

# Q1 2018

**ALIMENTATION COUCHE-TARD INC.**

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12-week period ended July 23, 2017



## CONSOLIDATED STATEMENTS OF EARNINGS

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

For the 12-week periods ended	July 23, 2017	July 17, 2016 (adjusted, Note 1)
	\$	\$
<b>Revenues</b>	<b>9,847.2</b>	8,420.6
Cost of sales	<b>8,108.4</b>	6,901.2
<b>Gross profit</b>	<b>1,738.8</b>	1,519.4
Operating, selling, administrative and general expenses	<b>1,031.3</b>	915.8
Restructuring and integration costs	<b>43.2</b>	-
Gain on disposal of property and equipment and other assets	<b>(16.8)</b>	(1.6)
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	<b>170.3</b>	146.4
<b>Total operating expenses</b>	<b>1,228.0</b>	1,060.6
<b>Operating income</b>	<b>510.8</b>	458.8
Share of earnings of joint ventures and associated companies accounted for using the equity method	<b>8.6</b>	9.5
Financial expenses	<b>40.8</b>	29.1
Financial revenues	<b>(1.9)</b>	(1.1)
Foreign exchange loss (gain)	<b>20.3</b>	(3.2)
<b>Net financial expenses</b>	<b>59.2</b>	24.8
Earnings before income taxes	<b>460.2</b>	443.5
Income taxes	<b>100.7</b>	120.7
<b>Net earnings including non-controlling interest</b>	<b>359.5</b>	322.8
Net loss attributable to non-controlling interest	<b>5.2</b>	-
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>364.7</b>	322.8
Net earnings per share attributable to shareholders of the Corporation (Note 7)		
Basic	<b>0.64</b>	0.56
Diluted	<b>0.64</b>	0.56
Weighted average number of shares – basic (in thousands)	<b>568,452</b>	567,677
Weighted average number of shares – diluted (in thousands)	<b>569,359</b>	569,201
Number of shares outstanding at the end of period (in thousands)	<b>568,452</b>	567,694

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 23, 2017	July 17, 2016 (adjusted, Note 1)
	\$	\$
<b>Net earnings including non-controlling interest</b>	<b>359.5</b>	<b>322.8</b>
<b>Other comprehensive income (loss)</b>		
<b>Items that may be reclassified subsequently to earnings</b>		
<b>Translation adjustments</b>		
Change in cumulative translation adjustments <sup>(1)</sup>	97.0	(21.9)
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>	107.1	(45.1)
<b>Cash flow hedges</b>		
Change in fair value of financial instruments <sup>(2)</sup> (Note 6)	(7.1)	0.4
Gain realized on financial instruments transferred to earnings <sup>(2)</sup> (Note 6)	(0.1)	(1.8)
<b>Available-for-sale investment</b>		
Change in fair value of an available-for-sale investment <sup>(2)</sup>	(3.4)	11.7
Gain realized on available-for-sale investment transferred to earnings <sup>(2)</sup> (Note 3)	(8.8)	-
<b>Items that will never be reclassified to earnings</b>		
<b>Net actuarial loss<sup>(2)</sup></b>	-	(1.6)
Other comprehensive income (loss)	184.7	(58.3)
<b>Comprehensive income including non-controlling interest</b>	<b>544.2</b>	<b>264.5</b>
Comprehensive loss attributable to non-controlling interest	5.2	-
<b>Comprehensive income attributable to shareholders of the Corporation</b>	<b>549.4</b>	<b>264.5</b>

(1) For the 12-week periods ended July 23, 2017 and July 17, 2016, these amounts include gains of \$72.7 (net of income taxes of \$11.5) and \$0.1 (net of income taxes), respectively. These gains arise from the translation of long-term debts denominated in foreign currencies, and, for a portion of the year, in combination with cross-currency interest rate swaps, designated as foreign exchange hedges of the Corporation's net investments in foreign currency operations.

(2) For the 12-week periods ended July 23, 2017 and July 17, 2016, 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)

For the 12-week period ended

July 23, 2017

	Attributable to the shareholders of the Corporation						
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 8)	Total	Non-controlling interest	Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	708.7	15.7	6,083.5	(798.3)	6,009.6	-	6,009.6
Acquisition of control of CAPL	-	-	-	-	-	166.4	166.4
Comprehensive income:							
Net earnings	-	-	364.7	-	364.7	(5.2)	359.5
Other comprehensive income	-	-	-	184.7	184.7	-	184.7
Comprehensive income					549.4	(5.2)	544.2
Dividends declared	-	-	(47.0)	-	(47.0)	-	(47.0)
Stock option-based compensation expense	-	0.6	-	-	0.6	-	0.6
<b>Balance, end of period</b>	708.7	16.3	6,401.2	(613.6)	6,512.6	161.2	6,673.8

