

# Q1 2023

**ALIMENTATION COUCHE-TARD INC.**  
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
12-week period ended July 17, 2022



## Consolidated Statements of Earnings

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

For the 12-week periods ended	July 17, 2022	July 18, 2021
	\$	\$
<b>Revenues</b>	<b>18,657.7</b>	13,578.9
Cost of sales, excluding depreciation, amortization and impairment	15,774.9	10,978.9
Operating, selling, general and administrative expenses	1,398.1	1,278.1
Gain on disposal of property and equipment and other assets	(13.0)	(37.3)
Depreciation, amortization and impairment	319.2	314.3
<b>Operating income</b>	<b>1,178.5</b>	1,044.9
Share of earnings of joint ventures and associated companies	5.6	0.1
Financial expenses (Note 4)	76.1	75.6
Other financial items (Note 4)	(10.0)	7.3
Foreign exchange loss (gain)	1.0	(8.6)
<b>Net financial expenses</b>	<b>67.1</b>	74.3
Earnings before income taxes	1,117.0	970.7
Income taxes	244.6	206.3
<b>Net earnings</b>	<b>872.4</b>	764.4
Net earnings per share (Note 6)		
Basic	0.85	0.71
Diluted	0.85	0.71
Weighted average number of shares – basic (in millions)	1,025.6	1,073.0
Weighted average number of shares – diluted (in millions)	1,027.2	1,074.4
Number of shares outstanding at the end of period (in millions)	1,022.1	1,071.1

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

## Consolidated Statements of Comprehensive Income

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 17, 2022	July 18, 2021
	\$	\$
<b>Net earnings</b>	<b>872.4</b>	<b>764.4</b>
<b>Other comprehensive loss</b>		
<b>Items that may be reclassified subsequently to earnings</b>		
<b>Translation adjustments</b>		
Change in cumulative translation adjustments <sup>(1)</sup>	<b>(299.2)</b>	(103.7)
Change in fair value and net interest on cross-currency interest rate swaps designated as a hedge of the Corporation's net investment in some of its foreign operations <sup>(2)</sup>	<b>(32.6)</b>	(14.3)
<b>Cash flow hedges</b>		
Change in fair value of financial instruments <sup>(2)</sup>	<b>0.7</b>	5.1
Gain realized on financial instruments transferred to earnings <sup>(2)</sup>	<b>(0.4)</b>	(0.6)
<b>Items that will never be reclassified to earnings</b>		
Net actuarial gain <sup>(3)</sup>	<b>13.8</b>	3.3
Loss on investments in equity instruments measured at fair value through Other comprehensive income <sup>(4)</sup>	<b>(12.0)</b>	(1.5)
Other comprehensive loss	<b>(329.7)</b>	(111.7)
<b>Comprehensive income</b>	<b>542.7</b>	<b>652.7</b>

- (1) For the 12-week periods ended July 17, 2022 and July 18, 2021, these amounts include a loss of \$54.0 (net of income taxes of \$8.2) and a loss of \$4.7 (net of income taxes of \$0.7), respectively. These losses arise from the translation of long-term debts denominated in foreign currencies and designated as net investment hedges in some of the Corporation's foreign operations.
- (2) For the 12-week periods ended July 17, 2022 and July 18, 2021, these amounts are net of income tax expenses of \$3.5 and \$2.8, respectively.
- (3) For the 12-week periods ended July 17, 2022 and July 18, 2021, these amounts are net of income tax expenses of \$3.7 and \$0.8, respectively.
- (4) For the 12-week periods ended July 17, 2022 and July 18, 2021, these amounts are net of income tax recoveries of \$1.8 and \$1.5, 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)

For the 12-week period ended	July 17, 2022				
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 7)	Equity
	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	639.9	25.8	12,521.0	(749.1)	12,437.6
Comprehensive income:					
Net earnings			872.4		872.4
Other comprehensive loss				(329.7)	(329.7)
					542.7
Share repurchases (Note 8)	(6.8)		(471.2)		(478.0)
Dividends declared			(87.0)		(87.0)
Stock option-based compensation expense		2.2			2.2
Exercise of stock options	1.2	(0.4)			0.8
<b>Balance, end of period</b>	634.3	27.6	12,835.2	(1,078.8)	12,418.3

