stores, with 340 company-operated stores in Hong Kong and 33 franchised stores in Macau. The transaction is still subject to Convenience Retail Asia Limited shareholders' approval and is expected to close before the end of calendar year 2020.

On November 12, 2020, subsequent to the end of the second quarter of fiscal 2021, the Corporation acquired 7 company-operated stores from Pride C-Stores Inc., all located in Indiana, within the United States. The Corporation owns the land and building for all the acquired sites. This transaction was settled for a total consideration of approximately \$20.0 using available cash and existing credit facilities.

4. ASSET EXCHANGE AGREEMENT

On December 17, 2018, the Corporation entered into an asset exchange agreement with CrossAmerica Partners LP ("CAPL") which aimed at exchanging 192 of the Circle K U.S. stores against the real estate property held by CAPL for 56 U.S. company-operated stores leased and operated by the Corporation pursuant to a master lease that CAPL had previously purchased jointly with or from CST Brands Inc., and 17 company-operated stores owned and operated by CAPL in the U.S. Upper Midwest (the "December 2018 asset exchange agreement"). The aggregate value of this agreement totaled approximately \$184.0.

During the 24-week period ended October 11, 2020, the Corporation closed the fifth and sixth transactions of the December 2018 asset exchange agreement, which completed the asset exchange. In these transactions, the Corporation transferred 53 Circle K U.S. stores for a total value of approximately \$52.0. In exchange, CAPL transferred the real estate for 17 properties of an equivalent value. These two transactions resulted in a gain of \$10.9 which is included in (Gain) loss on disposal of property and equipment and other assets in the consolidated statement of earnings.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(in millions of US dollars, except per share and stock option data, or unless otherwise noted)

5. INVESTMENTS IN FIRE & FLOWER HOLDINGS CORP. (“FIRE & FLOWER”)

Convertible debentures and common share purchase warrants

Additional investment

On April 28, 2020, the Corporation invested an additional amount of CA \$2.5 (\$1.8) in Fire & Flower, a leading independent cannabis retailer listed on the Toronto Stock Exchange and based in Alberta, Canada. This investment is a result of the Corporation's right to participate in a larger private placement offering made by Fire & Flower and is composed of the following:

- Secured convertible debentures which bear interest at an annual rate of 8% and mature on June 1, 2021 ("April 2020 debentures"), unless the Series A-1 and A-2 Warrants described below are exercised no later than April 1, 2021, then the maturity date would be extended to June 1, 2022. Interests are payable semi-annually on June 30 and December 31 and Fire & Flower could elect to add any interest accrued and payable to the principal amount of the debentures. At the option of the Corporation, the debentures can be converted into common shares of Fire & Flower, at a conversion price of CA \$0.50, at any time between the issuance and the maturity date.
- Additional common share purchase warrants which consist of Series A Warrants, Series B Warrants and Series C Warrants, which had the same terms and conditions as described in Note 7 of the fiscal 2020 consolidated financial statements.

This additional investment did not significantly impact, on a fully diluted basis, the potential ownership interest of the Corporation in Fire & Flower which is described in Note 7 of the fiscal 2020 consolidated financial statements.

September 17, 2020 amendments

On September 17, 2020, following Fire & Flower shareholders' approval, the terms and conditions of the unsecured convertible debentures described in Note 7 of the fiscal 2020 consolidated financial statements ("August 2019 debentures") and common share purchase warrants were amended. The amendments mainly consisted of the following:

- The August 2019 debentures conversion price was modified from CA \$1.07 to the lesser of (i) the 20-day volume weighted average price of the Fire & Flower common shares on the last trading day prior to the Corporation delivering a notice of its intention to convert; and (ii) CA \$0.90. The maturity date of the August 2019 debentures was also extended to June 30, 2023. The maturity date could be accelerated, provided the occurrence or non-occurrence of certain events.
- The Series A Warrants were broken down into three categories:
 - The Series A-1 Warrants, for which the Corporation was committed to exercise, at an amended price, no later than the date which is three business days following the date the amendments became effective;
 - The Series A-2 Warrants, for which the Corporation is committed to exercise, at an amended price, no later than December 31, 2020; and
 - The Series A-3 Warrants, which are exercisable, at an amended price, at the Corporation's option and which will expire on June 30, 2021.
- The Series B Warrants will only be exercisable, at an amended price, at any time after January 1, 2022, and will expire on September 30, 2022.
- The Series C Warrants will only be exercisable, at an amended price, at any time after October 1, 2022, and will expire on June 30, 2023.