For the 12-week period ended

July 17, 2016  
(adjusted, Note 1)

	Attributable to the shareholders of the Corporation						
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss (Note 8)	Total	Non-controlling interest	Equity
	\$	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of period</b>	699.8	14.8	5,019.9	(693.4)	5,041.1	-	5,041.1
Comprehensive income:							
Net earnings	-	-	322.8	-	322.8	-	322.8
Other comprehensive loss	-	-	-	(58.3)	(58.3)	-	(58.3)
Comprehensive income					264.5	-	264.5
Dividends declared	-	-	(34.5)	-	(34.5)	-	(34.5)
Stock option-based compensation expense	-	0.7	-	-	0.7	-	0.7
<b>Balance, end of period</b>	699.8	15.5	5,308.2	(751.7)	5,271.8	-	5,271.8

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 23, 2017	July 17, 2016 (adjusted, Note 1)
	\$	\$
<b>Operating activities</b>		
Net earnings including non-controlling interest	359.5	322.8
Adjustments to reconcile net earnings including non-controlling interest to net cash provided by operating activities		
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets, net of amortization of deferred credits	165.9	146.8
Deferred income taxes	(15.3)	10.9
Deferred credits	7.4	9.3
Share of earnings of joint ventures and associated companies accounted for using the equity method, net of dividends received	(4.5)	(6.1)
Loss (gain) on disposal of property and equipment and other assets	(8.0)	(1.6)
Gain realized on an available-for-sale investment transferred to earnings (Note 3)	(8.8)	-
Other	44.7	1.3
Changes in non-cash working capital	(19.4)	(70.2)
<b>Net cash provided by operating activities</b>	<b>521.5</b>	<b>413.2</b>
<b>Investing activities</b>		
Business acquisitions (Note 3)	(3,574.6)	(1.4)
Proceeds from the disposal of certain of CST's Canadian assets (Note 3)	752.5	-
Purchase of property and equipment, intangible assets and other assets	(182.5)	(131.1)
Proceeds from disposal of an available-for-sale investment (Note 3)	91.6	-
Proceeds from disposal of property and equipment and other assets	28.1	22.6
Restricted cash	4.1	0.5
Investment in an associated company held-for-sale	-	(294.0)
Deposit for business acquisition	-	(3.9)
<b>Net cash used in investing activities</b>	<b>(2,880.8)</b>	<b>(407.3)</b>
<b>Financing activities</b>		
Increase in acquisition facility, net of financing costs (Note 5)	3,714.5	-
Decrease in acquisition facility, net of financing costs (Note 5)	(765.0)	-
Repayment of debt assumed on business acquisition	(498.8)	-
Net increase (decrease) in term revolving unsecured operating credit D (Note 5)	364.7	(821.4)
Net decrease in other debts	(10.5)	(8.0)
Settlement of interest rate locks	(15.6)	-
Settlement of cross-currency interest rate swaps	(5.6)	(9.8)
Issuance of Euro-denominated senior unsecured notes, net of financing costs	-	853.8
<b>Net cash provided by financing activities</b>	<b>2,783.7</b>	<b>14.6</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(28.0)	1.0
<b>Net increase in cash and cash equivalents</b>	<b>396.4</b>	<b>21.5</b>
Cash and cash equivalents, beginning of period	637.6	599.4
Cash and cash equivalents, end of period	<b>1,034.0</b>	<b>620.9</b>
<b>Supplemental information:</b>		
Interest paid	57.6	31.4
Interest and dividends received	7.5	6.2
Income taxes paid	42.5	124.8
<b>Cash and cash equivalents components:</b>		
Cash and demand deposits	901.5	552.2
Liquid investments	132.5	68.7
	<b>1,034.0</b>	<b>620.9</b>

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 23, 2017	As at April 30, 2017 (adjusted, Note 1)
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	1,034.0	637.6
Restricted cash	2.0	6.1
Accounts receivable	1,594.3	1,494.2
Inventories	1,103.3	865.0
Prepaid expenses	92.8	60.3
Assets held-for-sale (Note 3)	143.0	-
Other short-term financial assets	-	7.6
Income taxes receivable	-	102.1
	3,969.4	3,172.9
Property and equipment	10,003.8	7,511.4
Goodwill	4,816.8	2,370.2
Intangible assets	870.1	670.1
Other assets	265.2	313.4
Investment in joint ventures and associated companies	113.0	107.9
Deferred income taxes	75.8	39.7
	20,114.1	14,185.6
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	3,022.3	2,704.3
Provisions	193.1	130.5
Other short-term financial liabilities	60.5	88.6
Income taxes payable	52.2	75.3
Current portion of long-term debt (Note 5)	852.2	253.2
	4,180.3	3,251.9
Long-term debt (Note 5)	7,083.9	3,101.7
Provisions	572.1	489.4
Pension benefit liability	100.2	94.6
Other long-term financial liabilities	153.8	223.1
Deferred credits and other liabilities	304.6	267.2
Deferred income taxes	1,045.4	748.1
	13,440.3	8,176.0
<b>Equity</b>		
Capital stock (Note 9)	708.7	708.7
Contributed surplus	16.3	15.7
Retained earnings	6,401.2	6,083.5
Accumulated other comprehensive loss (Note 8)	(613.6)	(798.3)
Equity attributable to shareholders of the Corporation	6,512.6	6,009.6
Non-controlling interest (Note 4)	161.2	-
	6,673.8	6,009.6
	20,114.1	14,185.6