For the 12-week period ended	July 18, 2021				
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 7)	Equity
	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	670.6	23.6	12,017.8	(531.1)	12,180.9
Comprehensive income:					
Net earnings			764.4		764.4
Other comprehensive income				(111.7)	(111.7)
					652.7
Share repurchases (Note 8)	(6.7)		(292.5)		(299.2)
Dividends declared			(73.9)		(73.9)
Stock option-based compensation expense		1.2			1.2
<b>Balance, end of period</b>	663.9	24.8	12,415.8	(642.8)	12,461.7

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

## Consolidated Statements of Cash Flows

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 17, 2022	July 18, 2021
	\$	\$
<b>Operating activities</b>		
Net earnings	872.4	764.4
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation, amortization, impairment and amortization of financing costs	320.3	315.1
Gain on disposal of property and equipment and other assets	(13.0)	(37.3)
Deferred income taxes	17.7	24.5
Share of earnings of joint ventures and associated companies, net of dividends received	(2.7)	1.1
Net deferred credits	7.8	1.4
Net changes in commodity indexed deposits and fuel swaps (Note 10)	(76.8)	9.5
Net change in fair value of investments in equity instruments and other financial assets, convertible debentures and common share warrants (Notes 3 and 10)	(0.9)	10.1
Early redemption premiums and deemed interest on repayment of senior unsecured notes	—	(33.4)
Other	13.1	20.2
Changes in non-cash working capital	(48.6)	137.0
<b>Net cash provided by operating activities</b>	<b>1,089.3</b>	<b>1,212.6</b>
<b>Investing activities</b>		
Purchase of property and equipment, intangible assets and other assets	(340.8)	(334.5)
Investment in a joint venture (Note 2)	(30.1)	—
Purchase of equity instruments, other financial assets and investments in Fire & Flower (Notes 3 and 10)	(23.5)	(7.9)
Proceeds from disposal of property and equipment and other assets	14.4	51.6
Change in restricted cash	(1.0)	(5.7)
Business acquisitions and contingent consideration paid (Note 2)	(0.6)	(25.0)
<b>Net cash used in investing activities</b>	<b>(381.6)</b>	<b>(321.5)</b>
<b>Financing activities</b>		
Share repurchases (Note 8)	(534.7)	(316.1)
Principal elements of lease payments	(100.7)	(101.0)
Exercise of stock options	0.8	—
Net payments on other debts	(0.3)	(17.7)
Repayment of senior unsecured notes	—	(994.3)
Issuance of US-dollar-denominated senior unsecured notes, net of financing costs	—	990.1
Settlements of derivative financial instruments	—	(2.9)
<b>Net cash used in financing activities</b>	<b>(634.9)</b>	<b>(441.9)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(21.3)	(21.8)
<b>Net increase in cash and cash equivalents</b>	<b>51.5</b>	<b>427.4</b>
Cash and cash equivalents, beginning of period	2,143.9	3,015.8
Cash and cash equivalents, end of period	2,195.4	3,443.2
<b>Supplemental information:</b>		
Interest and early redemption premiums paid	64.8	89.3
Interest and dividends received	10.9	3.8
Income taxes (received) paid, net	(10.0)	92.7

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

## Consolidated Balance Sheets

(in millions of US dollars, unaudited)