Valuation, conversion and exercise

On September 18, 2020, the Corporation exercised the Series A-1 Warrants for a cash consideration of CA \$10.3 (\$7.8). As at October 11, 2020, the August 2019 debentures and the April 2020 debentures were not converted and none of the Series A-2, A-3, B or C Warrants were exercised.

Following the September 17, 2020 amendments, the fair value of the Series A-1 and A-2 Warrants is based on data from observable markets since the Corporation committed itself to exercise them. Such fair values are thus Level 2 measurements. For the amended August 2019 debentures, April 2020 debentures, Series A-3 Warrants and amended Series B and C Warrants, their estimated fair value at initial recognition differed from their transaction price. These 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

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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technique that uses only data from observable markets. Such estimated fair values are thus Level 3 measurements. 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, they will be recognized gradually over the expected life of each asset using the straight-line method.

The table below shows the amounts related to the amended August 2019 debentures, April 2020 debentures and common share purchase warrants presented on the consolidated balance sheets:

	Estimated fair value of the convertible debentures	Estimated fair value of the common share purchase warrants	Estimated total fair value of the financial assets	Deferred differences	Net carrying amount
	\$	\$	\$	\$	\$
24-week period ended October 11, 2020					
Balance, beginning of period	18.5	10.1	28.6	(13.8)	14.8
Additional investment	2.6	2.1	4.7	(2.9)	1.8
Impact of the September 17, 2020 amendments	7.8	17.5	25.3	(24.7)	0.6
Gain (loss) recognized to Net financial expenses	0.7	(7.0)	(6.3)	10.2	3.9
Exercise of common share purchase warrants	—	(0.6)	(0.6)	—	(0.6)
Effect of exchange rate variations	1.4	1.0	2.4	(1.2)	1.2
Balance, end of period	31.0	23.1	54.1	(32.4)	21.7
Current portion	3.3	1.4	4.7	(1.9)	2.8
Long-term portion	27.7	21.7	49.4	(30.5)	18.9

The following key unobservable inputs were used in establishing the Level 3 fair values of the financial assets and there were no changes in the valuation techniques described in Note 7 of the fiscal 2020 consolidated financial statements:

	As at October 11, 2020	As at September 17, 2020	As at April 26, 2020, and as at April 28, 2020
Expected volatility ^(a)	75%	75%	85%
Credit spread over Government of Canada rate (applicable solely to the convertible debentures) ^(b)	30%	30%	35%

(a) Expected volatility

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

As at April 28, 2020, September 17, 2020 (when the amendments described above became effective) and October 11, 2020, with all other variables held constant, a 5% increase or decrease in the expected volatility would not have had a significant impact on the fair value of the convertible debentures and would have had the following impacts on the fair value of the common share purchase warrants:

	5% increase	5% decrease
	\$	\$
For the additional common share purchase warrants issued		
As at April 28, 2020	Not significant	Not significant
For all common share purchase warrants		
As at September 17, 2020	3.9	(3.8)
As at October 11, 2020	3.9	(3.8)

(b) Credit spread

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

As at April 28, 2020, September 17, 2020 (when the amendments described above became effective) and October 11, 2020, with all other variables held constant, a 5% increase or decrease in the credit spread would not have had a significant impact on the fair value of the convertible debentures.

The Corporation performs the valuations of its financial instruments required for financial reporting purposes, including Level 2 and 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.

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(in millions of US dollars, except per share and stock option data, or unless otherwise noted)

Significant influence

On September 17, 2020, the amendments described above led to some of the convertible debentures and common share purchase warrants to be considered as convertible or exercisable potential voting rights, while they were not considered as such prior to the amendments taking effect due to their higher conversion or exercise prices. The Corporation assessed that these additional potential voting rights, along with its already existing voting rights, provide significant influence over Fire & Flower. Therefore, as of September 17, 2020, Fire & Flower is considered to be an associated company of the Corporation and its existing ownership interest in Fire & Flower is accounted for using the equity method.