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, unaudited)

### 1. CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

The unaudited interim condensed consolidated financial statements (the “interim financial statements”) have been prepared by the Corporation according to Canadian generally accepted accounting principles as set out in Part I of the CPA Canada Handbook – Accounting, which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

The interim financial statements were prepared in accordance with the same accounting policies and methods as the audited annual consolidated financial statements for the year ended April 30, 2017. The interim financial statements do not include all the information required for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto in the Corporation’s 2017 Annual Report. The results of operations for the interim periods presented do not necessarily reflect results expected for the full fiscal year. The Corporation’s business follows a seasonal pattern. The busiest period is the first half-year of each fiscal year, which includes summer’s sales.

On September 6, 2017, the Corporation’s interim financial statements were approved by the Board of Directors.

#### Comparative figures

During the third quarter of the fiscal year ended April 30, 2017, the Corporation finalized its estimates of the fair value of assets acquired and liabilities assumed for the acquisition of Topaz Energy Group Limited, Resource Property Investment Fund PLC and Esso Ireland Limited, collectively referred to as “Topaz”. As a result, changes were made to Depreciation, amortization and impairment of property and equipment, intangible assets and other assets, Financial expenses and Income taxes in the consolidated statement of earnings for the 12-week period ended July 17, 2016, which cumulatively increased by \$1.6. Consequently, Net earnings including non-controlling interests decreased by the same amount.

The Corporation has also made adjustments and finalized its estimates of the fair value of assets acquired and liabilities assumed for the acquisition of Dansk Fuel A/S (“Dansk Fuel”). As a result, changes were made to the following consolidated balance sheet accounts as at April 30, 2017: Inventories decreased by \$0.7, Property and equipment increased by \$21.3, Intangible assets increased by \$0.6, Accounts payable and accrued liabilities increased by \$0.3, Current portion of long-term debt increased by \$0.8, Long-term debt increased by \$5.9, Provisions increased by \$6.7 and Deferred credits and other liabilities increased by \$0.7. Consequently, Goodwill decreased by \$6.8.

### 2. ACCOUNTING CHANGES

#### Newly implemented accounting standards

##### *Income Taxes*

In January 2016, the IASB issued amendments to IAS 12, “Income Taxes”, regarding the recognition of deferred tax assets for unrealized losses, effective for annual periods beginning on or after January 1, 2017. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. These amendments had no significant impact on the Corporation’s consolidated financial statements.

##### *Statement of Cash Flows*

In January 2016, the IASB published amendments to IAS 7, “Statement of Cash Flows”. The amendments are intended to clarify IAS 7 to improve information about an entity’s financing activities. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted. These amendments will not have a significant impact on the information disclosed in the Corporation’s 2018 annual consolidated financial statements.

### 3. BUSINESS ACQUISITIONS

#### Acquisition of CST Brands Inc.

On June 28, 2017, the Corporation completed the acquisition of all the issued and outstanding shares of CST Brands Inc. (“CST”) through an all-cash transaction valued at \$48.53 per share, with a total enterprise value of approximately \$4.4 billion including net debt assumed. CST is based in San Antonio, Texas and, before the closing of the acquisition, it employed more than 14,000 people at over 2,000 locations throughout the Southwestern U.S., with an important presence in Texas, the Southeastern U.S., the State of New York and Eastern Canada.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Pursuant to the acquisition of CST, the Corporation has also acquired the general partner of CrossAmerica Partners LP (“CAPL”), owns 100% of CAPL’s Incentive Distribution Rights (“IDRs”) and holds a 20.5% equity investment in it. CAPL supplies road transportation fuel under various brands to more than 1,200 locations in the United States (see Note 4 for more details).

The acquisition of CST was financed using the Corporation’s available cash, its existing credit facilities and its new acquisition credit facility.