	As at July 17, 2022	As at April 24, 2022
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	2,195.4	2,143.9
Restricted cash	20.3	19.3
Accounts receivable	2,588.2	2,497.5
Inventories	2,398.3	2,403.0
Prepaid expenses	176.5	147.0
Assets held for sale	2.7	9.3
Other short-term financial assets (Notes 3 and 10)	65.1	23.1
Income taxes receivable	—	85.2
	7,446.5	7,328.3
Property and equipment	11,029.8	11,286.2
Right-of-use assets	3,255.1	3,302.2
Intangible assets	668.9	687.5
Goodwill	6,019.7	6,094.1
Other assets	390.0	401.5
Other long-term financial assets (Note 10)	254.1	272.7
Investments in joint ventures and associated companies (Notes 2 and 3)	230.2	169.6
Deferred income taxes	56.3	49.5
	29,350.6	29,591.6
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	5,035.3	5,256.1
Short-term provisions	150.9	144.7
Other short-term financial liabilities (Note 10)	45.1	85.2
Income taxes payable	259.0	103.1
Liabilities associated with assets held for sale	0.2	1.5
Current portion of long-term debt (Note 5)	1.5	1.4
Current portion of lease liabilities	414.7	425.4
	5,906.7	6,017.4
Long-term debt (Note 5)	5,864.9	5,963.6
Lease liabilities	3,017.9	3,049.5
Long-term provisions	551.9	577.0
Pension benefit liability	76.2	85.8
Other long-term financial liabilities (Note 10)	60.4	34.1
Deferred credits and other liabilities	234.7	243.9
Deferred income taxes	1,219.6	1,182.7
	16,932.3	17,154.0
<b>Equity</b>		
Capital stock (Note 8)	634.3	639.9
Contributed surplus	27.6	25.8
Retained earnings	12,835.2	12,521.0
Accumulated other comprehensive loss (Note 7)	(1,078.8)	(749.1)
	12,418.3	12,437.6
	29,350.6	29,591.6

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 24, 2022. 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 2022 Annual Report (the “fiscal 2022 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 sales.

On August 30, 2022, the Corporation’s interim financial statements were approved by the Board of Directors.

## 2. BUSINESS ACQUISITIONS AND INVESTMENT IN A JOINT VENTURE

### Business acquisitions

During the 12-week period ended July 17, 2022, the Corporation acquired one company-operated store for which it owns the building and leases the land. This transaction was settled for a total consideration of \$0.6 using available cash and generated goodwill for an amount of \$0.3. Revenues and net earnings of the acquired store since the date of acquisition were not significant to the Corporation.

For the 12-week period ended July 17, 2022, acquisition costs of \$1.2 in connection with unrealized and ongoing acquisitions are included in Operating, selling, general and administrative expenses.

On August 30, 2022, subsequent to the end of the first quarter of fiscal 2023 and following satisfaction of closing conditions, the Corporation closed the acquisition of all the issued and outstanding shares of Cape D'Or Holdings Limited, Barrington Terminals Limited, and other related holding entities which operate an independent convenience store and fuel network in Atlantic Canada under the Esso, Go! Store and Wilsons Gas Stops brands (collectively “Wilsons”). The Wilsons network comprises 79 company-owned and operated convenience retail and fuel locations, 2 company-owned and dealer-operated locations, 137 dealer-owned and operated locations, and a fuel terminal in Halifax, Canada. The transaction was settled for a consideration, subject to post-closing adjustments including debt repayment, of CA \$346.8 (\$265.9), using available cash. In connection with obtaining the Competition Bureau (Canada) approval for the transaction, the Corporation has entered into a consent agreement with the Commissioner of Competition to divest 34 company-owned and operated convenience retail and fuel locations, 1 company-owned and dealer-operated location, and 12 dealer-owned and operated locations in New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island, Canada.

### Investment in a joint venture

During the 12-week period ended July 17, 2022, the Corporation invested an amount of \$30.1 in a joint venture with Musket Corporation, which then acquired four road transportation fuel terminals located in Florida, Illinois, and North Carolina, United States.

## 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)

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

On April 28, 2022, the Corporation exercised the Series B common share warrants for a total consideration of CA \$37.8 (\$29.5), including cash consideration of CA \$17.3 (\$13.5) as well as CA \$20.5 (\$16.0) representing the non-cash settlement of the principal and accrued interests of a CA \$20.0 secured loan granted to Fire & Flower. The exercise increased the Corporation’s interests in Fire & Flower to 35.3%. The Corporation continues to own convertible debentures and common share warrants for which there were no changes to the valuation techniques described in Note 6 of the fiscal 2022 consolidated financial statements (Level 3). Expected volatility is a key unobservable input which is used to establish the fair value and fluctuation of that input stems mainly from the developing market in which Fire & Flower operates. As at July 17, 2022, with all other variables held constant, a 5% increase or decrease in the expected volatility used of 80% would not have had a significant impact on the fair value of the convertible debentures and common share warrants, which amounted to \$1.9 (\$1.9 as at April 24, 2022).