6. INVENTORIES

For the 12 and 24-week periods ended October 11, 2020, reversals of write-down of road transportation fuel inventories to net realizable value of nil and \$9.1, respectively, were recorded in Cost of sales on the consolidated statement of earnings (nil for the 12 and 24-week periods ended October 13, 2019).

7. DISPOSAL OF PROPERTY

During the 12-week period ended October 11, 2020, the Corporation disposed of a property located in Toronto, Canada, for a cash consideration of \$54.7. The disposal resulted in a gain of \$40.9 which is included in (Gain) loss on disposal of property and equipment and other assets in the consolidated statement of earnings.

8. FINANCIAL EXPENSES

For the periods ended	12 weeks		24 weeks	
	October 11, 2020	October 13, 2019	October 11, 2020	October 13, 2019
	\$	\$	\$	\$
Interest on long-term debt	48.1	48.8	99.1	102.4
Interest on lease liabilities	20.6	22.0	40.1	43.9
Accretion of provisions	3.6	4.4	7.0	8.2
Interest on bank overdrafts and bank loans	0.2	0.8	0.2	1.5
Net interest on defined benefit plans	0.5	0.5	1.0	0.9
Other finance costs	0.3	3.2	3.6	6.8
	73.3	79.7	151.0	163.7

9. LONG-TERM DEBT

	As at October 11, 2020	As at April 26, 2020
	\$	\$
US-dollar-denominated senior unsecured notes, maturing from July 2022 to January 2050	3,972.3	3,970.7
Canadian-dollar-denominated senior unsecured notes, maturing from November 2022 to June 2025 ^(a)	1,249.2	1,384.8
Euro-denominated senior unsecured notes, maturing in May 2026	881.4	806.8
NOK-denominated senior unsecured notes, maturing in February 2026	73.0	63.3
US-dollar-denominated term revolving unsecured operating credit D, maturing in December 2024 ^(b)	—	1,500.0
Other debts	5.1	4.9
	6,181.0	7,730.5
Current portion of long-term debt	1.4	214.7
Long-term portion of long-term debt	6,179.6	7,515.8

(a) Canadian-dollar-denominated senior unsecured notes

On August 21, 2020, the Corporation fully repaid, at maturity, its CA \$300.0 (\$227.1) Canadian-dollar-denominated senior unsecured notes issued on August 21, 2013.

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

As at October 11, 2020, the Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(in millions of US dollars, except per share and stock option data, or unless otherwise noted)

US-dollar-denominated delayed draw term loan

On September 25, 2020, the Corporation entered into a new loan agreement consisting of an unsecured delayed draw term loan of an aggregate maximum amount of \$30.0, maturing on June 30, 2021. The delayed draw term loan is available in US dollars by way of loans bearing interest at variable rates based on LIBOR plus a fixed margin.

As at October 11, 2020, the delayed draw term loan was unused and the Corporation was in compliance with the restrictive provisions and ratios imposed by the loan agreement.

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 11, 2020			12-week period ended October 13, 2019		
	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	757.0	1,112.9	0.68	578.6	1,125.3	0.51
Dilutive effect of stock options	—	1.5	—	—	1.6	—
Diluted net earnings attributable to Class A and B shareholders	757.0	1,114.4	0.68	578.6	1,126.9	0.51

	24-week period ended October 11, 2020			24-week period ended October 13, 2019		
	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	1,534.1	1,112.9	1.38	1,117.4	1,126.8	0.99
Dilutive effect of stock options	—	1.4	—	—	1.7	—
Diluted net earnings attributable to Class A and B shareholders	1,534.1	1,114.3	1.38	1,117.4	1,128.5	0.99

When they have an antidilutive effect, stock options must be excluded from the calculation of the diluted net earnings per share. For the 12 and 24-week periods ended October 11, 2020, 215,372 and 461,250 stock options were excluded, respectively. For each of the 12 and 24-week periods ended October 13, 2019, 246,668 stock options were excluded.

11. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Attributable to shareholders of the Corporation					
	Cumulative translation adjustments ^(a)	Net investment hedge ^(a)	Cash flow hedge ^(a)	Cumulative net actuarial loss ^(b)	Investments in equity instruments measured at fair value through Other comprehensive income ^(b)	Accumulated other comprehensive loss
	\$	\$	\$	\$	\$	\$
24-week period ended October 11, 2020						
Balance, beginning of period	(764.9)	(451.0)	(3.7)	(27.3)	(14.0)	(1,260.9)
Other comprehensive income	319.9	88.5	2.1	9.8	12.0	432.3
Balance, end of period	(445.0)	(362.5)	(1.6)	(17.5)	(2.0)	(828.6)
24-week period ended October 13, 2019						
Balance, beginning of period	(496.1)	(348.2)	(8.3)	(4.0)	—	(856.6)
Other comprehensive (loss) income	(47.1)	(20.3)	4.7	(8.4)	(0.1)	(71.2)
Balance, end of period	(543.2)	(368.5)	(3.6)	(12.4)	(0.1)	(927.8)

(a) May be reclassified subsequently to earnings.

(b) Will never be reclassified to earnings.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(in millions of US dollars, except per share and stock option data, or unless otherwise noted)

12. CAPITAL STOCK

Issued and outstanding shares

As at October 11, 2020, the Corporation had 253,803,700 issued and outstanding Class A multiple-voting shares (253,803,700 as at April 26, 2020), with each share comprising 10 votes, and 859,144,568 issued and outstanding Class B subordinate voting shares (858,887,850 as at April 26, 2020), with each share comprising 1 vote.

Stock options

For the 12 and 24-week periods ended October 11, 2020, a total of nil and 271,758 stock options were exercised, respectively (3,600 and 60,128 for the 12 and 24-week periods ended October 13, 2019, respectively).

For the 12 and 24-week periods ended October 11, 2020, a total of nil and 215,372 stock options were granted, respectively (nil and 246,668 for the 12 and 24-week periods ended October 13, 2019, respectively). The description of the Corporation's stock-based compensation plan is included in Note 28 of the fiscal 2020 consolidated financial statements.

The fair value of stock options granted for the 24-week period ended October 11, 2020, was CA \$16.90 per option, which was estimated at the grant date using the Black-Scholes option pricing model on the basis of the following assumptions:

- Expected annual dividend of CA 28.0¢ per share;
- Expected volatility of 35%;
- Risk-free interest rate of 0.46%;
- Expected life of 8 years.

Share repurchase program

On November 24, 2020, subsequent to the end of the second quarter of fiscal 2021, the Toronto Stock Exchange approved the renewal of the Corporation's share repurchase program, which is described in Note 27 of the fiscal 2020 consolidated financial statements. The renewal will take effect on November 27, 2020, and will allow the Corporation to repurchase up to 33,336,141 Class B subordinate voting shares, representing 4.00% of the 833,403,522 Class B subordinate voting shares of the public float issued and outstanding as at November 16, 2020 (3.88% of the 859,144,568 Class B subordinate voting shares issued and outstanding as at November 16, 2020). In accordance with the Toronto Stock Exchange requirements, the Corporation will be entitled to purchase, on any trading day, up to a total of 352,479 Class B subordinate voting shares, representing 25% of the average daily trading volume of the Class B subordinate voting shares for the six-month period preceding November 1, 2020.

When making such repurchases, the number of Class B subordinate voting shares in circulation will be reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital will be increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled upon their repurchase and the share repurchase period will end at the latest on November 26, 2021. An automatic securities purchase plan will also be in place and allow a designated broker to repurchase the Corporation's shares on its behalf within parameters established by the Corporation.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(in millions of US dollars, except per share and stock option data, or unless otherwise noted)

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 various banners, including Circle K, Corner Store, Couche-Tard, Holiday, Ingo and Mac's. Revenues from external customers mainly fall into three categories: merchandise and service, road transportation fuel and other.