On the same day, the Corporation sold to Parkland Fuel Corporation a significant portion of CST’s Canadian assets for approximately CA \$986.0 (\$753.0). The disposed assets were mainly comprised of CST’s independent dealers and commission agents’ network, its heating-oil business, 159 company-operated sites, as well as its Montreal head office. As a result, the Corporation retained 157 of CST’s company-operated sites in Canada. No gain or loss was recognized on this sale transaction. The disposed assets are presented as assets held-for-sale in the fair value of assets acquired and liabilities assumed and are recorded at fair value less costs of disposal.

As per the requirements of the US Federal Trade Commission, the Corporation entered in an agreement to sell 70 company-operated sites to Empire Petroleum Partners, LLC (“Empire”). This transaction is subject to the customary regulatory approvals and closing conditions and is expected to close during the second quarter of fiscal 2018. The assets to be disposed to Empire are presented as assets held-for-sale and are recorded at fair value less costs of disposal at an amount of \$143.0 in the consolidated balance sheet as well as in the fair value of assets acquired and liabilities assumed.

Since the Corporation has not yet completed its fair value assessment of the assets acquired, the liabilities assumed and goodwill, the preliminary estimates thereof are subject to adjustments to the fair value of the assets, liabilities and goodwill until the process is completed. For the 12-week period ended July 23, 2017, acquisition costs of \$2.5 in connection with this acquisition are included in Operating, selling, administrative and general expenses.

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

	\$
Tangible assets acquired	
Cash and cash equivalents	228.9
Accounts receivable <sup>(a)</sup>	167.9
Inventories	181.6
Prepaid expenses	29.1
Property and equipment	2,201.2
Other assets	30.0
Assets held-for-sale	895.5
<b>Total tangible assets</b>	<b>3,734.2</b>
Liabilities assumed	
Accounts payable and accrued liabilities	393.5
Provisions	82.2
Income taxes payable	4.3
Long-term debt	1,560.7
Deferred credits and other liabilities	41.6
Deferred income taxes	262.4
<b>Total liabilities</b>	<b>2,344.7</b>
<b>Net tangible assets acquired</b>	<b>1,389.5</b>
Intangible assets	173.3
Non-controlling interest	(166.4)
Goodwill	2,288.8
<b>Total cash consideration paid</b>	<b>3,685.2</b>
Cash and cash equivalents acquired	228.9
<b>Net cash flow for the acquisition</b>	<b>3,456.3</b>

(a) The fair value of acquired accounts receivable is \$167.9, which represents the gross contractual amount for accounts receivable of \$168.3, of which \$0.4 is expected to be uncollectible.

On June 28, 2017, the Corporation repaid all of CST’s borrowings under its revolving credit facilities.

The Corporation expects that none of the goodwill related to this transaction will be deductible for tax purposes.

Prior to CST’s acquisition, the Corporation held an available-for-sale investment in CST and the resulting gains and losses were transferred to Accumulated other comprehensive income (loss). During the 12-week period ended July 23, 2017, the Corporation disposed of this investment for total proceeds of \$91.6. As a result, a gain of \$8.8 was realized and transferred from Accumulated other comprehensive income to earnings.

This acquisition was concluded in order to expand the Corporation’s market share, to penetrate new markets and to increase its economies of scale. Since the date of acquisition, revenues including non-controlling interests and net loss attributable to the shareholders of the Corporation from this acquisition amounted to \$535.2 and \$12.0, respectively. On a pro forma basis, had

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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the Corporation concluded this acquisition at the beginning of its fiscal year, revenues including non-controlling interests and net earnings attributable to the shareholders of the Corporation from these stores would have amounted to \$2,008.2 and \$18.5, respectively. These amounts include CST's actual results without taking into account the fair value adjustments to CST's assets and liabilities prior to the acquisition date.

### Other acquisitions

- On May 30, 2017, the Corporation acquired 53 company-operated sites located in Louisiana, United States from American General Investments, LLC and North American Financial Group, LLC. These convenience stores operate under the *Cracker Barrel* brand and include 11 quick service restaurants. The Corporation owns the land and building for 47 sites and assumes the leases for the remaining 6 locations. On the same date, the Corporation closed seven of those stores.
- On July 7, 2017, the Corporation acquired from Empire Petroleum Partners, LLC, 53 fuel supply contracts with independent operators in the Atlanta, GA metro area. As part of this transaction, the Corporation also acquired real estate for two sites.

These transactions were settled for a total consideration of \$120.6 using the Corporation's available cash and existing credit facilities. Since the Corporation has not yet completed its fair value assessment of the assets acquired, the liabilities assumed and goodwill for all transactions, the preliminary estimates thereof are subject to adjustments to the fair value of the assets, liabilities and goodwill until the process is completed. For the 12-week period ended July 23, 2017, acquisition costs of \$0.8 in connection with these acquisitions and other unrealized or ongoing acquisitions are included in Operating, selling, administrative and general expenses.