The Corporation assessed that its currently existing and potential voting rights continued to provide significant influence over Fire & Flower. The accounting periods of Fire & Flower, which is a publicly traded company, do not coincide with the Corporation’s accounting periods, therefore the Corporation used Fire & Flower’s financial statements for the reporting period ended April 30, 2022, adjusted to reflect significant transactions, if any, in applying the equity method of accounting for the 12-week period ended July 17, 2022.

### 4. FINANCIAL EXPENSES AND OTHER FINANCIAL ITEMS

For the 12-week periods ended	July 17, 2022	July 18, 2021
	\$	\$
Financial expenses		
Interest on long-term debt and short-term debt	50.1	51.5
Interest on lease liabilities	20.0	19.7
Accretion of provisions	4.2	3.5
Other finance costs	1.8	0.9
	<u>76.1</u>	<u>75.6</u>
Other financial items		
Financial revenues	(9.1)	(2.8)
Change in fair value of financial instruments classified at fair value through earnings or loss	(0.9)	10.1
	<u>(10.0)</u>	<u>7.3</u>

For the 12-week period ended July 18, 2021, a loss of \$10.1 related to the change in fair value of the convertible debentures and common share warrants in Fire & Flower (Note 3) was reclassified from Financial expenses to Other financial items in the consolidated statements of earnings in order to regroup the change in fair value of financial instruments on the same line item.

### 5. LONG-TERM DEBT

	As at July 17, 2022	As at April 24, 2022
	\$	\$
US-dollar-denominated senior unsecured notes, maturing from July 2027 to May 2051	3,967.9	3,967.5
Canadian-dollar-denominated senior unsecured notes, maturing from July 2024 to June 2025	1,069.5	1,102.5
Euro-denominated senior unsecured notes, maturing in May 2026	752.5	809.1
NOK-denominated senior unsecured notes, maturing in February 2026	65.9	75.7
Other debts	10.6	10.2
	<u>5,866.4</u>	<u>5,965.0</u>
Current portion of long-term debt	1.5	1.4
Long-term portion of long-term debt	<u>5,864.9</u>	<u>5,963.6</u>

## 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)

### Term revolving unsecured operating credit facility

As at July 17, 2022, the operating credit facility was not used, and the Corporation was in compliance with the restrictive covenants and ratios imposed by the credit facility agreement. During the 12-week period ended July 17, 2022, the maturity of the operating credit facility was extended to May 2027.

### United States commercial paper program

On May 9, 2022, the Corporation established a commercial paper program in the United States on a private placement basis. The commercial paper program allows the Corporation to issue, at its discretion, unsecured commercial paper notes with maturities not exceeding 397 days. The aggregate principal amount of unsecured commercial paper notes outstanding at any one time cannot exceed \$2,500.0 and the Corporation's term revolving unsecured operating credit facility serves as a liquidity backstop for the repayment of the unsecured commercial paper notes. As at July 17, 2022, there were no outstanding unsecured commercial paper notes.

## 6. NET EARNINGS PER SHARE

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

	12-week period ended July 17, 2022			12-week period ended July 18, 2021		
	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	872.4	1,025.6	0.85	764.4	1,073.0	0.71
Dilutive effect of stock options	—	1.6	—	—	1.4	—
Diluted net earnings	872.4	1,027.2	0.85	764.4	1,074.4	0.71

When they have an antidilutive effect, stock options must be excluded from the calculation of the diluted net earnings per share. For the 12-week periods ended July 17, 2022, and July 18, 2021, 342,538 and 504,679 stock options were excluded, respectively.