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

	12-week period ended October 11, 2020				12-week period ended October 13, 2019			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
External customer revenues^(a)								
Merchandise and service	2,736.4	394.6	629.8	3,760.8	2,639.3	331.3	568.4	3,539.0
Road transportation fuel	4,438.3	1,496.2	875.7	6,810.2	6,933.0	1,876.5	1,130.8	9,940.3
Other	9.5	69.5	5.4	84.4	31.6	161.8	5.3	198.7
	7,184.2	1,960.3	1,510.9	10,655.4	9,603.9	2,369.6	1,704.5	13,678.0
Gross profit								
Merchandise and service	931.5	158.6	205.1	1,295.2	893.7	136.9	185.1	1,215.7
Road transportation fuel	767.4	283.2	97.3	1,147.9	722.3	226.2	86.4	1,034.9
Other	9.5	27.4	5.4	42.3	31.6	31.9	5.2	68.7
	1,708.4	469.2	307.8	2,485.4	1,647.6	395.0	276.7	2,319.3
Total long-term assets^(b)	13,385.4	3,913.3	2,539.1	19,837.8	14,104.8	3,767.0	2,598.9	20,470.7
	24-week period ended October 11, 2020				24-week period ended October 13, 2019			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
External customer revenues^(a)								
Merchandise and service	5,587.8	737.8	1,293.0	7,618.6	5,316.4	684.4	1,144.0	7,144.8
Road transportation fuel	8,344.3	2,678.6	1,552.7	12,575.6	14,180.5	3,796.3	2,332.2	20,309.0
Other	17.0	144.7	9.3	171.0	60.2	316.9	10.1	387.2
	13,949.1	3,561.1	2,855.0	20,365.2	19,557.1	4,797.6	3,486.3	27,841.0
Gross profit								
Merchandise and service	1,919.8	297.8	415.6	2,633.2	1,802.7	283.4	374.6	2,460.7
Road transportation fuel	1,579.9	519.7	179.0	2,278.6	1,417.9	448.4	167.9	2,034.2
Other	17.0	58.3	9.3	84.6	60.2	63.2	10.0	133.4
	3,516.7	875.8	603.9	4,996.4	3,280.8	795.0	552.5	4,628.3

(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 the Unaudited Interim Condensed Consolidated Financial Statements

(in millions of US dollars, except per share and stock option data, or unless otherwise noted)

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 value of the term revolving unsecured operating credit D approximate its fair value given that its credit spread is similar to the credit spread the Corporation would obtain under similar conditions at the reporting date.

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

Financial instruments at fair value on the consolidated balance sheets:

- The fair value of the indexed deposit contract, which is mainly based on the fair market value of the Corporation's Class B shares, was \$66.4 as at October 11, 2020 (\$52.7 as at April 26, 2020) (Level 2). As at October 11, 2020, it is presented as Accounts receivable for an amount of \$20.3 (\$18.3 as at April 26, 2020) and Other assets for an amount of \$46.1 (\$34.4 as at April 26, 2020) on the consolidated balance sheets;
- The fair value of the cross-currency interest rate swaps, which is determined based on market rates, was \$147.3 as at October 11, 2020 (\$237.4 as at April 26, 2020) (Level 2). They are presented as Other long-term financial liabilities on the consolidated balance sheets;
- The fair value of the investments in equity instruments, which is based on unadjusted quoted prices, was \$94.1 as at October 11, 2020 (\$78.5 as at April 26, 2020) (Level 1). They are presented as Other assets on the consolidated balance sheets;
- The fair value of the fuel swaps, which is determined based on market rates, was \$0.2 as at October 11, 2020 (\$23.8 as at April 26, 2020) (Level 2). They are presented as Other short-term financial assets on the consolidated balance sheets; and
- See Note 5 for information on the measurement of the convertible debentures and common share purchase warrants in Fire & Flower.

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

The table below presents the fair value, which is based on unadjusted quoted prices (Level 1) or on observable market data (Level 2), and the carrying value of the Corporation's senior unsecured notes which are not measured at fair value on the consolidated balance sheets:

	As at October 11, 2020		As at April 26, 2020	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
US-dollar-denominated senior unsecured notes (Level 2)	3,972.3	4,364.3	3,970.7	4,026.3
Canadian-dollar-denominated senior unsecured notes (Level 1)	1,249.2	1,351.8	1,384.8	1,436.9
Euro-denominated senior unsecured notes (Level 2)	881.4	950.2	806.8	795.6
NOK-denominated senior unsecured notes (Level 2)	73.0	82.0	63.3	68.5

15. SUBSEQUENT EVENT

Dividends

During its November 24, 2020 meeting, the Board of Directors declared a quarterly dividend of CA 8.75¢ per share for the second quarter of fiscal 2021 to shareholders on record as at December 3, 2020, and approved its payment for December 17, 2020. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).