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

	\$
Tangible assets acquired	
Cash and cash equivalents	2.3
Accounts receivable	0.8
Inventories	4.9
Income taxes receivable	0.3
Property and equipment	45.8
Other assets	0.5
<b>Total tangible assets</b>	<b>54.6</b>
Liabilities assumed	
Accounts payable and accrued liabilities	6.5
Provisions	0.5
Deferred credits and other liabilities	2.5
Deferred income taxes	1.5
<b>Total liabilities</b>	<b>11.0</b>
<b>Net tangible assets acquired</b>	<b>43.6</b>
Intangible assets	14.5
Goodwill	62.5
<b>Total cash consideration paid</b>	<b>120.6</b>
Cash and cash equivalents acquired	2.3
<b>Net cash flow for the acquisition</b>	<b>118.3</b>

The Corporation expects that 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, to penetrate new markets and to increase its economies of scale. Since the date of acquisition, revenues and net earnings from these stores amounted to \$28.2 and \$0.3, 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.

### Acquisition of Holiday Stationstores

On July 10, 2017, the Corporation entered into an agreement with Holiday Companies to acquire all issued and outstanding shares of Holiday Stationstores, Inc. and certain affiliated companies ("Holiday"). Holiday is an important convenience store and fuel player in the U.S. Midwest region, with 522 sites, of which 374 are operated by Holiday and 148 are operated by franchisees. Holiday also has a strong car wash business with 221 locations, a food commissary operation and a fuel terminal in Newport, Minnesota. Its stores are located in Minnesota, Wisconsin, Washington, Idaho, Montana, Wyoming, North Dakota, South Dakota, Michigan and Alaska. On July 31, 2017, this transaction was approved by Holiday's parent company's shareholders. The transaction is subject to the customary regulatory approvals and closing conditions and is expected to close during the third

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

quarter of fiscal 2018. This transaction is expected to be financed using the Corporation's available cash and existing credit facilities.

### 4. CROSSAMERICA PARTNERS LP ("CAPL")

The Corporation owns 100% of the equity interests of the sole member of the General Partner, 100% of the IDRs and 20.5% (as at July 23, 2017) of the outstanding limited partner units of CAPL. Following the Corporation's evaluation of its relationship with CAPL, the Corporation concluded that it controls the partnership's operations and activities even though it does not have a majority ownership of CAPL's outstanding limited partner units. As a result, the Corporation fully consolidates CAPL in its consolidated financial statements.

CAPL's accounting periods do not coincide with the Corporation's accounting periods. The consolidated statement of earnings, comprehensive income, changes in equity and cash flows for the 12-week period ended July 23, 2017 include those of CAPL for the period beginning June 28, 2017 and ending June 30, 2017, adjusted for significant transactions. The consolidated balance sheet as at July 23, 2017 includes the balance sheet of CAPL as at June 30, 2017, adjusted for the preliminary estimates of the fair value of assets acquired and liabilities assumed and for significant transactions.

All transactions between the Corporation and CAPL are eliminated from the Corporation's consolidated financial statements. These transactions consisted of a mark-up on motor fuel purchased and sold between the Corporation and CAPL, rent charged by CAPL to the Corporation and CAPL's equity ownership interest in CST Fuel Supply, a subsidiary of the Corporation. Additionally, the Corporation provides management and corporate support services to CAPL and charges CAPL a management fee under the terms of the Amended and Restated Omnibus Agreement, as well as an allocation of certain incentive compensation. Approximately 79.5% of CAPL's operating results are attributable to non-controlling interest for the 12-week period ended July 23, 2017. Therefore, a substantial portion of the operating results of CAPL are not earned by the Corporation's shareholders. The earnings attributable to CAPL's other units holders are presented as non-controlling interest.

CAPL is a publicly traded Delaware limited partnership and its common units are listed for trading on the New York Stock Exchange under the symbol "CAPL." As a result, CAPL is required to file reports with the United States Securities and Exchange Commission ("SEC"), where additional information about its results of operations can be found and should be read in conjunction with the table below, which highlights the results of its operations and certain of its operating metrics since the acquisition date:

	As at July 23, 2017 and for the 12-week period ended July 23, 2017
	\$
% of shares held by non-controlling interest	79.5%
Net loss attributable to non-controlling interest	(5.2)
Non-controlling interest accumulated at the end of the quarter	161.2
<b>Balance Sheet</b>	
Cash and cash equivalents	3.7
Current assets (other than cash and cash equivalents)	50.6
Long-term assets	1,018.6
Current liabilities	64.9
Long-term liabilities	576.9
<b>Statement of Earnings</b>	
Revenues	17.3
Gross profit	1.7
Total operating expenses (excluding depreciation, amortization and impairment of property and equipment, intangible assets and other assets)	7.3
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	0.5
Net financial expenses	0.2
Net loss	(6.3)
<b>Cash flow</b>	
Net cash used in operating activities	(4.4)
Net cash used in investing activities	-
Net cash used in financing activities	-