## 7. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cumulative translation adjustments <sup>(a)</sup>	Net investment hedge <sup>(a)</sup>	Cash flow hedge <sup>(a)</sup>	Cumulative net actuarial gain <sup>(b)</sup>	Investments in equity instruments measured at fair value through Other comprehensive income <sup>(b)</sup>	Accumulated other comprehensive loss
	\$	\$	\$	\$	\$	\$
<b>12-week period ended July 17, 2022</b>						
Balance, beginning of period	(522.5)	(292.4)	21.2	33.1	11.5	(749.1)
Other comprehensive (loss) income	(299.2)	(32.6)	0.3	13.8	(12.0)	(329.7)
Balance, end of period	(821.7)	(325.0)	21.5	46.9	(0.5)	(1,078.8)
<b>12-week period ended July 18, 2021</b>						
Balance, beginning of period	(257.8)	(280.6)	(8.9)	15.9	0.3	(531.1)
Other comprehensive (loss) income	(103.7)	(14.3)	4.5	3.3	(1.5)	(111.7)
Balance, end of period	(361.5)	(294.9)	(4.4)	19.2	(1.2)	(642.8)

(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)

### 8. CAPITAL STOCK

#### Issued and outstanding shares

As at July 17, 2022, the Corporation had 1,022,068,355 issued and outstanding Class A multiple-voting shares (1,032,935,943 as at April 24, 2022), with each share comprising 10 votes.

The changes in the number of shares are as follows:

	<u>12-week period ended July 17, 2022</u>
<b>Class A multiple voting shares (in millions of shares)</b>	
Balance, beginning of period	1,032.9
Share repurchases <sup>(a)</sup>	(10.9)
Issuance of shares on stock options exercised <sup>(b)</sup>	0.1
Balance, end of period	<u>1,022.1</u>

#### (a) Share repurchase program

On April 22, 2022, the Toronto Stock Exchange approved the renewal of the Corporation's share repurchase program, which took effect on April 26, 2022. The renewed share repurchase program allows the Corporation to repurchase up to 79,703,614 shares, representing 10.0% of the shares comprising the Corporation's public float as at April 20, 2022, and the share repurchase period will end no later than April 25, 2023. During the 12-week period ended July 17, 2022, the Corporation repurchased 10,940,400 shares, for an amount of \$478.0 and paid an additional amount of \$56.7 in relation with share repurchases made during fiscal 2022 which were recorded in Accounts payable and accrued liabilities as at April 24, 2022.

When making such repurchases, the number of shares in circulation is reduced and the proportionate interest of all remaining shareholders in the Corporation's share capital is increased on a pro rata basis. All shares repurchased under the share repurchase program were cancelled upon their repurchase. An automatic securities purchase plan, which was pre-cleared by the Toronto Stock Exchange upon approbation of the renewed share repurchase program, is also in place and could allow a designated broker to repurchase the Corporation's shares on its behalf within parameters established by the Corporation. No automatic securities purchase plan was in effect as at July 17, 2022.

#### (b) Stock options

The table below presents the status of the Corporation's stock option plan as at July 17, 2022, and July 18, 2021, and the changes therein during the periods then ended:

<b>For the 12-week periods ended</b>	<u>July 17, 2022</u>	July 18, 2021
<b>Number of stock options</b>		
Outstanding, beginning of period	3,423,733	3,267,501
Granted	425,675	284,898
Exercised	(72,812)	—
Forfeited	(10,325)	—
Outstanding, end of period	<u>3,766,271</u>	3,552,399

The description of the Corporation's stock-based compensation plan is included in Note 27 of the fiscal 2022 consolidated financial statements.

### 9. SEGMENTED INFORMATION

The Corporation operates convenience stores in the United States, in Europe, in Asia, which is presented as part of Europe and other regions, 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, Couche-Tard, Holiday, and Ingo. Revenues from external customers mainly fall into three categories: merchandise and service, road transportation fuel and other.