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 5. LONG-TERM DEBT

	As at July 23, 2017	As at April 30, 2017 (adjusted, Note 1)
	\$	\$
Acquisition facility <sup>(a)</sup>	2,955.0	-
Canadian-dollar-denominated senior unsecured notes	1,583.7	1,461.9
US-dollar-denominated term revolving unsecured operating credit D, maturing in December 2021	1,059.2	694.5
Euro-denominated senior unsecured notes, maturing in May 2026	868.3	815.1
US-dollar-denominated senior unsecured notes <sup>(b)</sup>	577.1	-
CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation <sup>(c)</sup>	444.5	-
NOK-denominated senior unsecured notes, maturing in February 2026	83.7	78.7
Other debts, including obligations under finance leases, maturing at various dates	364.6	304.7
	<u>7,936.1</u>	<u>3,354.9</u>
Current portion of long-term debt	852.2	253.2
	<u>7,083.9</u>	<u>3,101.7</u>

#### (a) Acquisition facility

On June 27, 2017, the Corporation entered into a new credit agreement consisting of an unsecured non-revolving acquisition credit facility of an aggregate maximum amount of \$4.3 billion (the "acquisition facility"), divided into three tranches as follows:

	Principal amount	Maturity
Tranche A	\$2.0 billion	June 27, 2018
Tranche B	\$1.0 billion	June 27, 2019
Tranche C	\$1.3 billion	June 27, 2020

The acquisition facility is available exclusively to finance, directly or indirectly, the acquisition of CST, the related acquisition costs and the repayment of any of CST's and its subsidiaries' outstanding debt. Amounts can be drawn up to 90 days after the first draw and can be reimbursed at any time. The acquisition facility is available in US dollars by way of US base rate loans or LIBOR rate loans. Depending on the form of the loan, the amounts borrowed bear interest at variable rates based on the US base rate or the LIBOR rate plus a variable margin.

As at July 23, 2017, the weighted average effective interest rate was 2.75% and the Corporation was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

Subsequent the 12-week period ended July 23, 2017, a portion of this acquisition facility was repaid (see Note 12 for more details).

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

As at July 23, 2017, pursuant to the acquisition of CST, the Corporation had US-dollar-denominated senior unsecured notes totaling \$550.0 with a coupon rate of 5.00% and maturing on May 1, 2023. Interest is payable semi-annually on May 1 and November 1 of each year. As at July 23, 2017, the effective rate was 5.26%.

On July 28, 2017, the Corporation repaid those US-dollar-denominated senior unsecured notes for an amount of \$583.7 using its acquisition facility.

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

As at July 23, 2017, through the consolidation of CAPL, the Corporation had a credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of \$550.0, maturing on March 4, 2019, under which swing-line loans may be drawn up to \$25.0 and standby letters of credit may be issued up to an aggregate of \$45.0. This facility was without recourse to the Corporation.

As at July 23, 2017, the effective interest rate was 4.11%, and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

### 6. INTEREST RATE LOCKS

During the 12-week period ended July 23, 2017, the Corporation extended its interest rate locks that were effective as at April 30, 2017, and entered into new interest rate locks at the following conditions:

Notional amount	Interest lock term	Rate	Maturity date
\$			
250.0	5 years	From 1.9505% to 1.9545%	July 28, 2017
250.0	10 years	From 2.3922% to 2.3929%	July 28, 2017

The Corporation has designated these instruments as a cash flow hedge of its interest payments on the issuance of US-dollar-denominated senior unsecured notes, and applied hedge accounting. As a result, during the 12-week period ended

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July 23, 2017, a loss of \$6.1 was recognized to Accumulated other comprehensive loss to reflect the fluctuation in the interest rate locks fair value.

On July 20, 2017, prior to their maturity, the Corporation settled all its interest rate locks. As at the same date, the total cumulative loss since the Corporation first entered into interest rate locks was \$14.7. This loss was recognized to Accumulated other comprehensive loss and will be amortized over the term of the related US-dollar-denominated senior unsecured notes issued on July 26, 2017. The amortization will be recognized in the consolidated statements of earnings as financial expense and will adjust the effective interest on the US-dollar-denominated-senior unsecured notes issued on July 26, 2017.