## 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)

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

	12-week period ended July 17, 2022				12-week period ended July 18, 2021			
	United States	Europe and other regions	Canada	Total	United States	Europe and other regions	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>External customer revenues<sup>(a)</sup></b>								
Merchandise and service	2,904.9	537.1	630.5	4,072.5	2,829.4	561.4	677.2	4,068.0
Road transportation fuel	9,681.4	2,975.9	1,661.8	14,319.1	6,463.7	1,793.6	1,137.9	9,395.2
Other	9.7	250.5	5.9	266.1	10.8	100.0	4.9	115.7
	<b>12,596.0</b>	<b>3,763.5</b>	<b>2,298.2</b>	<b>18,657.7</b>	<b>9,303.9</b>	<b>2,455.0</b>	<b>1,820.0</b>	<b>13,578.9</b>
<b>External customer revenues less Cost of sales, excluding depreciation, amortization and impairment</b>								
Merchandise and service	985.3	208.7	208.9	1,402.9	967.7	215.4	219.0	1,402.1
Road transportation fuel	1,031.4	280.7	132.4	1,444.5	804.8	246.7	108.0	1,159.5
Other	9.7	19.8	5.9	35.4	10.8	22.7	4.9	38.4
	<b>2,026.4</b>	<b>509.2</b>	<b>347.2</b>	<b>2,882.8</b>	<b>1,783.3</b>	<b>484.8</b>	<b>331.9</b>	<b>2,600.0</b>
<b>Total long-term assets<sup>(b)</sup></b>	<b>14,497.4</b>	<b>3,871.9</b>	<b>2,843.0</b>	<b>21,212.3</b>	<b>13,412.2</b>	<b>4,487.3</b>	<b>2,895.9</b>	<b>20,795.4</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.

### 10. 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 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:*

	Estimated fair value as at		Consolidated balance sheets classification	Methods and assumptions used	Fair value hierarchy
	July 17, 2022	April 24, 2022			
	\$	\$			
Share units indexed deposits - Current	20.3	22.4	Accounts receivable	Fair market value of the Corporation's shares	Level 2
Share units indexed deposits - Non-current	55.0	62.0	Other assets		
Commodity indexed deposits	58.7	23.1	Other short-term financial assets	Market rates	Level 2
Currency forwards	4.5	—	Other short-term financial assets	Market rates	Level 2
Investments in equity instruments	137.3	166.1	Other long-term financial assets	Unadjusted quoted prices	Level 1
Investments in equity instruments	77.7	66.9	Other long-term financial assets	Recent transactions	Level 3
Investments in other financial assets	14.4	14.4	Other long-term financial assets	Recent transactions	Level 3
Forward starting interest rate swaps	24.7	23.4	Other long-term financial assets	Market rates	Level 2
Fuel swaps	(41.5)	(82.7)	Other short-term financial liabilities	Market rates	Level 2
Currency put and call options	(3.6)	(2.5)	Other short-term financial liabilities	Market rates	Level 2
Cross-currency interest rate swaps	(60.4)	(34.1)	Other long-term financial liabilities	Market rates	Level 2

## 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)

The table below shows the amounts related to the investments in equity instruments (Level 3) and investments in other financial assets (Level 3) presented on the consolidated balance sheets:

	<u>Estimated fair value</u>
	<u>\$</u>
<b>12-week period ended July 17, 2022</b>	
Balance, beginning of period	81.3
Purchases	10.0
Gain recognized to Other financial items <sup>(1)</sup>	0.8
<b>Balance, end of period</b>	<b>92.1</b>

(1) Related to financial instruments still held by the Corporation as at July 17, 2022.

The valuations of those financial instruments were predominantly based on prices for similar instruments stemming from recent larger private investments that the Corporation participated in, which represent observable inputs. Sensitivity to unobservable inputs is therefore not deemed to have a significant impact on their estimated fair value as at July 17, 2022, given the few underlying assumptions used.

In addition, information on the measurement of the convertible debentures and common share warrants in Fire & Flower is presented in Note 3.

The Corporation performs the valuation 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.

*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:

	<u>As at July 17, 2022</u>		<u>As at April 24, 2022</u>	
	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
	\$	\$	\$	\$
US-dollar-denominated senior unsecured notes (Level 2)	3,967.9	3,354.3	3,967.5	3,561.5
Canadian-dollar-denominated senior unsecured notes (Level 1)	1,069.5	1,043.6	1,102.5	1,089.6
Euro-denominated senior unsecured notes (Level 2)	752.5	712.0	809.1	794.4
NOK-denominated senior unsecured notes (Level 2)	65.9	64.9	75.7	76.2

## 11. SUBSEQUENT EVENT

### Dividends

During its August 30, 2022 meeting, the Board of Directors declared a quarterly dividend of CA 11.0¢ per share for the first quarter of fiscal 2023 to shareholders on record as at September 8, 2022, and approved its payment effective September 22, 2022. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).