### 7. 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 23, 2017			12-week period ended July 17, 2016 (adjusted, Note 1)		
	Net earnings	Weighted average number of shares (in thousands)	Net earnings per share	Net earnings	Weighted average number of shares (in thousands)	Net earnings per share
	\$		\$	\$		\$
Basic net earnings attributable to Class A and B shareholders	364.7	568,452	0.64	322.8	567,677	0.56
Dilutive effect of stock options	-	907	-	-	1,524	-
Diluted net earnings available for Class A and B shareholders	364.7	569,359	0.64	322.8	569,201	0.56

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 23, 2017, and July 17, 2016, 378,008 and 203,713 stock options were excluded, respectively.

### 8. ACCUMULATED OTHER COMPREHENSIVE LOSS

As at July 23, 2017

	Items that may be reclassified to earnings				Will never be reclassified to earnings	Accumulated other comprehensive loss
	Cumulative translation adjustments	Net investment hedge	Available-for-sale investment	Cash flow hedge	Cumulative net actuarial loss	
	\$	\$	\$	\$	\$	\$
Balance, before income taxes	(327.7)	(241.8)	(3.0)	(13.9)	(35.8)	(622.2)
Less: Income taxes	-	(1.0)	1.5	(0.1)	(9.0)	(8.6)
Balance, net of income taxes	(327.7)	(240.8)	(4.5)	(13.8)	(26.8)	(613.6)

As at July 17, 2016 (adjusted, Note 1)

	Items that may be reclassified to earnings				Will never be reclassified to earnings	Accumulated other comprehensive loss
	Cumulative translation adjustments	Net investment hedge	Available-for-sale investment	Cash flow hedge	Cumulative net actuarial loss	
	\$	\$	\$	\$	\$	\$
Balance, before income taxes	(456.2)	(281.4)	(2.4)	2.9	(19.0)	(756.1)
Less: Income taxes	-	(0.4)	(0.3)	0.8	(4.5)	(4.4)
Balance, net of income taxes	(456.2)	(281.0)	(2.1)	2.1	(14.5)	(751.7)

### 9. CAPITAL STOCK

#### Issued and outstanding shares

As at July 23, 2017, the Corporation has 147,766,540 issued and outstanding Class A multiple-voting shares (147,766,540 as at April 30, 2017), with each share comprising 10 votes, and 420,685,723 issued and outstanding Class B subordinate voting shares (420,683,538 as at April 30, 2017), with each share comprising 1 vote.

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### Stock options

For the 12-week period ended July 23, 2017, a total of 2,260 stock options were exercised (none for the 12-week period ended July 17, 2016).

On July 20, 2017, 160,625 stock options were granted under the Corporation's stock option plan. A description of the Corporation's stock-based compensation plan is included in Note 26 of the consolidated financial statements presented in the Corporation's 2017 Annual Report.

The fair value of stock options granted for the 12-week period ended July 23, 2017 was CA\$17.54 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:

- Risk-free interest rate of 1.77%;
- Expected life of 8 years;
- Expected volatility of 25.0%;
- Expected quarterly dividend of CA\$0.09 per share.

### 10. 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, Ingo, Kangaroo Express, Mac's, Re.Store, Statoil and Topaz. Revenues from external customers mainly fall into three categories: merchandise and services, road transportation fuel and other.

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

	12-week period ended July 23, 2017				12-week period ended July 17, 2016 (adjusted, Note 1)			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>External customer revenues<sup>(a)</sup></b>								
Merchandise and services	1,982.1	320.6	477.1	2,779.8	1,812.9	263.6	456.3	2,532.8
Road transportation fuel	4,254.9	1,597.7	967.4	6,820.0	3,807.9	1,351.4	501.9	5,661.2
Other	3.3	237.5	6.6	247.4	3.0	223.5	0.1	226.6
	<b>6,240.3</b>	<b>2,155.8</b>	<b>1,451.1</b>	<b>9,847.2</b>	<b>5,623.8</b>	<b>1,838.5</b>	<b>958.3</b>	<b>8,420.6</b>
<b>Gross profit</b>								
Merchandise and services	659.7	134.9	167.0	961.6	602.0	109.9	151.4	863.3
Road transportation fuel	403.2	239.1	82.6	724.9	362.5	210.2	39.2	611.9
Other	3.3	42.2	6.8	52.3	3.0	41.1	0.1	44.2
	<b>1,066.2</b>	<b>416.2</b>	<b>256.4</b>	<b>1,738.8</b>	<b>967.5</b>	<b>361.2</b>	<b>190.7</b>	<b>1,519.4</b>
<b>Total long-term assets<sup>(b)</sup></b>	<b>10,078.8</b>	<b>3,773.6</b>	<b>2,162.6</b>	<b>16,015.0</b>	<b>5,146.1</b>	<b>3,805.2</b>	<b>589.3</b>	<b>9,540.6</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.

### 11. 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 amount given their short maturity. The fair value of Obligations related to buildings and equipment under finance leases is comparable to its carrying amount given that implicit interest rates are generally consistent with equivalent market interest rates for similar obligations. The carrying value of the acquisition facility, the term revolving unsecured operating credit D and the senior secured revolving credit facility approximates its fair value given that their credit spreads are similar to the credit spread the Corporation would obtain under similar conditions at the reporting date.

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### Fair value hierarchy

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

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

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

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

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

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

- The fair value of the investment contract including an embedded total return swap, which is mainly based on the fair market value of the Corporation's Class B shares, is \$47.1 as at July 23, 2017 (\$44.4 as at April 30, 2017) (Level 2); and
- The fair value of the cross-currency interest rate swaps, which is determined based on market rates, is \$214.3 as at July 23, 2017 (\$294.9 as at April 30, 2017) (Level 2). They are presented as Other short-term financial assets and Other financial liabilities on the consolidated balance sheets.

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

- The table below presents the fair value, which is based on observable market data, and the carrying value of the financial instruments which are not measured at fair value on the consolidated balance sheets:

	As at July 23, 2017		As at April 30, 2017	
	Carrying value	Fair value	Carrying value	Fair value
Canadian-dollar-denominated senior unsecured notes	\$ 1,583.7	\$ 1,641.3	\$ 1,461.9	\$ 1,542.6
Euro-denominated senior unsecured notes	868.3	894.3	815.1	840.4
US-dollar-denominated senior unsecured notes	577.1	583.6	-	-
NOK-denominated senior unsecured notes	83.7	88.6	78.7	81.1

## 12. SUBSEQUENT EVENTS

### Acquisition

On August 7, 2017, the Corporation reached an agreement to acquire certain assets from Jet Pep, Inc., including a fuel terminal, associated trucking equipment and 18 retail sites located in Alabama. In addition, through a distinct transaction, CrossAmerica Partners LP has also agreed to purchase other assets of Jet Pep, Inc. consisting of 101 commission operated retail sites, including 92 owned sites, 5 leased sites and 4 independent commission accounts. These transactions are subject to the customary regulatory approvals and closing conditions and are expected to close during the third quarter of fiscal 2018. These transactions are expected to be financed using available cash and existing credit facilities.

### Issuance of Canadian- and US-dollar-denominated senior unsecured notes

On July 26, 2017, the Corporation issued Canadian-dollar-denominated senior unsecured notes totaling CA \$700.0 (approximately \$558.0) as well as US-dollar-denominated senior unsecured notes totaling \$2.5 billion, divided as follow.

	Notional amount	Maturity	Coupon rate
Tranche 1	\$1,000.0	July 26, 2022	2.700%
Tranche 2	CA\$700.0	July 26, 2024	3.056%
Tranche 3	\$1,000.0	July 26, 2027	3.550%
Tranche 4	\$500.0	July 26, 2047	4.500%

Interest is payable semi-annually on January 26 and July 26 of each year.

The net proceeds from those issuances, which were approximately \$3.0 billion, were mainly used to repay a portion of the Corporation's acquisition facility and of its term revolving unsecured operating credit facility.

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### Cross-currency interest rate swap

On July 20, 2017, the Corporation entered into a cross-currency interest rate swap agreement, allowing it to synthetically convert its newly issued Canadian-dollar-denominated senior unsecured notes into US dollars. This agreement became effective on July 26, 2017.

Receive – Notional	Receive – Rate	Pay – Notional	Pay – Rate	Maturity
CA \$700.0	3.0560%	US \$557.4	From 3.2255% to 3.3335%	July 26, 2024

This agreement is designated as a foreign exchange hedge of the Corporation's net investment in its operations in the United States.

### Hurricane

Subsequent to the end of the 12-week period ended July 23, 2017, the Corporation's store network was impacted by hurricane Harvey in Texas. 123 of the Corporation's stores were affected at various levels and had to close for a certain period of time. As at September 5, 2017, 24 stores were still closed. The Corporation is working assiduously to support its employees and reopen its stores. The Corporation will continue its diligent work towards reopening its stores and will work with its insurance companies in order to minimize the financial impact of the storm as much as possible.

### Long-term debt repayment

On July 28, 2017, the Corporation repaid all of CST's outstanding senior notes for an amount of \$583.7 from amounts drawn from its acquisition facility.

### Dividends

During its September 6, 2017 meeting, the Corporation's Board of Directors declared a quarterly dividend of CA 9.0¢ per share for the first quarter of fiscal 2018 to shareholders on record as at September 15, 2017, and approved its payment for September 29, 2017. This is an eligible dividend within the meaning of the Income Tax Act of Canada.